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U.S. Treasury Dept.
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TREASURY DEPARTMENT

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United States Savings Bonds Issued and Redeemed Through December 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	$ 4,988	$ 15	.30 %
Series F & G-1941 - 1950	28,512	28,196	316	1.11
UNMATURED				
Series E: 3/				
1941	1,820	1,520	300	16.48
1942	8,038	6,726	1,312	16.32
1943	12,936	10,822	2,114	16.34
1944	15,061	12,502	2,559	16.99
1945	11,793	9,573	2,220	18.82
1946	5,293	4,068	1,224	23.12
1947	4,980	3,641	1,340	26.91
1948	5,129	3,636	1,492	29.09
1949	5,042	3,482	1,560	30.94
1950	4,392	2,942	1,451	33.04
1951	3,804	2,522	1,282	33.70
1952	3,977	2,536	1,441	36.23
1953	4,516	2,683	1,833	40.59
1954	4,549	2,647	1,902	41.81
1955	4,715	2,701	2,013	42.69
1956	4,531	2,600	1,931	42.62
1957	4,252	2,330	1,921	45.18
1958	4,103	2,094	2,009	48.96
1959	3,832	1,880	1,952	50.94
1960	3,808	1,689	2,119	55.65
1961	3,812	1,407	2,405	63.09
1962	2,851	622	2,229	78.18
Unclassified	422	445	-24	-
Total Series E	123,658	85,071	38,587	31.20
Series H-1952 - 1962 3/	8,718	1,806	6,912	79.28
Total Series E and H	132,376	86,876	45,499	34.37
Series F and G:				
1951	794	429	365	45.97
1952	212	107	104	49.06
Unclassified	-	184	-184	-
Total Series F and G	1,005	720	285	28.36
Series J and K-1952 - 1957	3,690	1,939	1,751	47.45
Total Series F, G, J and K	4,695	2,659	2,036	43.37
All Series: Total ma[illegible]	[illegible]	[illegible]	331	.99
All Series: [illegible]			7,535	34.68
All Series: Grand Total	170,586	122,720	47,866	28.06

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.

OFFICE OF FISCAL ASSISTANT SECRETARY

United States Savings Bonds Issued and Redeemed Through December 31, 1962

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Unclassified	-	184	-184	-
Total Series F and G	1,005	720	285	28.36
Series J and K-1952 - 1957	3,690	1,939	1,751	47.45
Total Series F, G, J and K	4,695	2,659	2,036	43.37
All Series: Total matured	33,515	33,184	331	.99
All Series: Total unmatured	137,071	89,535	47,535	34.68
All Series: Grand Total	170,586	122,720	47,866	28.06

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.

OFFICE OF FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE January 2, 1963

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 $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing January 10, 1963 , in the amount of $ 2,001,454,000 , as follows:

91 -day bills (to maturity date) to be issued January 10, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated October 11, 1962 , and to mature April 11, 1963 , originally issued in the amount of $ 700,610,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated January 10, 1963 , and to mature July 11, 1963 .

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, January 7, 1963 . 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 $200,000 or less for the additional bills dated October 11, 1962, (91 days remaining until maturity date on April 11, 1963) 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 January 10, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 10, 1963. Cash

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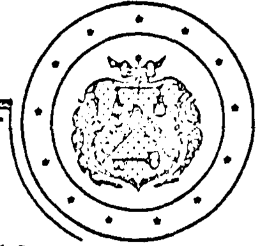
and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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.

TREASURY DEPARTMENT



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91-day bills (to maturity date) to be issued January 10, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated October 11,1962, and to mature April 11,1963, originally issued in the amount of $700,610,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated January 10, 1963, and to mature July 11, 1963.

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, January 7, 1963. 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.

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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.

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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 Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 400,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on January 15, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 15, 1963. 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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE January 2, 1963

TREASURY INCREASES ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $ 2,500,000,000 , or thereabouts, of 365 -day Treasury bills, for cash and in exchange for Treasury bills maturing January 15, 1963 , in the amount of $ 2,001,255,000 , to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated January 15, 1963 , and will mature January 15, 1964 , 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, Wednesday, January 9, 1963. 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.

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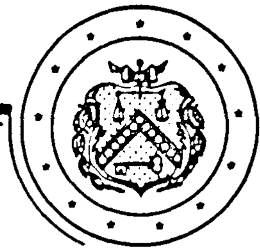
TREASURY DEPARTMENT



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DRAFT PRESS RELEASE - 1-7-63

FOR IMMEDIATE RELEASE

TREASURY GIVES COMPETITIVE BIDDERS FOR BONDS
CHOICE OF 4 OR 4-1/8 PERCENT COUPON INTEREST RATE

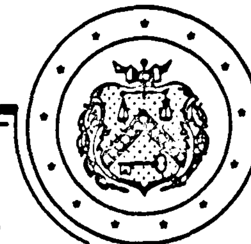
Acting Treasury Secretary Henry H. Fowler today announced that bidders will be offered the option of bidding upon either a 4 percent or 4-1/8 percent coupon rate for the $250,000,000 Treasury bonds of 1988-93, the first to be sold to underwriters under competitive bidding. Each bidder may submit only one bid which must specify one of these two coupon rates. The successful bidder will be required to make a bona fide reoffering of all the bonds to the investing public.

As previously announced, bidders must file a Notice of Intent to Bid at the Federal Reserve Bank of New York not later than 12:00 noon Eastern Standard Time, on January [illegible], 1963. Final bids must be received at the same place not later than 11:00 a.m., Eastern Standard Time, on Tuesday, January 8, 1963.

The bonds will mature on February 15, 1993, but may be called for payment on February 15, 1988, or any interest payment date thereafter. The bonds will be dated January 17, 1963. Interest will be payable on February 15 and August 15 of each year until the bonds mature or are called. The first interest coupon, payable August 15, 1963, will cover interest accrued between January 17, 1963 and August 15, 1963.

Payment for the bonds must be made in immediately available funds not later than 11:00 a.m., Eastern Standard Time, on January 17, 19

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 2, 1963

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As previously announced, bidders must file a Notice of Intent to Bid at the Federal Reserve Bank of New York not later than 12:00 noon, Eastern Standard Time, on January 4, 1963. Final bids must be received at the same place not later than 11:00 a.m., Eastern Standard Time, on Tuesday, January 8, 1963.

The bonds will mature on February 15, 1993, but may be called for payment on February 15, 1988, or any interest payment date thereafter. The bonds will be dated January 17, 1963. Interest will be payable on February 15 and August 15 of each year until the bonds mature or are called. The first interest coupon, payable August 15, 1963, will cover interest accrued between January 17, 1963 and August 15, 1963.

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D-711

He has maintained an active interest in education and civic affairs. He is a former member of the Arlington County School Board and a former PTA President, and has been active in the American Society for Public Administration, in church activities, and with the Boy Scouts of America.

who was one of the pioneers in the field of government budgeting. In addition to having held a variety of budgetary positions, he has also served as Deputy Director for Management, Office of Personnel, State Department, and Director, Office of Personnel, Department of Agriculture.

Mr. Betts was born in Wisconsin in 1914. He attended Platteville State Teachers College and Vernon County Normal School, majoring in education. He has studied at the Department of Agriculture Graduate School, the Foreign Service Institute, and the Columbia Teachers College, Columbia University. He participated in several conferences and seminars conducted by the Brookings Institution and the Bureau of the Budget.

Before entering government service, Mr. Betts was a teacher and principal in rural and elementary schools in Wisconsin.

Jan. 4, 1963

ERNEST C. BETTS, JR. APPOINTED NEW
BUDGET OFFICER OF TREASURY DEPARTMENT

[The T Dept today announced the appointment of]

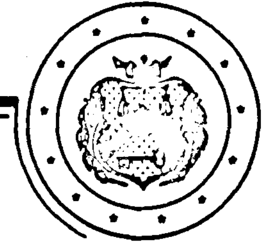
Mr. Ernest C. Betts, Jr. ~~has been named~~ as ~~Treasury~~ Budget Officer, ~~Acting Secretary Henry H. Fowler~~ said today.

Mr. Betts, whose appointment becomes effective January 14, 1963, succeeds Colonel Willard L. Johnson who retired December 31, 1962.

Mr. Betts is now the Director, Office of the Budget, State Department. He has broad ~~long~~ experience in both budget as well as general administration. During his 24 years of Government service, he has held progressively responsible positions in financial management, ~~in~~ personnel, general administration, and ~~in~~ the Foreign Service.

During his early years in the Agriculture Department Mr. Betts worked as a budget examiner under Mr. W. A. Jump

TREASURY DEPARTMENT



WASHINGTON, D.C.

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D-712

US Tourists may Buy Egyptian Pounds at Cairo Embassy

~~PRESS~~ RELEASE

The Department of State and the Treasury Department today announced that the American Embassy in Cairo, United Arab Republic, has been authorized to sell to American tourists Egyptian pounds received by the United States from the sale of surplus agricultural commodities.

The action was taken under a recent Executive Order which put into effect a 1961 amendment to the Agricultural Trade Development and Assistance Act of 1954.

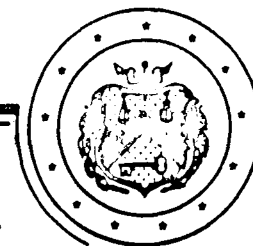
Since enactment of this amendment, provisions for sales to tourists have been included in agreements with seventeen countries; however, in most of these countries the currencies held by the United States, and which would otherwise be available for this purpose, are presently expected to be needed to meet United States operational expenses in these countries, and sales to tourists at this time have not been authorized. In still other countries, where the United States holds currencies in excess of its normal operational requirements, individual agreements must be negotiated with such countries before the currencies can be sold to American tourists.

American tourists, upon presentation of passport, can obtain Egyptian pounds at the American Embassy in Cairo in exchange for United States currency, personal checks drawn on a bank in the United States, or certain other United States dollar instruments.

Mrs Chomsky - (State)
182 - 6385

Cleared with State/OTF:FN-ERCheney

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 7, 1963

FOR IMMEDIATE RELEASE

U. S. TOURISTS MAY BUY EGYPTIAN
POUNDS AT CAIRO EMBASSY

The Department of State and the Treasury Department today announced that the American Embassy in Cairo, United Arab Republic, has been authorized to sell to American tourists Egyptian pounds received by the United States from the sale of surplus agricultural commodities.

The action was taken under a recent Executive Order which put into effect a 1961 amendment to the Agricultural Trade Development and Assistance Act of 1954.

Since enactment of this amendment, provisions for sales to tourists have been included in agreements with seventeen countries; however, in most of these countries the currencies held by the United States, and which would otherwise be available for this purpose, are presently expected to be needed to meet United States operational expenses in these countries, and sales to tourists at this time have not been authorized. In still other countries, where the United States holds currencies in excess of its normal operational requirements, individual agreements must be negotiated with such countries before the currencies can be sold to American tourists.

American tourists, upon presentation of passport, can obtain Egyptian pounds at the American Embassy in Cairo in exchange for United States currency, personal checks drawn on a bank in the United States, or certain other United States dollar instruments.

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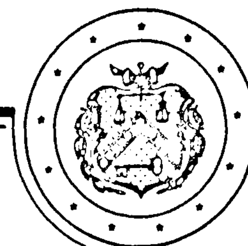
D-713

TREASURY DEPARTMENT



WASHINGTON, D.C.

OR RELEASE A. M. NEWSPAPERS, uesday, January 8, 1963.

January 7, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of reasury bills, one series to be an additional issue of the bills dated October 11, 1962, nd the other series to be dated January 10, 1963, which were offered on January 2, were pened at the Federal Reserve Banks on January 7. Tenders were invited for $1,300,000,000, r thereabouts, of 91-day bills and for $800,000,000, or thereabouts of 182-day bills. The etails of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing April 11, 1963		:	182-day Treasury bills maturing July 11, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.267 a/	2.900%	:	98.508	2.951%
Low	99.259	2.931%	:	98.496	2.975%
Average	99.262	2.920% 1/	:	98.501	2.966% 1/

a/ Excepting two tenders totaling $350,000
35 percent of the amount of 91-day bills bid for at the low price was accepted
7 percent of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 27,630,000	$ 17,630,000	:	$ 16,227,000	$ 10,367,000
New York	1,555,133,000	801,133,000	:	1,194,787,000	656,027,000
Philadelphia	29,188,000	14,188,000	:	10,721,000	5,721,000
Cleveland	35,426,000	35,426,000	:	38,509,000	11,093,000
Richmond	22,458,000	21,808,000	:	8,486,000	7,486,000
Atlanta	36,590,000	32,610,000	:	7,492,000	6,313,000
Chicago	251,675,000	189,795,000	:	155,566,000	47,776,000
St. Louis	38,530,000	32,530,000	:	7,679,000	5,679,000
Minneapolis	19,598,000	14,123,000	:	5,841,000	3,341,000
Kansas City	41,694,000	40,482,000	:	21,303,000	15,185,000
Dallas	33,706,000	28,056,000	:	10,965,000	6,035,000
San Francisco	104,133,000	72,601,000	:	64,140,000	25,525,000
TOTALS	$2,195,761,000	$1,300,382,000 b/		$1,541,716,000	$800,548,000 c/

Includes $293,462,000 noncompetitive tenders accepted at the average price of 99.262
Includes $63,918,000 noncompetitive tenders accepted at the average price of 98.501
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.98%, for the 91-day bills, and 3.05%, 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-714

"The bidding of the various syndicates indicates their combined judgment that borrowing of this amount can be readily fitted into the existing rate structure. It clearly indicates that it is possible for the Treasury to tap the long-term market in this amount with a minimum impact on the supply of funds related to the needs of the economy."

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a syndicate headed by First Boston Corporation, Continental Illinois National Bank and Trust Co. of Chicago, and Discount Corporation of New York, and 80 others: $99.71014 for a 4 percent coupon, resulting in a net basis cost of money of 4.016334 percent.

and by C. F. Childs & Co., Inc.: $100.00000 for a 4-1/8 percent coupon, resulting in a net basis cost of money of 4.124621 percent.

Secretary Dillon said:

"The bidding by the four syndicates indicates that the market has responded with keen interest to this first offering of bonds at competitive bidding and has provided the base for the potential development of an important new instrument for debt management. The winning bid is highly satisfactory to the Treasury from the standpoint of interest cost; the second bid was within $275 of the winning bid.

"The experience in the distribution of these securities, of course, will be of great interest to the Treasury in demonstrating the efficacy of this approach to the wider distribution of Treasury offerings for cash in the long-term area.

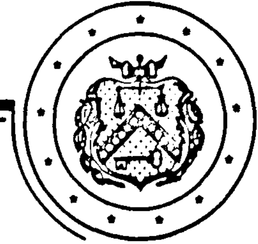
FOR IMMEDIATE RELEASE

The Secretary of the Treasury announced today that a syndicate headed by: C. J. Devine and Company, Salomon Bros. and Hutzler, Bankers Trust Co., Chase Manhattan Bank, First National City Bank of New York, Chemical Bank/New York Trust Co., and the First National Bank of Chicago, and 67 others, was the successful bidder for the $250 million Treasury Bonds of 1988-93 offered today at competitive bidding. The winning bid was $99.85111 per $100 of face amount for a 4 percent coupon, which results in a net basis cost of money to the Treasury of 4.008210 percent, calculated to maturity. It is understood that the winning syndicate is reoffering the bonds at par.

Other bids submitted were:

a syndicate headed by Morgan Guaranty Trust Co. of New York, Bank of America, N.T. and S.A., San Francisco, Blyth & Co., Inc., Halsey Stuart & Co., Inc., and Aubrey G. Lanston & Co., Inc., and 47 others; $99.85100 for a 4 percent coupon, resulting in a net basis cost of money of 4.008216 percent.

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 8, 1962

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES RESULTS OF COMPETITIVE BIDDING FOR $250 MILLION TREASURY BONDS

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"The experience in the distribution of these securities, of course, will be of great interest to the Treasury in demonstrating the efficacy of this approach to the wider distribution of Treasury offerings for cash in the long-term area.

"The bidding of the various syndicates indicates their combined judgment that borrowing of this amount can be readily fitted into the existing rate structure. It clearly indicates that it is possible for the Treasury to tap the long-term market in this amount with a minimum impact on the supply of funds related to the needs of the economy."

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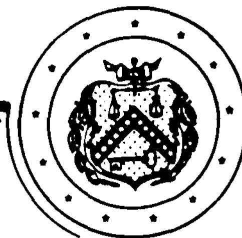
TREASURY DEPARTMENT



WASHINGTON, D.C.

January 9, 1963

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN DECEMBER

During December 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 $19,455,000.

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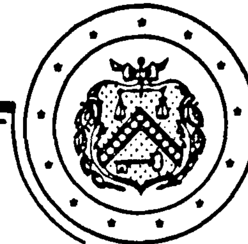
TREASURY DEPARTMENT



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D-716

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 October 18, 1962, (91 days remaining until maturity date on April 18, 1963) 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 January 17, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 17, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

January 9, 1963

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 $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing January 17, 1963 , in the amount of $2,100,520,000 , as follows:

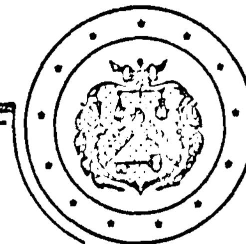
91 -day bills (to maturity date) to be issued January 17, 1963 , in the amount of $1,300,000,000 , or thereabouts, representing an additional amount of bills dated October 18, 1962 , and to mature April 18, 1963 , originally issued in the amount of $ 700,038,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated January 17, 1963 , and to mature July 18, 1963 .

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, January 14, 1963 . 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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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-717

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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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FOR RELEASE A. M. NEWSPAPERS,
Thursday, January 10, 1963.

January 9, 1963

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $2,500,000,000, or thereabouts, of 365-day Treasury bills to be dated January 15, 1963, and to mature January 15, 1964, which were offered on January 2, were opened at the Federal Reserve Banks on January 9.

The details of this issue are as follows:

Total applied for - $5,244,461,000
Total accepted - 2,501,250,000 (includes $243,310,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting three tenders totaling $5,300,000)

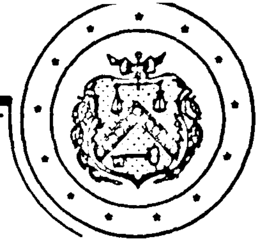
High	- 96.958	Equivalent rate of discount approx. 3.000% per annum
Low	- 96.938	" " " " " 3.020% " "
Average	- 96.943	" " " " " 3.015% " " 1/

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 71,079,000	$ 8,979,000
New York	3,877,645,000	1,739,008,000
Philadelphia	58,461,000	11,951,000
Cleveland	216,550,000	118,239,000
Richmond	19,353,000	10,981,000
Atlanta	47,268,000	28,082,000
Chicago	479,381,000	306,594,000
St. Louis	59,703,000	29,410,000
Minneapolis	47,614,000	18,514,000
Kansas City	67,977,000	43,607,000
Dallas	42,580,000	13,840,000
San Francisco	256,850,000	172,045,000
TOTAL	$5,244,461,000	$2,501,250,000

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 3.13%. 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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earned on the bond, and for the amount of the deduction when the bond was purchased. When an employee redeems his bonds he is subject to tax for the interest on the bonds and any amount contributed by his employer.

Because the bonds represent a form of savings and have some features comparable to Series E and H Savings Bonds, their sales will be reflected in Savings Bonds reports. No yearly sales goal will be set for these bonds; nor will they be promoted within the framework of special Savings Bond campaigns. However, since Savings Bonds representatives work closely with banks and other financial institutions in promoting and servicing the Savings Bonds program, their assistance in this new area should materially aid in the understanding of the terms and conditions of the Retirement Bonds.

The Retirement Bonds may only be registered in the names of natural persons in single ownership or beneficiary form. They may ~~only~~ be purchased only in connection with bond purchase plans and pension and profit sharing plans as described in the 1962 Act. The new retirement bonds must be registered in the name of the self-employed person or the employee for whom they are bought.

Bond purchase plans using the new retirement plan bonds and meeting the requirements of the new law will enjoy income tax advantages similar to those granted to pension and profit sharing plans. Self-employed persons can deduct from income subject to tax up to $1250 annually for contributions to their own retirement. When a self-employed person redeems his bond he becomes liable, for income tax purposes, for the interest

to the issuing agents. Also like Savings Bonds, the bonds will bear interest from the first of the month in which the authorized issuing agent receives payment for them.

The bonds will be sold at par in denominations of $50, $100, $500, and $1,000, and will provide an investment yield of 3-3/4 percent a year, compounded semi-annually. Interest, together with the principal, will be paid only upon redemption. The bonds will increase in redemption value at the end of each half-year period following their issue date. In accordance with the law and regulations contained in the attached Department Circular Number 1-63, the bonds cannot be redeemed until their owners reach 59-1/2 years of age, upon the owner's death or disability. Interest on the bonds stops five years after the death of the person in whose name it is registered.

D R A F T   R E L E A S E

January 10, 1963

FOR IMMEDIATE RELEASE

NEW TREASURY RETIREMENT PLAN BOND OFFERED

The Secretary of the Treasury today announced the offering of United States Retirement Plan Bonds under the Self-Employed Individuals Tax Retirement Act of 1962.

Applications for the bonds will be available at banks and other financial institutions during the week of January 21. Bonds bought during January will bear interest from January 1, 1963.

Like Series H Savings Bonds, the new bonds may be purchased at any Federal Reserve Bank or Branch, or direct from the Office of the Treasurer of the United States, the only authorized issuing agents. Banks and other financial institutions will take applications for issue and redemption of these bonds, as they do for Series H Savings Bonds, for transmittal

TREASURY DEPARTMENT

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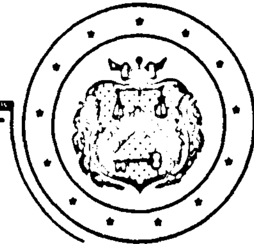

WASHINGTON, D.C.

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The Secretary of the Treasury today announced the offering of United States Retirement Plan Bonds under the Self-Employed Individuals Tax Retirement Act of 1962.

Applications for the bonds will be available at banks and other financial institutions during the week of January 21. Bonds bought during January will bear interest from January 1, 1963.

Like Series H Savings Bonds, the new bonds may be purchased at any Federal Reserve Bank or branch, or direct from the Office of the Treasurer of the United States, the only authorized issuing agents. Banks and other financial institutions will take applications for issue and redemption of these bonds, as they do for Series H Savings Bonds, for transmittal to the issuing agents. Like Savings Bonds, the bonds will bear interest from the first of the month in which the authorized issuing agent receives payment for them.

The bonds will be sold at par in denominations of $50, $100, $500,and $1,000, and will provide an investment yield of 3-3/4 percent a year, compounded semi-annually. Interest, together with the principal, will be paid only upon redemption. The bonds will increase in redemption value at the end of each half-year period following their issue date. In accordance with the law and regulations contained in the attached Department Circular Number 1-63, the bonds cannot be redeemed until their owners reach 59-1/2 years of age, except upon the owner's death or disability. Interest on the bonds stops five years after the death of the person in whose name it is registered.

The Retirement Bonds may only be registered in the names of natural persons in single ownership or beneficiary form. They may be purchased only in connection with bond purchase plans and pension and profit sharing plans as described in the 1962 Act.

D-719

The new retirement bonds must be registered in the name of the self-employed person or the employee for whom they are bought.

Bond purchase plans using the new retirement plan bonds and meeting the requirements of the new law will enjoy income tax advantages similar to those granted to pension and profit sharing plans. Self-employed persons can deduct from income subject to tax up to $1250 annually for contributions to their own retirement. When a self-employed person redeems his bond he becomes liable, for income tax purposes, for the interest earned on the bond, and for the amount of the deduction when the bond was purchased. When an employee redeems his bonds he is subject to tax for the interest on the bonds and any amount contributed by his employer.

Because the bonds represent a form of savings and have some features comparable to Series E and H Savings Bonds, their sales will be reflected in Savings Bonds reports. No yearly sales goal will be set for these bonds; nor will they be promoted within the framework of special Savings Bond campaigns. However, since Savings Bonds representatives work closely with banks and other financial institutions in promoting and servicing the Savings Bonds program, their assistance in this new area should materially aid in the understanding of the terms and conditions of the Retirement Bonds.

oOo

January 10, 1963

SUMMARY OF TERMS AND CONDITIONS
ON
UNITED STATES RETIREMENT PLAN BOND

(For detailed information on the terms and conditions, Treasury Department Circular, Public Debt, Series No. 1-63 should be consulted)

A.	Effective date:	January 1, 1963
B.	Issuing and Paying Agencies	Federal Reserve Banks and branches or the Office of the Treasurer of the United States.
C.	Denominations:	$50, $100, $500, $1,000
D.	Issue date:	First day of month in which payment is received by an issuing agent.
E.	Maturity date:	Interest ceases 5 years after death of the individual in whose name bond is purchased.
F.	Interest:	Interest accrues through increase in redemption value at beginning of each half-year period providing an investment yield of 3.75 per cent, compounded semi-annually.
G.	Redeemability:	Not redeemable except in case of death or disability, until owner attains age 59-1/2 years.
H.	Partial Redemption:	If face value is greater than $50, and only in amounts corresponding to authorized denominations.
I.	Reissue:	Bonds will be reissued to add, eliminate, or substitute a beneficiary.

J. Safety:	Bonds will be reissued if lost, stolen, or destroyed.
K. Taxation:	Bonds are subject to estate, inheritance or other excise taxes, whether Federal or State.
L. Income tax privileges:	Certain deduction for all or part of purchase price of bonds for the taxable year of purchase.
M. Income Tax Liability:	When self-employed person redeems bonds, liability accrues for interest earned on bond and for amount of deduction taken for the year of purchase. When employee redeems bonds, liabilit accrues for interest on bonds and for any amount contributed toward purchase price by employer.
N. Registration - Eligible Subscribers:	May be registered only in name of employee or self-employed person for whom purchased, in single ownership and beneficiary forms.
O. Redeemability prior to maturity at option of Treasury:	None
P. Nontransferance:	Bonds cannot be transferred, sold, or used as collateral.
Q. Annual Limitation:	Purchases in any one year up to $5,000 in the name of one owner.

TREASURY DEPARTMENT
WASHINGTON, D.C.
TITLE 31--MONEY AND FINANCE
CHAPTER II--FISCAL SERVICE
PART 341--REGULATIONS GOVERNING UNITED STATES
RETIREMENT PLAN BONDS

1963
Department Circular
Public Debt Series -- No. 1-63
- - - -
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington,

Sec. 341.0. Offering of bonds.--The Secretary of the Treasury, under the authority of the Second Liberty Bond Act, as amended, and pursuant to the Self-Employed Individuals Tax Retirement Act of 1962, offers for sale, effective as of January 1, 1963, bonds of the United States, designated as United States Retirement Plan Bonds. The bonds will be available for investment only to (1) bond purchase plans and (2) pension and profit-sharing plans, as described in Sections 405 and 401, respectively, of the Internal Revenue Code of 1954. This offering of bonds will continue until terminated by the Secretary of the Treasury.

Sec. 341.1. Description of bonds.--(a) Investment yield (interest).--United States Retirement Plan Bonds, hereinafter sometimes referred to as Retirement Plan Bonds, will be issued at par. The investment yield (interest) on the bonds will be 3-3/4 percent per annum, compounded semiannually, as set forth in the table of redemption values appended to this circular. Such interest will be paid only upon redemption of the bonds. The accrual of interest will continue until the bonds have been

redeemed or have reached maturity, whichever is earlier, in accordance with these regulations.

(b) Term.--The maturity date of any bond issued under this circular shall be indeterminate, but unless sooner redeemed in accordance with these regulations, its investment yield will cease on the interest accrual date coinciding with, or, where no such coincidence occurs, the interest accrual date next preceding, the first day of the sixtieth (60th) month following the date of death of the person in whose name it is registered.

(c) Denominations--issue date.--Retirement Plan Bonds will be available only in registered form and in denominations of $50, $100, $500, and $1,000. At the time of issue, the issuing agent will enter in the upper right-hand portion of the bond the issue date (which shall be the first day of the month and year in which payment of the purchase price is received by an authorized issuing agent), and will imprint the agent's validating stamp in the lower right-hand portion. The issue date, as distinguished from the date in the agent's validating stamp, will determine the date from which interest will begin to accrue on the bond. A Retirement Plan Bond shall be valid only if an authorized issuing agent receives payment therefor, duly inscribes, dates, stamps, and delivers it.

Sec. 341.2. Registration.--(a) General.--The registration of Retirement Plan Bonds is limited to the names of natural persons in their own right, whether adults or minors, in either single ownership

or beneficiary form. A bond registered in beneficiary form will be inscribed substantially as follows (for example): "John A. Doe payable on death to (or P.O.D.) Richard B. Roe." No more than one beneficiary may be designated on a bond.

(b) Inscription.--The inscription on the face of each bond will show the name, address, date of birth, and the social security account number of the registered owner, as well as information as to whether he is a self-employed individual or an employee, and the amount he contributed (if any) out of his own funds toward the purchase price of the bond. In the case of any self-employed individual (who is treated as an employee for the purpose of Sections 405 and 401 of the Internal Revenue Code of 1954), this amount would be that portion of the purchase price he contributed (if any) as an employee and which he will not take into account in determining the amount deductible for Federal income tax purposes. The name of the beneficiary, if one is to be designated, will also be shown in the inscription.

Sec. 341.3. Purchase of bonds.--(a) Agencies.--Retirement Plan Bonds may be purchased over-the-counter or by mail from Federal Reserve Banks and Branches and the Office of the Treasurer of the United States, Washington 25, D. C. Customers of commercial banks and trust companies may be able to arrange for the purchase of the bonds through such institutions, but only the Federal Reserve Banks and Branches and the Treasurer's Office are authorized to act as official agencies, and the date of receipt of the application and payment by an official agency will govern the dating of the bonds issued.

(b) Applications.--Applications for the purchase of Retirement Plan Bonds should be made on Form PD 3550, accompanied by a remittance to cover the purchase price. Personal checks will be accepted, subject to collection. Checks, or other forms of exchange, should be drawn to the Federal Reserve Bank or Treasurer of the United States, as the case may be. Checks payable by endorsement are not acceptable.

(c) Delivery.--Delivery of bonds will be made in person, or by mail at the risk and expense of the United States at the address given by the purchaser, but only within the United States, its territories and possessions, the Commonwealth of Puerto Rico, and the Canal Zone. No mail deliveries elsewhere will be made. If the registered owner temporarily resides abroad, the bonds will be delivered to such address in the United States as the purchaser directs.

Sec. 341.4. Proof of Purchase.--At the time a Retirement Plan Bond is issued, the issuing agent will furnish therewith to the purchaser, and in cases where the purchaser is different from the person in whose name the bond is inscribed, to the registered owner as well, proof of the purchase on Form PD 3550. The form will show the names and addresses of the purchaser and of the registered owner, the latter's date of birth, social security account number and his classification (i.e., self-employed individual or employee), the number of bonds issued, a description thereof by issue date, serial numbers, denominations, and registration, together with information

as to the amount of his contributions (if any) toward the purchase price of the bonds.

Sec. 341.5. Limitation on holdings.--The limit on the amount of any Retirement Plan Bonds issued during any one calendar year that may be purchased in the name of any one person as registered owner is $5,000 (face value).

Sec. 341.6. Nontransferability.--United States Retirement Plan Bonds are not transferable, and may not be sold, discounted or pledged as collateral for a loan or as security for the performance of an obligation, or for any other purpose.

Sec. 341.7. Judicial proceedings.--No judicial determination will be recognized which would give effect to an attempted voluntary transfer inter vivos of a Retirement Plan Bond. Otherwise, a claim against a registered owner will be recognized when established by valid judicial proceedings, but in no case will payment be made to the purchaser at a sale under a levy or to the officer authorized to levy upon the property of the owner under appropriate process to satisfy a money judgment unless or until the bond has become eligible for redemption pursuant to these regulations. Neither the Treasury Department nor any of its agencies will accept notices of adverse claims or of pending judicial proceedings or undertake to protect the interests of litigants who do not have possession of the bond.

Sec. 341.8. Payment or redemption during lifetime of owner.--
(a) At age 59½ or thereafter.--A Retirement Plan Bond will be redeemable at its current redemption value upon the request of the registered

owner (or a person recognized as entitled to act on his behalf), provided he is 59½ years of age or older. The owner's age will be determined from the date of birth shown on the face of the bond, provided, however, that the Secretary of the Treasury reserves the right in any case or class of cases to require proof, in the form of a duly certified copy of his birth certificate, that the owner has attained the age of 59½ years. If such evidence is unavailable, one of the following documents may be furnished in lieu thereof:

(1) Church records of birth or baptism
(2) Hospital birth record or certificate
(3) Physician's or midwife's birth record
(4) Certification of Bible or other family record
(5) Military, naturalization or immigration records
(6) Other evidence of probative value

Similar documentary evidence will also be required to support any claim made by an owner that the date of birth shown on his bond is incorrect.

(b) Prior to age 59½ years.--A Retirement Plan Bond will be paid at its then current redemption value upon a registered owner's request (or by a person recognized as entitled to act on his behalf) prior to his attainment of age 59½ years upon submission of a physician's statement or any similar evidence showing that the owner has become disabled to such an extent that he is unable to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. The following are examples of impairments which would ordinarily be considered as preventing substantial, gainful activity:

(1) Loss of use of two limbs.

(2) Certain progressive diseases which have resulted in the physical loss or atrophy of a limb, such as diabetes, multiple sclerosis, or Buerger's disease.

(3) Diseases of the heart, lungs, or blood vessels which have resulted in major loss of heart or lung reserve as evidenced by X-ray, electrocardiogram, or other objective findings, so that despite medical treatment breathlessness, pain, or fatigue is produced on slight exertion, such as walking several blocks, using public transportation, or doing small chores.

(4) Cancer which is inoperable and progressive.

(5) Damage to the brain or brain abnormality which has resulted in severe loss of judgment, intellect, orientation, or memory.

(6) Mental diseases (e.g., psychosis or severe psychoneurosis) requiring continued institutionalization or constant supervision of the individual.

(7) Loss or diminution of vision to the extent that the affected individual has a central visual acuity of no better than 20/200 in the better eye after best correction, or has a limitation in the fields of vision such that the widest diameter of the visual fields subtends an angle no greater than 20 degrees.

(8) Permanent and total loss of speech.

(9) Total deafness uncorrectible by a hearing aid.

In any case coming under the provisions of this paragraph, the evidence referred to above must be submitted to the Bureau of the Public Debt, Division of Loans and Currency, Washington 25, D. C., for approval before any bonds may be paid. If, after review of the evidence, the Secretary of the Treasury is satisfied that the owner's disability has been established, a letter will be furnished authorizing payment of his Retirement Plan Bonds. This letter must be presented each time any of the owner's bonds are submitted for payment to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States.

(c) Requests for payment.--(1) By owner.--When redemption of any Retirement Plan Bond is desired by the registered owner under (a) above, it should be presented, with the request for payment on the back of the bond signed and duly certified, to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington 25, D. C. If payment is requested under (b) above, the letter described therein should accompany the bond.

(2) By person other than owner.--When redemption of any Retirement Plan Bond is desired by the legal guardian, committee, conservator, or similar representative of the owner's estate under (a) above, it should be presented, with the request signed as described below, to a Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States. If payment is requested under (b) above, the letter described therein should accompany the bond.* The request for payment, in either case, should be signed by the representative in his fiduciary capacity before an authorized certifying officer, and must be supported by a certificate or a certified copy of the letters of the appointment from the court making the appointment, under seal, or other proof of qualification if the appointment was not made by a court. Except in the case of corporate fiduciaries, such evidence should state that the appointment is in full force and should be dated not more than one year prior to the presentation of the bond for payment.

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* In any case in which a legal representative has not been appointed for the estate of a registered owner who has attained the age of 59½ years, or who has become disabled, a person seeking payment of a bond on the owner's behalf should furnish a complete statement of the circumstances to the Bureau of the Public Debt, Division of Loans and Currency, Washington 25, D. C. Appropriate instructions will then be furnished.

(d) Partial redemption.--A Retirement Plan Bond in a denomination greater than $50 (face value) which is otherwise eligible for redemption may be redeemed in part, at current redemption value, upon the request of the registered owner (or a person recognized as entitled to act on his behalf), but only in amounts corresponding to authorized denominations. In any case in which partial redemption is desired, before the request for payment is signed, the phrase "to the extent of $____ (face value) and reissue of the remainder" should be appended to the request. Upon partial redemption of the bond, the remainder will be reissued as of the original issue date. No partial redemption of a bond will be made after the death of the owner in whose name it is registered.

Sec. 341.9. Payment or redemption after death of owner.-- (a) Order of precedence where owner not survived by beneficiary.--If the registered owner of a Retirement Plan Bond dies before it has been presented and surrendered for payment, and there is no beneficiary shown thereon, or if the designated beneficiary predeceased the owner, the bond shall be paid in the following order of precedence:

(1) To the duly appointed executor or administrator of the estate of the owner, who should sign the request for payment on the back of the bond in his representative capacity before an authorized certifying officer, such request to be supported by a court certificate or a certified copy of his letters of appointment, under seal of the court, which should show that the appointment is in full force and effect, and be dated within six months of its presentation;

(2) If no legal representative of the deceased registered owner's estate has been or will be appointed, to the widow or widower of the owner;

(3) If none of the above, to the child or children of the owner and the descendants of deceased children by representation;

(4) If none of the above, to the parents of the owner, or the survivor of them;

(5) If none of the above, to other next-of-kin of the owner, as determined by the laws of the domicile of such owner at the time of his death.

In any case coming under the provisions of this paragraph, a duly certified copy of the registered owner's death certificate will ordinarily be required. Proof of death of the beneficiary, if any, will be required where he predeceased the owner. Payment of bonds under (1) will be made by a Federal Reserve Bank or Branch or by the Office of the Treasurer of the United States, Washington 25, D. C. Payment of bonds under (2) to (5) will be made upon receipt of applications on Form PD 3565, together with the bonds and supporting evidence, by the Bureau of the Public Debt, Division of Loans and Currency, Washington 25, D. C.

(b) Order of precedence where beneficiary survived owner.-- If the registered owner of a Retirement Plan Bond dies before it has been presented and surrendered for payment, and the beneficiary shown thereon survived the owner, the bond shall be paid in the following order of precedence:

(1) To the designated beneficiary upon his presentation and surrender of the bond with the request for payment signed and duly certified, such payment to be made to the exclusion of any other person who may have been named beneficiary by the registered owner in a bond purchase plan, or under a pension or profit-sharing plan;

(2) If the designated beneficiary survived the registered owner but failed to present the bond for payment during his own lifetime, payment will be made in the order of precedence specified in (1) to (5) of paragraph (a) above to the legal representative, surviving spouse, children, parents, or next-of-kin of such beneficiary, and in the manner provided therein.

In any case coming under the provisions of this paragraph, a duly

certified copy of the registered owner's death certificate will ordinarily be required. Proof of death of the beneficiary will also be required where he survived the owner but failed to present the bond for payment during his own lifetime. Payment of a bond to a designated beneficiary will be made by Federal Reserve Bank or Branch or by the Treasurer of the United States, Washington 25, D. C.

(c) Ownership of redemption proceeds.--The orders of precedence set forth in (a) and (b) above, except in cases where redemption is made for the account of a registered owner, are for the Department's convenience in discharging its obligation on a Retirement Plan Bond. The discharge of the obligation in accordance therewith shall be final so far as the Department is concerned, but those provisions do not otherwise purport to determine ownership of the redemption proceeds of a bond.

Sec. 341.10. Reissue.--(a) Addition or change of beneficiary.--A Retirement Plan Bond will be reissued to add a beneficiary in the case of a single ownership bond, or to eliminate or substitute a beneficiary in the case of a bond registered in beneficiary form upon the owner's request on Form PD 3564. No consent will be required to support any reissue transaction from a beneficiary whose name is to be removed from the registration of a Retirement Plan Bond. If the registered owner dies after the bond has been presented and surrendered for reissue, upon receipt of notice thereof by the agency to which the request for reissue was submitted, such request shall be treated as ineffective, provided the notice of death is received by the Federal Reserve Bank or Branch or the Office of the Treasurer of the United States, Washington 25, D. C., to which the request was

sent, in sufficient time to withhold delivery, by mail or otherwise, of the reissued bond.

(b) Error in issue--change of name.--Reissue of a Retirement Plan Bond will be made where an error in issue has occurred, as well as in cases where the owner's name has been changed by marriage, divorce, annulment, order of court, or in any other legal manner, upon appropriate request, supported by satisfactory evidence. Information as to the procedure to be followed in securing such reissue may be obtained from a Federal Reserve Bank or the Office of the Treasurer of the United States, Washington 25, D. C.

Sec. 341.11. Use of power of attorney.--No designation of an attorney, agent, or other representative to request payment or reissue on behalf of the owner, beneficiary, or other person entitled under Section 341.9, other than as provided in these regulations, will be recognized.

Sec. 341.12. Lost, stolen, or destroyed bonds.--If a Retirement Plan Bond is lost, stolen, or destroyed, a substitute may be issued upon identification of the bond and proof of its loss, theft, or destruction. A description of the bond by denomination, serial number, issue date and registration should be furnished at the time the report of loss, theft, or destruction is made. Such reports should be sent to the Bureau of the Public Debt, Division of Loans and Currency, Washington 25, D. C. Full instructions for obtaining substitute bonds will then be given.

Sec. 341.13. Taxation.--The tax treatment provided under Section 405 of the Internal Revenue Code of 1954 shall apply to all

Retirement Plan Bonds. The bonds are subject to estate, inheritance, 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, municipality, or any local taxing authority. Inquiries concerning the application of any Federal tax to these bonds should be directed to the District Director of Internal Revenue of the taxpayer's district or to the Internal Revenue Service, Washington 25, D. C.

Sec. 341.14. Certifying officers.--Officers authorized to certify requests for payment or for any other transaction involving Retirement Plan Bonds include:

(a) Post offices.--Any postmaster, acting postmaster, or inspector-in-charge, or other post office official or clerk designated for that purpose. A post office official or clerk, other than a postmaster, acting postmaster, or inspector-in-charge, should certify in the name of the postmaster or acting postmaster, followed by his own signature and official title. Signatures of these officers should be authenticated by a legible imprint of the post office dating stamp.

(b) Banks and trust companies.--Any officer of a Federal Reserve Bank or Branch, or of a bank or trust company chartered under the laws of the United States or those of any State, Commonwealth, or Territory of the United States, as well as any employees of such bank or trust company expressly authorized to act for that purpose, who should sign over the title "Designated Employee."

Certifications by any of these officers or designated employees should be authenticated by either a legible imprint of the corporate seal, or, where the institution is an authorized issuing agent for United States Savings Bonds, Series E, by a legible imprint of its dating stamp.

(c) Issuing agents of Series E savings bonds.--Any officer of a corporation or any other organization which is an authorized issuing agent for United States Savings Bonds, Series E. All certifications by such officers must be authenticated by a legible imprint of the issuing agent's dating stamp.

(d) Foreign countries.--In a foreign country requests may be signed in the presence of and be certified by any United States diplomatic or consular representative, or the manager or other officer of a foreign branch of a bank or trust company incorporated in the United States whose signature is attested by an imprint of the corporate seal or is certified to the Treasury Department. If such an officer is not available, requests may be signed in the presence of and be certified by a notary or other officer authorized to administer oaths, but his official character and jurisdiction should be certified by a United States diplomatic or consular officer under seal of his office.

(e) Special provisions.--The Commissioner of the Public Debt, the Chief of the Division of Loans and Currency, or any Federal Reserve Bank or Branch is authorized to make special provision for certification in any particular case or class of cases where none of the officers authorized above is readily accessible.

Sec. 341.15. General provisions.--(a) Regulations.--All Retirement Plan Bonds shall be subject to the general regulations prescribed by the Secretary with respect to United States securities, which are set forth in Treasury Department Circular No. 300, current revision, to the extent applicable. Copies of the general regulations may be obtained upon request from any Federal Reserve Bank or Branch or the Office of the Treasurer of the United States.

(b) Reservation as to issue of bonds.--The Secretary of the Treasury reserves the right to reject any application for the purchase of Retirement Plan Bonds, in whole or in part, and to refuse to issue or permit to be issued any such bonds in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.

(c) Additional requirements.--In any case or any class of cases arising under this circular the Secretary of the Treasury may require such additional evidence as may in his judgment be necessary, and may require a bond of indemnity, with or without surety, where he may consider such bond necessary for the protection of the United States.

(d) Waiver of requirements.--The Secretary of the Treasury reserves the right, in his discretion, to waive or modify any provision or provisions of this circular in any particular case or class of cases for the convenience of the United States, or in order to relieve any person or persons of unnecessary hardship, if such

action is not inconsistent with law, does not impair any existing rights, and he is satisfied that such action would not subject the United States to any substantial expense or liability.

(e) Fiscal agents.--Federal Reserve Banks and Branches, as fiscal agents of the United States, are authorized to perform such services as may be requested of them by the Secretary of the Treasury in connection with the issue, delivery, redemption, reissue, and payment of Retirement Plan Bonds.

(f) Reservation as to terms of circular.--The Secretary of the Treasury may at any time, or from time to time, supplement or amend the terms of this circular, or any amendments or supplements thereto.

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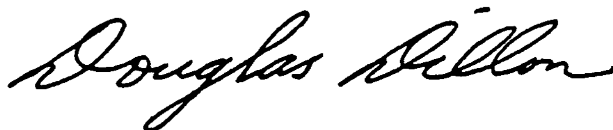
Compliance with the notice, public procedure, and effective date requirements of the Administrative Procedure Act (P.L. 404, 79th Cong.; 60 Stat. 237) is found to be impracticable and unnecessary with respect to this document.



Secretary of the Treasury

TABLE OF REDEMPTION VALUES PROVIDING AN INVESTMENT YIELD OF 3-3/4 PERCENT PER ANNUM FOR BONDS BEARING ISSUE DATES BEGINNING JANUARY 1, 1963

Table shows how the Retirement Plan Bonds bearing issue dates beginning January 1, 1963, by denomination, increase in redemption value during successive half-year periods following issue. The redemption values have been determined to provide an investment yield of 3.75 percent 1/ per annum, compounded semiannually, on the purchase price from issue date to the beginning of each half-year period. The period to maturity is indeterminate in accordance with the provisions of Sec. 341.1(b) of this circular. 2/

Issue Price	$50.00	$100.00	$500.00	$1,000.00
Period after issue date	Redemption values during each half-year period (Values increase on first day of period shown)			
First 1/2 year	$ 50.00	$100.00	$ 500.00	$1,000.00
1/2 to 1 year.....	50.94	101.88	509.38	1,018.75
1 to 1-1/2 years....	51.89	103.79	518.93	1,037.85
1-1/2 to 2 years....	52.87	105.73	528.66	1,057.31
2 to 2-1/2 years....	53.86	107.71	538.57	1,077.14
2-1/2 to 3 years....	54.87	109.73	548.67	1,097.33
3 to 3-1/2 years....	55.90	111.79	558.95	1,117.91
3-1/2 to 4 years....	56.94	113.89	569.43	1,138.87
4 to 4-1/2 years....	58.01	116.02	580.11	1,160.22
4-1/2 to 5 years....	59.10	118.20	590.99	1,181.98
5 to 5-1/2 years....	60.21	120.41	602.07	1,204.14
5-1/2 to 6 years....	61.34	122.67	613.36	1,226.72
6 to 6-1/2 years....	62.49	124.97	624.86	1,249.72
6-1/2 to 7 years....	63.66	127.31	636.57	1,273.15
7 to 7-1/2 years....	64.85	129.70	648.51	1,297.02
7-1/2 to 8 years....	66.07	132.13	660.67	1,321.34
8 to 8-1/2 years....	67.31	134.61	673.06	1,346.11
8-1/2 to 9 years....	68.57	137.14	685.68	1,371.35
9 to 9-1/2 years....	69.85	139.71	698.53	1,397.07
9-1/2 to 10 years..	71.16	142.33	711.63	1,423.26
10 to 10-1/2 years..	72.50	144.99	724.97	1,449.95
10-1/2 to 11 years..	73.86	147.71	738.57	1,477.13
11 to 11-1/2 years..	75.24	150.48	752.42	1,504.83
11-1/2 to 12 years..	76.65	153.30	766.52	1,533.05
12 to 12-1/2 years..	78.09	156.18	780.90	1,561.79
12-1/2 to 13 years..	79.55	159.11	795.54	1,591.07
13 to 13-1/2 years..	81.05	162.09	810.45	1,620.91
13-1/2 to 14 years..	82.56	165.13	825.65	1,651.30
14 to 14-1/2 years..	84.11	168.23	841.13	1,682.26
14-1/2 to 15 years..	85.69	171.38	856.90	1,713.80
15 to 15-1/2 years..	87.30	174.59	872.97	1,745.94
15-1/2 to 16 years..	88.93	177.87	889.34	1,778.67
16 to 16-1/2 years..	90.60	181.20	906.01	1,812.02
16-1/2 to 17 years..	92.30	184.60	923.00	1,846.00
17 to 17-1/2 years..	94.03	188.06	940.31	1,880.61
17-1/2 to 18 years..	95.79	191.59	957.94	1,915.87
18 to 18-1/2 years..	97.59	195.18	975.90	1,951.80
18-1/2 to 19 years..	99.42	198.84	994.20	1,988.39
19 to 19-1/2 years..	101.28	202.57	1,012.84	2,025.67
19-1/2 to 20 years..	103.18	206.37	1,031.83	2,063.66
20 to 20-1/2 years.. 2/	105.12	210.23	1,051.17	2,102.35

1/ Based on redemption values of $1,000 bond.
2/ At a future date prior to January 1, 1983 (20 years after issue date of the first bonds) this table will be extended to show redemption values for periods of holding of 20-1/2 years and beyond.

Table 3

Comparison of Tax Liability at Various AGI Levels Under Present Law and Under Proposed Revised Rates

<u>Joint Return with Two Dependents and Standard Deduction</u>

Adjusted gross income	Liability under present tax law	Revised rate tax liability	Dollar reduction in tax liability	Percentage decrease in tax liability
$3,000	60	42	18	30.0
5,000	420	296	124	29.5
7,500	877	663	214	24.4
10,000	1,372	1,068	304	22.2
20,000	4,124	3,282	842	20.4

Table 2

Comparison of Tax Liability at Various AGI Levels Under Present Law and Under Proposed Revised Rates

Joint Return with No Dependents and Standard Deduction

Adjusted gross income	Liability under present tax law	Revised rate tax liability	Dollar reduction in tax liability	Percentage decrease in tax liability
$3,000	300	210	90	30.0
5,000	660	488	172	26.1
7,500	1,141	879	262	23.0
10,000	1,636	1,284	352	21.5
20,000	4,532	3,606	926	20.4

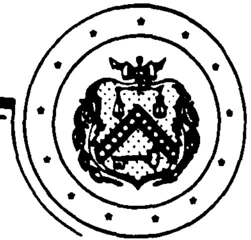
Table 1

Comparison of Tax Liability at Various AGI Levels Under Present Law and Under Proposed Revised Rates

<u>Single Individual with Standard Deduction</u>

Adjusted gross income	Liability under present tax law	Revised rate tax liability	Dollar reduction in tax liability	Percentage decrease in tax liability
$3,000	422	318	104	24.6
5,000	818	642	176	21.5
7,500	1,405	1,116	289	20.6
10,000	2,096	1,668	428	20.4
20,000	6,412	5,088	1,324	20.6

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 14, 1963

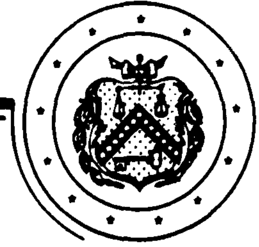
The following tables are provided to illustrate the effects of President Kennedy's proposed reductions in individual income tax rates when they become fully effective in 1965.

The income figures given are for total income before exemptions and deductions. The tax estimates apply only to taxpayers using the standard deduction.

The tax estimates do not include the effects of proposed changes in the tax treatment of certain types of personal income or expenditures which will be presented in detail at a later date.

Attachments 3

TREASURY DEPARTMENT



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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, January 15, 1963.

January 14, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated October 18, 1962, and the other series to be dated January 17, 1963, which were offered on January 9, were opened at the Federal Reserve Banks on January 14. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing April 18, 1963		182-day Treasury bills maturing July 18, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.275	2.868%	98.528	2.912%
Low	99.270	2.888%	98.513	2.941%
Average	99.271	2.884% 1/	98.518	2.932% 1/

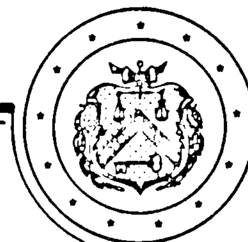
93 percent of the amount of 91-day bills bid for at the low price was accepted
13 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 34,829,000	$ 23,449,000	$ 10,894,000	$ 4,719,000
New York	1,589,937,000	728,059,000	984,082,000	631,659,000
Philadelphia	34,184,000	18,332,000	9,007,000	4,007,000
Cleveland	41,656,000	39,858,000	25,851,000	10,971,000
Richmond	22,040,000	15,999,000	10,012,000	10,012,000
Atlanta	42,755,000	34,733,000	7,587,000	7,377,000
Chicago	255,299,000	152,219,000	116,908,000	58,908,000
St. Louis	54,268,000	44,901,000	9,830,000	6,830,000
Minneapolis	24,169,000	16,669,000	9,547,000	7,612,000
Kansas City	53,709,000	44,400,000	12,852,000	8,852,000
Dallas	36,056,000	25,056,000	11,447,000	9,577,000
San Francisco	174,256,000	157,426,000	42,021,000	37,521,000
TOTALS	$2,363,158,000	$1,301,101,000 a/	$1,250,038,000	$800,045,000 b/

a/ Includes $331,959,000 noncompetitive tenders accepted at the average price of 99.271
b/ Includes $70,734,000 noncompetitive tenders accepted at the average price of 98.518
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.95%, for the 91-day bills, and 3.02%, 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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Bureau of the Public Debt, the Internal Revenue Service and the Secretary of the Treasury's Office.

All Treasury Bureaus received commendation for giving more than "their fair share" to the United Givers Fund in 1962.

- END -

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"President Kennedy, in signing the 1962 Federal employees pay bill, cited Internal Revenue as an agency which has increased productivity rapidly in recent years. One indication of this is the fact that the cost of collecting each one dollar of tax has decreased from over one cent in 1940 to less than half a cent in 1960," Mr. Caplin said.

"Only through the cooperative efforts of all concerned, management and employees alike, in the National and in the Field Offices, can a Federal agency really do a good job of developing savings to taxpayers through new and improved methods of operation," Mr. Caplin said.

The Secretary of the Treasury's 1961 Safety Award for bureaus with more than 1,000 personnel went to the Bureau of Accounts which reported a 61 per cent improvement in the 1961 accident frequency rate over its four-year average, and a 57 per cent improvement over its 1960 rate.

The Office of the Treasurer was winner for the second time in four years of the Secretary's Safety Award for bureaus with less than 1,000 personnel. Recognition was based on an improvement of 67 per cent in accident frequency over the Office's 1960 rate and 40 per cent over its four-year average.

The Bureau of Accounts also placed first in the Treasury's Payroll Savings Awards, winning the Minute Man Certificate for 100 per cent participation. Concord Minute Man Awards for 90 per cent or more participation went to the U. S. Secret Service, the Bureau of Narcotics. the Savings Bonds Division, the

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FOR IMMEDIATE RELEASE

The Internal Revenue Service, which annually takes in billions of dollars in tax collections, has come up with ways of saving a substantial portion of the taxpayers' money through improvement of its own operations. Internal Revenue has won the Treasury Department's top award for fiscal year 1962 for employee suggestions and work improvement resulting in savings of $1.5 million in Federal funds for 1962 alone.

The Treasury also has announced awards for achievements in safety, payroll savings and contributions to the United Givers Fund, to other Treasury agencies.

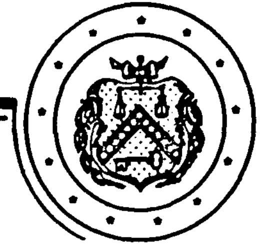
Internal Revenue leads the ~~11~~ other Treasury agencies in the Department's participation in the U. S. Civil Service Commission's 1962 Incentive Awards Program, a program sponsored annually to further savings of Federal funds through employees' ideas for improvement and increased productivity.

Under Secretary Robert V. Roosa, who made the presentations ~~Secretary of the Treasury Douglas Dillon, in announcing the awards,~~ pointed out that savings by Internal Revenue represent 80 per cent of a total savings of $1.7 million in Federal funds by all Treasury agencies in 1962.

A single suggestion made by two auditors in Internal Revenue's San Francisco District Office in 1962 saved $677,000 in taxpayers' money. Jack Wood and Fred J. Ochs won the largest individual cash award -- $3,895 -- given in the entire Federal system last year, for originating replacement of hand processing with computers and autotypist machines in the preparation of tax audit reports.

Commissioner of Internal Revenue Mortimer M. Caplin, who received the Treasury's award for his agency, said, "The Internal Revenue Service, which

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 15, 1963

FOR IMMEDIATE RELEASE

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SAVINGS, SUGGESTIONS AND GIVING

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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE ROBERT V. ROOSA,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
BEFORE THE FREEDOM BOND DRIVE TREASURY-INDUSTRY CONFERENCE
AT THE STATLER HILTON HOTEL, WASHINGTON, D. C.,
ON WEDNESDAY, JANUARY 16, 1963, 10:30 A.M., EST

On behalf of Secretary Dillon and all of us in the Treasury, I welcome you to this conference and thank you for your willingness to help us in one of the most important areas of our debt management operations, the United States Savings Bond Program.

Through the years, American industry has made a substantial contribution to the financial stability of this country through its active promotion of the Payroll Savings Plan. This effective Industry-Treasury cooperation started with the very beginning of the program in 1941. During the war years, it was an important part of the war financing effort; and throughout the postwar years, the Payroll Savings Plan has been the solid foundation of the Savings Bond Program, the source of 50 percent of all E Bond sales.

Savings Bonds, that is bonds of the E and H Series, now account for over one-fifth of the Government debt that is in the hands of the public. They give every individual a chance to have some part in the debt financing of his Government, at a reasonable return without exposure to market risk. The assured rates of interest on E and H bonds have, over the years, averaged out at least as well as those obtainable on any alternative savings instrument which is even roughly as safe and as immediately convertible into cash.

Since the continued success of this program is a vital part of our debt management effort, and since it depends so heavily on the support of volunteers, it is especially gratifying that the E and H Savings Bonds have maintained their place in our debt structure during the past year, a year when the competitive pressure from higher rates on bank deposits and savings and loan shares, in particular, has been of unusual intensity.

The progress of the Savings Bond Program in 1962 would not have been possible if it had not been for the substantial increase in Payroll Savings promotional activity. During the first eleven months of 1962, campaigns in more than 9,000 industrial firms produced one million new enrollments, 15 percent more than in the same months of 1961. This effort was undoubtedly responsible for the fact that we sold more than 73 million E Bonds, the largest number of separate pieces of E Bonds sold since 1957.

This year we hope to do even better, and that is why we are here today. The success of the 1963 Freedom Bond Drive, in which we hope to sell bonds to every American family, will depend primarily on what we can do in the Payroll Savings area. The principal purpose of our meeting today is to tell you about our objectives, and how you can help us meet them as leaders of Payroll Savings campaigns in the great industries which you represent.

The group, of which you are members, is to be known as the United States Industrial Payroll Savings Committee. You have each been selected, first, because of your influence and prestige within your particular industry; and, second, because in your own company you have demonstrated your strong personal interest in a successful Payroll Savings Program. Our Savings Bond staff is ready to carry out the programs which you devise to reach the major companies in your various industries. But your leadership is the key to success. In exercising that leadership, your personal experience and belief in the Savings Bond Program is all-important.

As citizens, we all value particularly two special attributes of the Savings Bond Program. The first of these is the fact that, through Payroll Savings, many people who might not otherwise have saved at all have learned how to save and how to build their own family security. This is an attribute that all who believe in a free enterprise economy should value. The second attribute of the program is the great moral and social value in having the ownership of the public debt of this country as broadly based among as many of our citizens as possible. This is an intangible factor, but an important one. It is something that any democracy that wishes to manage its finances in a sound manner should promote; and it is only through the Savings Bond Program that this sort of truly broad public ownership of the public debt is possible on a direct basis.

Those of us responsible for the management of the Federal debt also have a special concern for the role of the Savings Bond Program as part of our effort in the year ahead. The Treasury faces the prospect of financing a substantial budget deficit. The economic impact of this deficit will depend, to a very considerable extent, upon the manner in which the deficit is financed. We in the Treasury are determined to so finance the deficit that it will not produce or nourish inflation. The aim of Governmental economic policy is to promote growth by removing the tax shackles that now hobble economic incentives. That aim will not be fulfilled if incentives are at the same time dulled or chilled by inflationary financing. While determined that there shall be adequate finance available for the growth which the economy so urgently needs, the debt managers of the Treasury and the money managers of the Federal Reserve will be joined in a common effort to keep the dollar sound -- at home and abroad.

This means, of course, that a substantial proportion of the deficit must be financed out of savings, rather than through new money creation. No one can lay down a precise formula for such financing in advance. That is why these are tasks for judgment and not for machine computers. But we believe that the record of monetary policy and debt management shows that we have over the past two years found both the ability and the determination to finance the deficits of those years in a non-inflationary manner -- without in any way impairing the ready availability of credit

that was encouraged by the Federal Reserve. We can and will exert the same effort to the same end again -- in meeting the deficit that is now in prospect.

A resolute debt management policy is not only required for our own domestic financial stability; it is also essential for continued progress toward solving our other pressing deficit -- that in our balance of payments. The United States is the banker for the entire Free World. If we are to merit the continued confidence of other nations in the soundness of the American dollar -- confidence upon which much of the international payments mechanism of the entire Free World is based -- we must continue to so handle our financial affairs that foreign holders know their balances here are fully usable in practice and fully safe in principal.

The daily affairs of international financial relations keep us in close touch with the financial leaders of the governments of the Free World. We know they are not alarmed at the prospect of a deficit induced by the reform of our tax structure because they see it as a reform which will permanently improve incentives for creative work and investment. They have also been reassured by the Administration's program to keep non-defense expenditures down while permitting only essential defense, space, and interest costs to rise. These foreign financial officials have every right, however, to expect us as their bankers to finance our deficit in a manner which, while strengthening their bank, does not generate inflationary pressures.

But let me turn for a moment to other aspects of this balance of payments deficit, a deficit that still continues in the general magnitude of two billion dollars annually. While debt management and monetary policy are basic influences on capital flows into or out of the United States, and while their direct influence on economic conditions also has significant repercussions on the international competitive position of the United States, the balance of payments gap cannot be closed without greater effort on other fronts as well. As many of you know, the balance of payments drain created by our overseas military expenditures is being cut sharply by the determined efforts of our Defense Department with the excellent cooperation of some of our Allies. The net drainsof dollars attributable to economic aid, or to any of the other Government programs which spend money abroad, have been brought under tight control through the introduction of what we have christened "the gold budget." But there has not yet been enough recognition of the job that still remains for energetic private business enterprise.

Despite a succession of measures promoted by the Export-Import Bank, which now assures any firm in the United States export credit facilities that are the equal of those available in any other country of the world, and despite the launching of a vigorous new program in the Department of Commerce to help American enterprise discover export opportunities abroad, it now appears that the commercial merchandise exports of this country rose in 1962 by less than 2 percent. In the same year, American imports

rose by 10 percent. That is the kind of gap which American business must find a way to close. The balance of payments challenge is a challenge not only to the American Government but to the American economy in all its parts.

Already, the more aggressive and adventurous among American business enterprises have discovered that their overseas sales can be increased sharply; that there are immense new markets to be penetrated with profit. As the achievements of some are matched with the performance of many, the most important remaining piece in the balance of payments puzzle will be fitted into place.

Meanwhile, of course, so long as deficits continue in the balance of payments, we must expect and be prepared for gold outflows of the magnitude experienced during the past two years. Possible outflows comparable to those that occurred early in 1962 are already visible as a result of the seasonal trade patterns that are developing at the beginning of 1963. But there are also hopeful signs that American business may soon be able to break out of the trade patterns of the past and find a larger part in the flourishing markets of the rest of the world. Certainly that thrust will be strengthened as we maintain stability of costs and prices at home while providing new incentives toward profitable expansion by means of the tax program which the President has already outlined, and to which I believe Secretary Dillon will refer again when he meets with you later today.

Returning to the point where I began these remarks, however, I cannot stress too emphatically the integral place which is filled in this panorama of our Nation's economic problems and potentialities by the Program on which we are focusing our attention here today. A vigorous Savings Bonds Program will make it possible for the Treasury to finance a part of the Federal Government's budget deficit through the voluntary savings of millions of American people. That will provide one of the most effective direct avenues for each American to make his individual contribution toward the same objectives that I have just mentioned for the various arms of Government and for the business and financial communities. It is because that voluntary program is of such crucial significance that I hope you will findyour new assignment, as it will be outlined to you later this morning, both satisfying and challenging. We are placing on you a major portion of our hope for the success of the Savings Bond Program in 1963.

U. S. INDUSTRIAL PAYROLL SAVINGS CONFERENCE

James T. Griffin
Vice President
Sears, Roebuck & Company

Harold D. Hoag
Assistant Treasurer
A & P Company

Leonard Vogt
Assistant Comptroller
International Shoe Company

Harold W. Comfort
President
Borden Company

Russell DeYoung
President
Goodyear Tire & Rubber Company

Alexander H. Galloway
President
R. J. Reynolds Tobacco Company

Harold S. Geneen
President
International Tel & Tel Corp.

Wilfred D. Gillen
President
Bell Telephone Company of Pa.

L. G. Seaton
Vice President
General Motors Corporation

E. F. duPont
Director
E. I. duPont de Nemours & Company

M. C. Robson
Treasurer
Anchor Hocking Glass Corporation

Ellwood F. Curtis
Executive Vice President
Deere and Company

~~Reed O. Hunt~~
~~President~~
~~Crown-Zellerbach Corporation~~

C. E. Woolman
President
Delta Air Lines

Porter M. Jarvis
President
Swift and Company

Thomas V. Jones
President
Northrop Corporation

Clarence A. Kelley
President
Dixie Ohio Express, Inc.

Lawrence Litchfield, Jr.
President
Aluminum Company of America

William W. Lynch
Chairman and President
Texas Power & Light Company

Wilbur L. Camp
Assistant to the President
Atchison, Topeka & Santa Fe

Thomas F. Owens
Treasurer
National Lead Company

Frank R. Milliken
President
Kennecott Copper Corporation

Charles F. Myers, Jr.
President
Burlington Industries, Inc.

Morris Nielsen
President
Babcock & Wilcox Company

C. L. Burrill
Director
Standard Oil of New Jersey

H. I. Romnes
President
Western Electric Company

Albert L. Williams
President
International Business Machines
Inc.

Leslie B. Worthington
President
U. S. Steel Corporation

He told the industrialists that they are making a substantial contribution to the growth and strength of our economy. "You are adding considerably to that contribution by your initiative, your guidance and your enthusiasm in helping to further the progress of the payroll savings plan. Already your abilities and your energies are responsible for the success of the plan in your companies. Now you are undertaking to extend your efforts throughout your respective industries.

"There are few more direct means by which you, as individual cizizens can bolster our nations financial position than by promoting savings bonds ownership on the part of your employees--and on the part of employees of other companies in your industry through the cooperation of their executives."

Secretary Dillon called on the industrialists to report to him on the results of their industry wide campaigns in the months ahead.

A list of those attending the Industrial Savings Bonds Conference is attached.

In addition to Secretary Dillon, the industry leaders were briefed earlier by William McChesney Martin, Jr., Chairman, Board of Governors, Federal Reserve System; Robert V. Roosa, Under Secretary of the Treasury for Monetary Affairs; R. Duane Saunders, Director of the Treasury's Office of Debt Analysis; and William H. Neal, National Director of the Savings Bonds Division.

Secretary Dillon, speaking to the group at lunch, called the Savings Bond Program vital to the success of the Treasury's Debt Management Program.

"The people who buy bonds buy them to save," he said. "They buy them as a long term investment. Thus they help reduce the dangers of inflation in our economy by saving, rather than spending-- and they help us to avoid the inflationary possibilities of our debt by their long term investment.

"The payroll savings plan...is the only method for investing in bonds on an installment basis. For millions of Americans, the payroll savings plan marks the difference between saving systematically and not saving at all."

~~Leading U.S.~~

Industry Leaders Hear Treasury Heads; ~~announced~~ Will ~~Lead~~ 1963 Bond Drive
~~Launch~~
~~Begin~~

TREASURY RELEASE

For Release Afternoon papers, Wednesday ... 16

January 16, 1963

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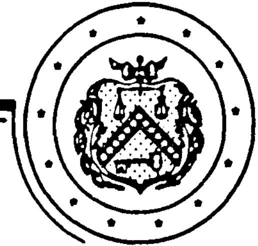
Earlier, the industrialists accepted an appointment by the Secretary to serve on the U.S. Industrial Payroll Savings Committee~~, and his invitation to attend a briefing~~ on debt management problems, fiscal and monetary policies, and Savings Bond goals for 1963. The Committee members will seek the co-operation of executives in companies within their respective industries to initiate person-to person Payroll Savings Drives.

Secretary Dillon appointed Mr. Harold S. Geneen, President of International Telephone and Telegraph, Chairman of the Committee. The Payroll Savings Campaign which Mr. Geneen conducted in his company resulted in ITT's achieving the greatest percentage increase in participation in the Payroll Savings Plan of any major company in the United States during 1962.

THEY ARE BEING [illegible] TODAY

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 16, 1963

FOR RELEASE AFTERNOON NEWSPAPERS
WEDNESDAY, JANUARY 16, 1963

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WILL LAUNCH 1963 BOND DRIVE

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D-723

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Attachment

U. S. INDUSTRIAL PAYROLL SAVINGS CONFERENCE

7C

C. L. Burrill
Director
Standard Oil of New Jersey

Wilbur L. Camp
Assistant to the President
Atchison, Topeka & Santa Fe

Harold W. Comfort
President
Borden Company

Ellwood F. Curtis
Executive Vice President
Deere & Company

Russell DeYoung
President
Goodyear Tire & Rubber Company

E. F. duPont
Director
E.I. duPont de Nemours & Company

Alexander H. Galloway
President
R. J. Reynolds Tobacco Company

Harold S. Geneen
President
International Tel & Tel Corp.

Wilfred D. Gillen
President
Bell Telephone Company of Pa.

James T. Griffin
Vice President
Sears, Roebuck & Company

Harold D. Hoag
Assistant Treasurer
A & P Company

Porter M. Jarvis
President
Swift & Company

Thomas V. Jones
President
Northrop Corporation

Clarence A. Kelley
President
Dixie Ohio Express, Inc.

Lawrence Litchfield, Jr.
President
Aluminum Company of America

William W. Lynch
Chairman and President
Texas Power & Light Company

Frank R. Milliken, President
Kennecott Copper Corporation

Charles F. Myers, Jr.
President
Burlington Industries, Inc.

Morris Nielsen, President
Babcock & Wilcox Company

Thomas F. Owens
Treasurer
National Lead Company

M. C. Robson
Treasurer
Anchor Hocking Glass Corporation

H. I. Romnes
President
Western Electric Company

L. G. Seaton
Vice President
General Motors Corporation

Leonard Vogt
Assistant Comptroller
International Shoe Company

Albert L. Williams, President
International Business Machines, Inc.

C. E. Woolman, President
Delta Air Lines

Leslie B. Worthington
President
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concerned with the soundness of our country's fiscal position, as well as with its level of economic growth. The President's tax program will help us make giant strides forward. The Payroll Savings Plan can help us maintain our balance as we move.

Your objectives in the forthcoming campaign will vary from industry to industry. So will the pattern of operation. But the over-riding goal will be the same: to get as many companies as possible in each of your industries to conduct energetic person-to-person drives. We will, of course, be following your progress closely. At some convenient time late in the year I hope we can again sit down together to evaluate the results. Meanwhile, each of you knows best how to enlist the active support of the top executives in your leading companies. I am confident that your efforts will be highly successful.

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Earlier today, Mr. William Neal, National Director of Treasury's Savings Bonds Division, outlined our Payroll Savings Plan for the Freedom Bond Drive and the part that your Committee can play in spearheading the enrollment of a million new Payroll savers. During the past year, we tried Payroll Savings Campaigns on an industry-wide basis in a number of fields. They were eminently successful. Several things helped make them so -- the spirit of teamwork and pride within the industry, the availability of such industry resources as trade associations and the trade press. But, always, the determining factor was the chairman himself -- and his influence and standing among the members of his industry.

I know that you realize how much your efforts can help in the management of our debt. I know that you are all deeply

in helping to further the progress of the Payroll Savings Plan. Already your abilities and your energies are responsible for the success of the Plan in your companies. Now you are undertaking to extend your efforts throughout your respective Industries. Your acceptance of that responsibility reflects, I think, as much as anything, the qualities that have brought you to the forefront of your industries -- and the concern for economic growth and fiscal soundness that your business experience constantly fosters.

There are few more direct means by which you, as individual citizens, can bolster our Nation's financial position than by promoting Savings Bonds ownership on the part of your employees -- and on the part of employees of other companies in your industry through the cooperation of their executives.

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Now more than every it is important to obtain through Savings Bonds the widest possible ownership of the public debt. The Payroll Savings Plan has proved to be one of our best means of doing so. It is the only method for investing in Bonds on an installment basis. For millions of Americans, the Payroll Savings Plan marks the difference between saving systematically and not saving at all.

Each of you, by your leadership in one of America's leading industries, is making a substantial contribution to the growth and strength of our economy. You are adding considerably to that contribution by your initiative, your guidance and your enthusiasm

Our debt management policy will continue to maintain this same kind of balance by trying to provide the liquidity we need to nurture economic growth, and avoid the excessive liquidity that can be so fertile a ground for inflation.

The Savings Bonds program -- which brings this group together here today -- is vital to the success of our debt management policy. For the Savings Bonds Program is one of our most significant means of placing the ownership of the national debt in the hands of genuine savers. And because the average dollar investment in Savings Bonds remains outstanding for seven years, the Savings Bonds Program is an effective means of assisting our efforts to improve the maturity structure of our debt. The people who buy bonds buy them to save. They buy them as a long-term investment. Thus they provide a hard-core of

pointed out this morning, we have, over the past two years, managed the debt without inflation.

At the same time that we have lengthened the overall maturity structure of our debt, we have maintained the competitive position of our short-term rates in the international market. And we have effectively held down the long-term rates so important to our domestic economy -- to our corporations, our municipalities, and to our home buyers.

We have also varied the proportions of our debt financed through the banking system to fit the changing economic and monetary scene. In calendar 1961 -- a year of recovery -- we in effect financed the entire debt increase through the banking system. In calendar 1962, however, less than ___ percent of the debt increase was financed by enlarged bank holdings of government securities.

In the meantime, we must live with temporary deficits until the tax program makes its full impact upon the economy. In so doing, we should recall our experience with the tax cut of 1954. By producing a surplus in the succeeding budget year, it demonstrated that the economy can very quickly and generously compensate the Treasury for an initial loss. We also know that, even in the short tun, reductions, in a restrictive tax system lose more revenue in theory than they do in fact.

This Administration, by its fiscal policies and by its tight discipline on expenditures, will make every effort to reduce even temporary deficits as much as possible. Temporary deficits will be a small price to pay for the more lasting benefits of future surpluses.

Nor need anyone fear that this Administration will allow these deficits to bring inflation. As Under Secretary Robert Roosa

Our present tax system cannot meet the problem of continuing Federal deficits, since it raises revenues at the expense of the very growth upon which future revenues depend. The result is equally as harmful to the Federal treasury as it is to the economy. The new tax program recognizes that a rise in Federal revenues depends upon increased economic growth. It recognizes that our only realistic path to a balanced budget is an economy at or near full productive employment of all its resources, both human and material. For the reduced tax rates the President will shortly propose will have a double impact: they will generate not only new and fuller levels of economic activity, but a broader and higher base of taxable incomes as well. The new program in short, will sustain in dynamic balance both a stronger economy and a more reasonable revenue system.

stated on Monday, excluding only interest on the public debt, the new budget for non-defense and non-space programs has actually been reduced.

Let me also make it clear that a major goal of our FREE program is to pave the way for a future economy ~~in which Federal budget deficits will be behind us, rather than with us.~~ free of the persistent large deficits we have experienced in recent years.

Whether we enact the tax program or not, we face the prospect of budget deficits in the immediate future. But unless we do enact it, we have but little hope of eliminating a parade of budget deficits that threaten to extend far into the future. ~~To minimize that threat, we must~~ The best way to minimize that threat is to enact as soon as possible, a tax program ~~substantially~~ such as the President will shortly present to the Congress.

The details of the President's proposals will soon be forthcoming. I am not in a position to spell them out here today. But I would like to discuss some aspects of the new program that should be of particular interest to this audience

investor. And particularly, it will extend help to those who need it most, the unemployed, by creating new jobs. It is, in short, a program to help all of us by advancing the economy in which we all share.

We have constructed the new tax program with ~~precision~~ deliberation and prudence. We have carefully ~~staggered~~ phased it to ~~insure a sizeable zone of safety between~~ avoid an inflationary deficit increase in the ~~and~~ as opposed to a non-inflationary ~~deficit~~ and temporary increase that our economy can well absorb.

Let me make it clear that we neither seek nor want needless deficits. We are doing everything we can to hold down expenditures everywhere we can. As the President

During the past two years, both personal income and corporate profits have reached record levels. As these totals have risen, the amount consumed by taxes has risen even more. We all know the result: The remaining percentage of private income available as an investment stimulus to economic growth is a trickle where it ought to be a stream.

We need more in our economy than the capacity to grow at our present rate, which does not keep pace with the enormous demands of our times. We must bring productive performance far closer to productive potential. We must raise the level of investment. We must increase consumer demand.

We have already taken steps to help the business community with the investment credit and liberalized tax treatment of depreciation. The new program will now extend this help to the wage earner as well as the manager, the consumer as well as the

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actually higher than they were before the cut. Feedback, in other words, is an every day, dollar-and-cents fact of life. The truth is that a tax cut means more than just lower taxes, or more money to spend. It means more than jobs for the presently unemployed although that is its most important function. It means that bond salesmen will sell more bonds, car salesmen more cars. It means that the benefits of a more rapidly expanding economy will be evident in numerous and tangible ways in the life of every American. Consider for a moment just how this will be done.

The basic aim of the new tax program is to permit the economy to stimulate itself. It seeks, in carefully controlled stages, to enlarge the flow of investment into productive enterprise by making profits more profitable, and to heighten consumer demand by increasing take-home pay for the average American.

tax experts call "feedback," which is really a very simple phenomenon. The amount of money any tax brings in depends on two things: the size of the tax itself and the amount of earnings being taxed. When we cut the rate, it gives people more money to spend. This spending in turn raises economic activity, and this increased activity raises earnings, and thus raises taxes. This increase in tax revenue tends to offset the revenue loss of the cut itself, and this offset is what is known as feedback. In the first year of a tax cut, for instance, of the size to be recommended by the President, we estimated that roughly a quarter of the revenue loss will be recovered through feedback. The second year the proportion rises to 60 per cent. Eventually, of course, the full amount of the cut will be recovered. In 1954, for instance, taxes were reduced by $7.4 billion, but within two years tax receipts were

President mentioned as being effective when the program is fully in effect in 1965 would apply to the lowest bracket. The remainder of the old first bracket would be taxed at 16 per cent.

I would like to emphasize one thing -- if this program is enacted as President Kennedy proposes it, virtually every individual, every family and every business in the United States will pay lower taxes as a result. Certainly there will be reforms, and they will be significant. They will apply to individuals and they will affect small, medium-income and high-income taxpayers. But the net effect of the program -- both cuts and reforms -- will be to put more dollars in the pockets of all taxpayers, and to improve the balance sheets of both small businesses and major corporations.

I would like to say one more specific word to you before I consider the overall purpose of a tax cut. This concerns what

The details of the President's proposals will soon be forthcoming. I am not in a position to spell them out here today. But I would like to discuss with you their overall purpose -- after I first clarify a few of the points revealed in the President's speech.

First of all, the Calendar 1963 cut will amount to about $3 billion, although, as the President said in his message on the State of the Union, it will equal an annual rate of $6 billion. President Kennedy will ask that it be enacted as of July 1, 1963, so that only half of that amount will actually fall within calendar 1963.

There has also been some confusion over the splitting of the bottom bracket. It will be split evenly, with $1,000 in each bracket for single taxpayers, and $2,000 for married taxpayers filing jointly. The 14 per cent rate which the

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
WEDNESDAY, JANUARY 16, 1963

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE FREEDOM BOND DRIVE TREASURY-INDUSTRY CONFERENCE
THE STATLER-HILTON HOTEL, WASHINGTON, D. C.
JANUARY 16, 1963, 1:00 P.M.

Two days ago, in his State of the Union Message, the President outlined a new tax program designed to release those forces in our economy that can do most to quicken our economic growth.

The President said that tax reduction and revision is the "most urgent task confronting the Congress in 1963" -- and with good reason. For upon our economic strength and stability depend, not only our own security and our ability to fulfill our people's most urgent needs, but the security and growth of the entire Free World.

The new tax proposals constitute a sound program -- a vital program. It is by far the most appropriate program the President could offer to invigorate an economy whose lack is not health, but vigor -- whose problem is not frailty, but hindrance.

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We have constructed the new tax program with deliberation and prudence. We have carefully phased it to avoid an inflationary increase in the deficit as opposed to a non-inflationary and temporary increase that our economy can well absorb.

Let me make it clear that we neither seek nor want needless deficits. We are doing everything we can to hold down expenditures everywhere we can. As the President stated on Monday, excluding only interest on the public debt, the new budget for non-defense and non-space programs has actually been reduced.

Let me also make it clear that a major goal of our new tax program is to pave the way for a future economy free of the persistent large deficits we have experience in recent years.

Whether we enact the tax program or not, we face the prospect of budget deficits in the immediate future. But unless we do enact it, we have but little hope of eliminating a parade of budget deficits that threaten to extend far into the future. The best way to minimize that threat is to enact as soon as possible, a tax program such as the President will shortly present to the Congress.

Our present tax system cannot meet the problem of continuing Federal deficits, since it raises revenues at the expense of the very growth upon which future revenues depend. The result is equally as harmful to the Federal treasury as it is to the economy. The new tax program recognizes that a rise in Federal revenues depends upon increased economic growth. It recognizes that our only realistic path to a balanced budget is an economy at or near full productive employment of all its resources, both human and material. For the reduced tax rates the President will shortly propose will have a double impact: they will generate not only new and fuller levels of economic activity, but a broader and higher base of taxable incomes as well. The new program in short, will sustain in dynamic balance both a stronger economy and a more reasonable revenue system.

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This Administration, by its fiscal policies and by its tight discipline on expenditures, will make every effort to reduce even temporary deficits as much as possible. Temporary deficits will be a small price to pay for the more lasting benefits of future surpluses.

Nor need anyone fear that this Administration will allow these deficits to bring inflation. As Under Secretary Robert Roosa pointed out this morning, we have, over the past two years, managed the debt without inflation.

At the same time that we have lengthened the overall maturity structure of our debt, we have maintained the competitive position of our short-term rates in the international market. And we have effectively held down the long-term rates so important to our

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Our debt management policy will continue to maintain this same kind of balance by trying to provide the liquidity we need to nurture economic growth, and avoid the excessive liquidity than can be so fertile a ground for inflation.

The Savings Bonds program -- which brings this group together here today -- is vital to the success of our debt management policy. For the Savings Bonds Program is one of our most significant means of placing the ownership of the national debt in the hands of genuine savers. And because the average dollar investment in Savings Bonds remains outstanding for seven years, the Savings Bonds Program is an effective means of assisting our efforts to improve the maturity structure of our debt. The people who buy bonds buy them to save. They buy them as a long-term investment. Thus they provide a hard-core of assured savings upon which our debt management can rely, while the remainder of the debt is placed in ways that will help avert the dangers of deflation or inflation.

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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 October 25, 1962, (91 days remaining until maturity date on April 25, 1963) 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 January 24, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 24, 1963. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

January 16, 1963

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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 $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 24, 1963, in the amount of $2,103,500,000, as follows:

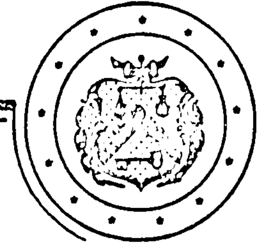
91 -day bills (to maturity date) to be issued January 24, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated October 25, 1962, and to mature April 25, 1963, originally issued in the amount of $700,279,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $800,000,000, or thereabouts, to be dated January 24, 1963, and to mature July 25, 1963.

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, January 21, 1963. 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.

January 16, 1963

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing January 24,1963, in the amount of $2,103,500,000, as follows:

91-day bills (to maturity date) to be issued January 24, 1963, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated October 25,1962, and to mature April 25,1963, originally issued in the amount of $700,279,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 800,000,000, or thereabouts, to be dated January 24, 1963, and to mature July 25, 1963.

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, January 21, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated October 25,1962, (91-days remaining until maturity date on April 25,1963) 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 January 24, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 24,1963. 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
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JANUARY 17, 1963

D-726

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, 1963

IMPORTS - January 1 - January 14, 1963 (or as noted)

Country of Production	ITEM 391: Lead-bearing ores, flue dust, and mattes — Quarterly Quota Dutiable Lead (Pounds)	ITEM 391 — Imports (Pounds)	ITEM 392: Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f. — Quarterly Quota Dutiable Lead (Pounds)	ITEM 392 — Imports (Pounds)	ITEM 393: Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc — Quarterly Quota Dutiable Zinc (Pounds)	ITEM 393 — Imports (Pounds)	ITEM 394: Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings — Quarterly Quota By Weight (Pounds)	ITEM 394 — Imports (Pounds)
Australia	10,080,000	10,080,000	23,680,000	7,247,939	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	3,407,047*	-	-	-	-	-	-
Canada	13,440,000	8,206,305*	15,920,000	3,715,242	66,480,000	66,480,000	37,840,000	5,513,664
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	5,502,620	70,480,000	8,532,204	6,320,000	-
Peru	16,160,000	-	12,880,000	-	35,120,000	5,412,720	3,760,000	-
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	-	-	-	-	-
All other foreign countries (total)	6,560,000	3,771,395*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of January 14, 1963

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
THURSDAY, JANUARY 17, 1963

D-726

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, 1963

IMPORTS - January 1 - January 11, 1963 (or as noted)

Country of Production	ITEM 391		ITEM 392		ITEM 393		ITEM 394	
	Lead-bearing ores, flue dust, and mattes		Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.		Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings	
	Quarterly Quota Dutiable Lead	Imports	Quarterly Quota Dutiable Lead	Imports	Quarterly Quota Dutiable Zinc	Imports	Quarterly Quota By Weight	Imports
	(Pounds)		(Pounds)		(Pounds)		(Pounds)	
Australia	10,080,000	10,080,000	23,680,000	7,247,939	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	3,407,047*	-	-	-	-	-	-
Canada	13,440,000	8,206,305*	15,920,000	3,715,242	66,480,000	66,480,000	37,840,000	5,513,664
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	5,502,620	70,480,000	8,532,204	6,320,000	-
Peru	16,160,000	-	12,880,000	-	35,120,000	5,412,720	3,760,000	-
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	-	-	-	-	-
All other foreign countries (total)	6,560,000	3,771,395*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

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PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JANUARY 17, 1963

D-727

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the 12 months commencing May 29, 1962, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1962, to Jan. 4, 1963	Established Quota	Imports May 29, 1962, to Jan. 4, 1963
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	168
United Kingdom	100	-	75,000	900
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,816,068

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JANUARY 17, 1963

D-727

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	(Bushels)	(Bushels)	(Pounds)	(Pounds)
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China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	168
United Kingdom	100	-	75,000	900
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,816,068

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, JANUARY 17,1963

D-728

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1962, to December 31, 1962, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of December 31, 1962
Buttons.........	680,000	Gross	270,763
Cigars..........	160,000,000	Number	12,966,188
Coconut oil.....	358,400,000	Pound	248,985,827
Cordage.........	6,000,000	Pound	5,091,402
Tobacco.........	5,200,000	Pound	4,607,544

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, JANUARY 17,1963 D-728

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Tobacco.........	5,200,000	Pound	4,607,544

4423

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, 1962, to January 14, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962 to January 14, 1963
United Kingdom	4,323,457	1,005,918	1,441,152	900,448
Canada	239,690	239,690	-	-
France	227,420	37,272	75,807	13,295
British India	69,627	9,036	-	-
Netherlands	68,240	30,146	22,747	-
Switzerland	44,388	11,234	14,796	-
Belgium	38,559	-	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	-	25,443	-
Italy	21,263	-	7,088	-
	5,482,509	1,333,296	1,599,886	913,743

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.

D-729

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JANUARY 17, 1963

D-729

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, 1962 - January 14, 1963

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	782,857	Honduras	752	-
Peru	247,952	17,178	Paraguay	871	-
British India	2,003,483	39,639	Colombia	124	-
China	1,370,791	-	Iraq	195	-
Mexico	8,883,259	8,883,259	British East Africa ...	2,240	-
Brazil	618,723	618,723	Netherlands E. Indies .	71,388	-
Union of Soviet Socialist Republics ...	475,124	-	Barbados	-	-
Argentina	5,203	-	1/Other British W. Indies	21,321	-
Haiti	237	-	Nigeria	5,377	-
Ecuador	9,333	-	2/Other British W. Africa	16,004	-
			3/Other French Africa ...	689	-
			Algeria and Tunisia ...	-	-

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

Cotton 1-1/8" or more
Imports August 1, 1962 - January 14, 1963

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	181,360
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JANUARY 17, 1963

D-729

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

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

COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1962, to January 14, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962 to January 14, 1963
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British India	69,627	9,036	-	-
Netherlands	68,240	30,146	22,747	-
Switzerland	44,388	11,234	14,796	-
Belgium	38,559	-	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	-	25,443	-
Italy	21,263	-	7,088	-
	5,482,509	1,333,296	1,599,886	913,743

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.

D-729

4424

Commodity	Period and Quantity		Unit of Quantity	Imports as of December 31, 196[illegible]
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat.............	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, 1962	1,000	Pound	644 1/
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...	12 mos. from August 1, 1962	1,709,000	Pound	937,483 1/

1/ Imports through January 11, 1963

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

THURSDAY, JANUARY 17, 1963 D-730

The Bureau of Customs has announced preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through December 31, 1962:

Commodity	Period and Quantity		Unit of Quantity	Imports as of December 31, 1962
Tariff-Rate Quotas:				
Cream, fresh or sour..............	Calendar Year	1,500,000	Gallon	148,887
Whole Milk, fresh or sour.........	Calendar Year	3,000,000	Gallon	315
Cattle, 700 lbs. or more each (other than dairy cows).........	Oct. 1, 1962-Dec. 31, 1962	120,000	Head	41,748
Cattle less than 200 lbs. each....	12 mos. from April 1, 1962	200,000	Head	53,152
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish........	Calendar Year	28,571,433	Pound	Quota Filled
Tuna fish.........................	Calendar Year	59,059,014	Pound	54,483,996
White or Irish potatoes:				
Certified seed..................	12 mos. from Sept. 15, 1962	114,000,000	Pound	32,050,984
Other...........................		36,000,000	Pound	12,483,827
Walnuts...........................	Calendar Year	5,000,000	Pound	2,830,452
Stainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1962-Oct. 31, 1963	69,000,000	Pieces	31,734,351 1/

1/ Imports through January 11, 1963

TREASURY DEPARTMENT
Washington

MMEDIATE RELEASE

THURSDAY, JANUARY 17,1963 D-730

The Bureau of Customs has announced preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through December 31, 1962:

Commodity	Period and Quantity		Unit of Quantity	Imports as of December 31,1962
ariff-Rate Quotas:				
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Certified seed...................	12 mos. from	114,000,000	Pound	32,050,984
Other............................	Sept. 15, 1962	36,000,000	Pound	12,483,827
alnuts...........................	Calendar Year	5,000,000	Pound	2,830,452
tainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	31,734,351[1/]

/ Imports through January 11, 1963

Commodity	Period and Quantity		Unit of Quantity	Imports as of December 31, 19
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat.............	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, 1962	1,000	Pound	644 1/
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)...	12 mos. from August 1, 1962	1,709,000	Pound	937,483 1/

1/ Imports through January 11, 1963

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JANUARY 17,1963

D-731

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

QUARTERLY QUOTA PERIOD - October 1 - December 31, 1962

IMPORTS - October 1 - December 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	Quarterly Quota Dutiable Lead (Pounds)	Imports	Quarterly Quota Dutiable Zinc (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	10,080,000	10,080,000	23,680,000	23,680,000	-	-	-	
Belgian Congo	-	-	-	-	-	-	5,440,000	5,438,847
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	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	36,639,645	70,480,000	70,480,000	6,320,000	6,320,000
Peru	16,160,000	16,160,000	12,880,000	12,872,706	35,120,000	27,835,476	3,760,000	3,757,201
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,433,109	-	-	-	-
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
THURSDAY, JANUARY 17, 1963

D-731

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

QUARTERLY QUOTA PERIOD - October 1 - December 31, 1962

IMPORTS - October 1 - December 31, 1962

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	Lead-bearing ores, flue dust, and mattes		Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.		Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings	
	Quarterly Quota Dutiable Lead	Imports	Quarterly Quota Dutiable Lead	Imports	Quarterly Quota Dutiable Zinc	Imports	Quarterly Quota By Weight	Imports
	(Pounds)		(Pounds)		(Pounds)		(Pounds)	
Australia	10,080,000	10,080,000	23,680,000	23,680,000	-	-	-	
Belgian Congo	-	-	-	-	-	-	5,440,000	5,438,847
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	36,639,645	70,480,000	70,480,000	6,320,000	6,320,000
Peru	16,160,000	16,160,000	12,880,000	12,872,706	35,120,000	27,835,476	3,760,000	3,757,201
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,433,109	-	-	-	-
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

STATUTORY DEBT LIMITATION

As of December 31, 1962 Washington, Jan 17, 1963

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 July 1, 1962 (P.L. 87-512 87th Congress) provides that the above limitation shall be temporarily increased (1) during the period beginning on July 1, 1962, and ending on March 31, 1963, to $308,000,000,000, (2) during the period beginning on April 1, 1963, and ending on June 24, 1963, to $305,000,000,000, and (3) during the period beginning on June 25, 1963, and ending on June 30, 1963, to $300,000,000,000.

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			$308,000,000,0
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$48,250,341,000		
Certificates of indebtedness	22,710,419,000		
Treasury notes	53,679,367,000	$124,640,127,000	
Bonds -			
Treasury	78,371,142,950		
*Savings (current redemption value)	47,535,301,309		
Depositary	109,767,500		
R. E. A. series	26,034,000		
Investment series	4,442,627,000	130,484,872,759	
Certificates of Indebtedness -			
Foreign series	360,000,000		
Foreign Currency series	47,904,975	407,904,975	
Tr. Bds.-For. Curr. Series..	250,794,037	250,794,037	
Special Funds -			
Certificates of indebtedness	6,477,794,000		
Treasury notes	6,038,341,000		
Treasury bonds	30,909,454,000	43,425,589,000	
Total interest-bearing		299,209,287,771	
Matured, interest-ceased		548,052,167	
Bearing no interest:			
United States Savings Stamps	52,429,894		
Excess profits tax refund bonds	718,905		
Special notes of the United States:			
Internat'l Monetary Fund series	3,012,000,000		
Internat'l Develop. Ass'n. series	150,956,600		
Inter-American Develop. Bank series	125,000,000	3,341,105,399	
Total		303,098,445,337	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	516,515,600		
Matured, interest-ceased	1,107,800	517,623,400	
Grand total outstanding			303,616,068,7
Balance face amount of obligations issuable under above authority			4,383,931,2

Reconcilement with Statement of the Public Debt December 31, 1962
(Date)

(Daily Statement of the United States Treasury, December 31, 1962)
(Date)

Outstanding -	
Total gross public debt	303,470,080,4
Guaranteed obligations not owned by the Treasury	517,623,4
Total gross public debt and guaranteed obligations	303,987,703,8
Deduct - other outstanding public debt obligations not subject to debt limitation	371,635,1
	303,616,068,7

D-732

STATUTORY DEBT LIMITATION

As of December 31, 1962 Washington, Jan 17, 1963

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 July 1, 1962 (P.L. 87-512 87th Congress) provides that the above limitation shall be temporarily increased (1) during the period beginning on July 1, 1962, and ending on March 31, 1963, to $308,000,000,000, (2) during the period beginning on April 1, 1963, and ending on June 24, 1963, to $305,000,000,000, and (3) during the period beginning on June 25, 1963, and ending on June 30, 1963, to $300,000,000,000.

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Treasury	78,371,142,950		
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Depositary	109,767,500		
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Treasury bonds	30,909,454,000	43,425,589,000	
Total interest-bearing		299,209,287,771	
Matured, interest-ceased		548,052,167	
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Total		303,098,445,337	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	516,515,600		
Matured, interest-ceased	1,107,800	517,623,400	
Grand total outstanding			303,616,068,737
Balance face amount of obligations issuable under above authority			4,383,931,263

Reconcilement with Statement of the Public Debt December 31, 1962
(Date)

(Daily Statement of the United States Treasury, December 31, 1962)
(Date)

Outstanding -	
Total gross public debt	303,470,080,489
Guaranteed obligations not owned by the Treasury	517,623,400
Total gross public debt and guaranteed obligations	303,987,703,889
Deduct - other outstanding public debt obligations not subject to debt limitation	371,635,152
	303,616,068,737

D-732

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, January 22, 1963.

January 21, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated October 25, 1962, and the other series to be dated January 24, 1963, which were offered on January 16, were opened at the Federal Reserve Banks on January 21. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing April 25, 1963		:	182-day Treasury bills maturing July 25, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.271	2.884%	:	98.518	2.931%
Low	99.260	2.927%	:	98.493	2.981%
Average	99.261	2.923% 1/	:	98.496	2.976% 1/

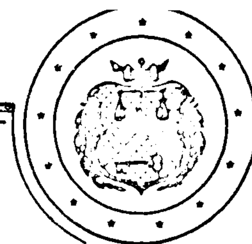
59 percent of the amount of 91-day bills bid for at the low price was accepted
69 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 32,168,000	$ 31,699,000	:	$ 12,248,000	$ 6,202,000
New York	1,696,613,000	917,042,000	:	1,060,399,000	651,585,000
Philadelphia	32,561,000	19,854,000	:	9,079,000	4,079,000
Cleveland	40,273,000	39,545,000	:	43,171,000	14,621,000
Richmond	15,895,000	13,895,000	:	2,538,000	2,538,000
Atlanta	30,568,000	21,338,000	:	7,469,000	7,169,000
Chicago	204,656,000	132,624,000	:	117,924,000	41,174,000
St. Louis	33,593,000	27,188,000	:	11,788,000	9,788,000
Minneapolis	23,253,000	13,433,000	:	6,700,000	5,045,000
Kansas City	41,085,000	34,125,000	:	14,556,000	14,556,000
Dallas	29,735,000	19,467,000	:	12,212,000	7,902,000
San Francisco	72,650,000	31,704,000	:	54,699,000	35,579,000
TOTALS	$2,253,350,000	$1,301,916,000 a/		$1,352,783,000	$800,238,000 b/

a/ Includes $263,685,000 noncompetitive tenders accepted at the average price of 99.261
b/ Includes $60,740,000 noncompetitive tenders accepted at the average price of 98.496
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.99%, 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



WASHINGTON, D.C.

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New York	1,696,613,000	917,042,000	1,060,399,000	651,585,000
Philadelphia	32,561,000	19,854,000	9,079,000	4,079,000
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Richmond	15,895,000	13,895,000	2,538,000	2,538,000
Atlanta	30,568,000	21,338,000	7,469,000	7,169,000
Chicago	204,656,000	132,624,000	117,924,000	41,174,000
St. Louis	33,893,000	27,188,000	11,788,000	9,788,000
Minneapolis	23,253,000	13,433,000	6,700,000	5,045,000
Kansas City	41,085,000	34,125,000	14,556,000	14,556,000
Dallas	29,735,000	19,469,000	12,212,000	7,902,000
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TOTALS	$2,253,350,000	$1,301,916,000 a/	$1,352,783,000	$800,238,000 b/

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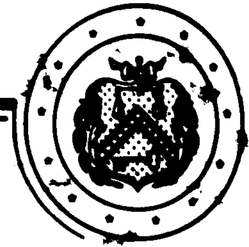
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.99%, for the 91-day bills, and 3.06%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills 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.

D-733

TREASURY DEPARTMENT 112

WASHINGTON, D.C.



January 21, 1963

FOR IMMEDIATE RELEASE

U.S.-PHILIPPINES SIGN EXTENSION
OF $25 MILLION EXCHANGE AGREEMENT

Secretary of the Treasury Douglas Dillon and Ambassador Amelito Mutuc of the Republic of the Philippines today signed an agreement extending until March 31, 1963, the $25 million exchange agreement of June 19, 1962.

The exchange agreement is designed to assist the Philippines in its continuing efforts to promote economic stability and freedom in its trade and exchange system. Exchange operations on the part of the Philippine authorities will be for the purpose of maintaining an orderly foreign exchange system.

The agreement with the U. S. Treasury supplements the $40,400,000 stand-by arrangement with the International Monetary Fund which became effective April 11, 1962.

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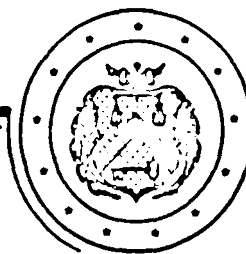
D-734

OIA:R.G.Pelikan:pvs:1-21-63

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 21, 1963

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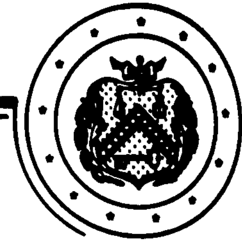
D-734

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 22, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON TECHNICAL VANILLIN
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that technical vanillin from Canada is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act.

Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

Notice of the determination and of the reference of the case to the Tariff Commission will be published in the Federal Register.

The dollar value of imports received during the year 1962 was approximately $340,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

January 22, 1963

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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 pruchase, 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.

XXXXXX

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

All bidders are required to agree not to purchase or to sell, or to make any
ements with respect to the purchase or sale or other disposition of any bills of
issue, until after one-thirty p.m., Eastern Standard time, Wednesday, January 30, 1963.
XXXX

Immediately after the closing hour, tenders will be opened at the Federal Reserve
s and Branches, following which public announcement will be made by the Treasury
rtment of the amount and price range of accepted bids. Those submitting tenders
be advised of the acceptance or rejection thereof. The Secretary of the Treasury
essly reserves the right to accept or reject any or all tenders, in whole or in part,
is action in any such respect shall be final. Subject to these reservations, non-
etitive tenders for $200,000 or less without stated price from any one
(XXX)
er will be accepted in full at the average price (in three decimals) of accepted
etitive bids. Payment of accepted tenders at the prices offered must be made or
leted at the Federal Reserve Bank in cash or other immediately available funds on
uary 6, 1963.
XXXX

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

~~XXXXXXXXXX~~"

~~XXXXXXXXXX~~

TREASURY DEPARTMENT
Washington

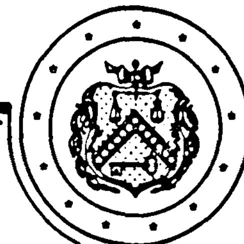
FOR IMMEDIATE RELEASE January 22, 1963

TREASURY OFFERS $1 BILLION IN JUNE TAX BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000 or thereabouts, of 138 -day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this serie will be designated Tax Anticipation Series, they will be dated February 6, 1963 and they will mature June 24, 1963. They will be accepted at face value in payment of income and profits taxes due on June 15, 1963, and to the extent the 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 June 15, 1963, 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 June 15, 1963, 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 June 15, 1963, 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, Wednesday, January 30, 1963. 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.

TREASURY DEPARTMENT



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.

D-735

Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue, until after one-thirty p.m., Eastern Standard time, Wednesday, January 30, 1963.

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, non-competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on February 6, 1963.

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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and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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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 November 1, 1962, (91 days remaining until maturity date on May 2, 1963) 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 January 31, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 31, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

January 23, 1963

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 $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing January 31, 1963 , in the amount of $ 2,101,478,000 , as follows:

91 -day bills (to maturity date) to be issued January 31, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated November 1, 1962 , and to mature May 2, 1963 , originally issued in the amount of $ 700,787,000 , the additional and original bills to be freely interchangeable.

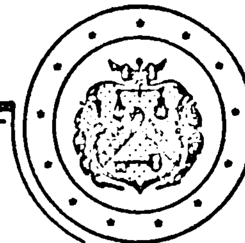
182 -day bills, for $ 800,000,000 , or thereabouts, to be dated January 31, 1963 , and to mature August 1, 1963 .

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, January 28, 1963 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT

WASHINGTON, D.C.



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

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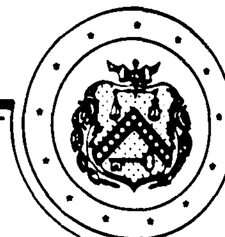
TREASURY DEPARTMENT



WASHINGTON, D.C.

January 24,1963

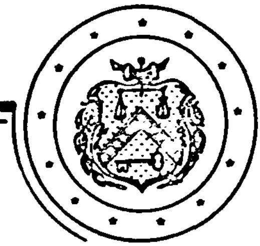
FOR IMMEDIATE RELEASE

TREASURY DECISION ON NYLON YARN
UNDER THE ANTIDUMPING ACT

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

The dollar value of imports of the involved merchandise from West Germany received from January 1, 1962, through July 31, 1962, is approximately $130,000.

TREASURY DEPARTMENT



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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, January 29, 1963.

January 28, 1963

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 November 1, 1962, and the other series to be dated January 31, 1963, which were offered on January 23, were opened at the Federal Reserve Banks on January 28. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing May 2, 1963		:	182-day Treasury bills maturing August 1, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.267	2.900%	:	98.507	2.953%
Low	99.260	2.927%	:	98.489	2.989%
Average	99.263	2.917% 1/	:	98.498	2.972% 1/

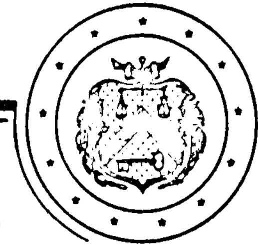
47 percent of the amount of 91-day bills bid for at the low price was accepted
27 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	23,302,000	$ 13,302,000	:	$ 12,534,000	$ 12,534,000
New York	1,489,199,000	872,001,000	:	930,668,000	620,938,000
Philadelphia	29,312,000	18,312,000	:	6,694,000	1,694,000
Cleveland	38,299,000	37,875,000	:	23,638,000	14,338,000
Richmond	24,774,000	18,184,000	:	11,045,000	8,855,000
Atlanta	21,064,000	19,034,000	:	3,757,000	3,757,000
Chicago	215,846,000	175,133,000	:	127,646,000	65,646,000
St. Louis	34,610,000	29,080,000	:	10,982,000	6,482,000
Minneapolis	22,069,000	15,404,000	:	6,243,000	5,743,000
Kansas City	34,209,000	30,109,000	:	11,370,000	8,370,000
Dallas	24,101,000	16,651,000	:	9,594,000	8,594,000
San Francisco	77,523,000	54,953,000	:	43,128,000	43,128,000
TOTALS	2,034,981,000	$ 1,300,038,000 a/		$1,197,299,000	$800,079,000 b/

a/ Includes $232,960,000 noncompetitive tenders accepted at the average price of 99.263
b/ Includes $40,387,000 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 2.98%, 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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Philadelphia	29,312,000	18,312,000	6,694,000	1,694,000
Cleveland	38,299,000	37,875,000	23,638,000	14,338,000
Richmond	24,774,000	18,184,000	11,045,000	8,855,000
Atlanta	21,064,000	19,034,000	3,757,000	3,757,000
Chicago	215,846,000	175,133,000	127,646,000	65,646,000
St. Louis	34,610,000	29,080,000	10,982,000	6,482,000
Minneapolis	22,669,000	15,404,000	6,243,000	5,743,000
Kansas City	34,209,000	30,109,000	11,370,000	8,370,000
Dallas	24,181,000	16,651,000	9,594,000	8,594,000
San Francisco	77,523,000	54,953,000	43,128,000	43,128,000
TOTALS	$2,034,988,000	$ 1,300,038,000 a/	$1,197,299,000	$800,079,000 b/

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1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.98%, 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.

D-737

FOR IMMEDIATE RELEASE

TREASURY DECISION ON PORTLAND CEMENT
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that portland cement, other than white, nonstaining portland cement from the Dominican Republic is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act. Shipments of this merchandise which have been received were manufactured and sold by the firm of Fabrica Dominicana.

Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

Notice of the determination and of the reference of the case to the Tariff Commission will be published in the Federal Register.

The dollar value of imports received during the year 1962 was approximately $594,000.

cc: Mr. Hendrick
Mr. Settel

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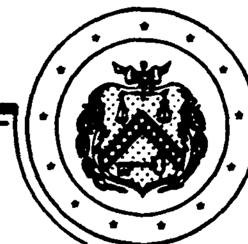
TREASURY DEPARTMENT



WASHINGTON, D.C.

January 29,1963

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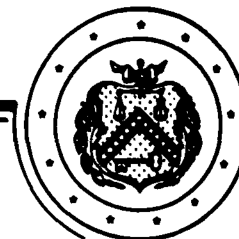
TREASURY DEPARTMENT



WASHINGTON, D.C.

January 29, 1963

FOR IMMEDIATE RELEASE

DISTRIBUTION OF 4% TREASURY BONDS OF 1988-93
SOLD AT COMPETITIVE BIDDING ON JANUARY 8, 1963

The Treasury Department today announced the initial distribution by investor classes of the $250 million of 4% Treasury Bonds of 1988-93 that were sold at competitive bidding on January 8, 1963. The successful bidder was a syndicate headed by: C. J. Devine and Company, Salomon Bros. and Hutzler, Bankers Trust Co., Chase Manhattan Bank, First National City Bank of New York, Chemical Bank New York Trust Co., and the First National Bank of Chicago, and 68 others.

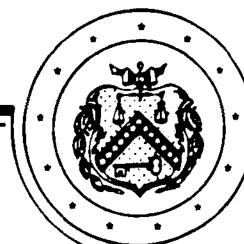
The distribution is as follows:

Investor Class	Amount (Millions of dollars)	Percent of Total Amount of Bonds *	Number of Purchasers
Insurance companies - - - -	52	21%	109
State and local pension and retirement funds- - -	47	19	77
Commercial banks- - - - - -	47	19	159
Dealers and brokers - - - -	39	16	124
Mutual savings banks- - - -	17	7	44
Individuals, partnerships and personal trust accounts -	10	4	105
Corporate pension funds - -	9	3	27
State and local government funds other than pension and retirement	7	3	22
Corporations other than banks and insurance companies -	5	2	16
All other - - - - - - - - - -	17	7	48
Total - - - - - - - - - - - -	250	100%	731

* Details do not add to totals due to rounding.

D-738

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 29, 1963

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DISTRIBUTION OF 4% TREASURY BONDS OF 1988-93
SOLD AT COMPETITIVE BIDDING ON JANUARY 8, 1963

The Treasury Department today announced the initial distribution by investor classes of the $250 million of 4% Treasury Bonds of 1988-93 that were sold at competitive bidding on January 8, 1963. The successful bidder was a syndicate headed by: C. J. Devine and Company, Salomon Bros. and Hutzler, Bankers Trust Co., Chase Manhattan Bank, First National City Bank of New York, Chemical Bank New York Trust Co., and the First National Bank of Chicago, and 68 others.

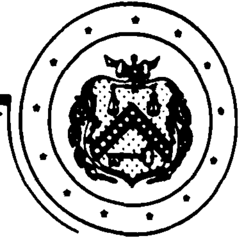
The distribution is as follows:

Investor Class	Amount (Millions of dollars)	Percent of Total Amount of Bonds *	Number of Purchasers
Insurance companies - - - -	52	21%	109
State and local pension and retirement funds- - -	47	19	77
Commercial banks- - - - - -	47	19	159
Dealers and brokers - - - -	39	16	124
Mutual savings banks- - - -	17	7	44
Individuals, partnerships and personal trust accounts -	10	4	105
Corporate pension funds - -	9	3	27
State and local government funds other than pension and retirement	7	3	22
Corporations other than banks and insurance companies -	5	2	16
All other - - - - - - - - - -	17	7	48
Total - - - - - - - - - - - -	250	100%	731

* Details do not add to totals due to rounding.

D-738

TREASURY DEPARTMENT



WASHINGTON, D.C.

January 30, 1963

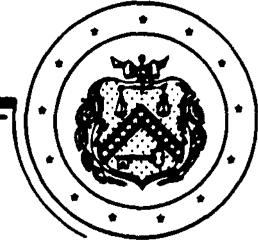
FOR IMMEDIATE RELEASE

TREASURY DECISION ON CELLOPHANE
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that cellophane in rolls or sheets from Canada, France, and the United Kingdom is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise received during 1962 was approximately $161,000 from Canada, $297,000 from France, and $243,000 from the United Kingdom.

TREASURY DEPARTMENT



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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 November 8, 1962, (91 days remaining until maturity date on May 9, 1963) 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 February 7, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 7, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, January 30, 1963

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 $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing February 7, 1963 , in the amount of $2,101,425,000 , as follows:

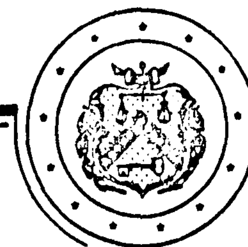
91 -day bills (to maturity date) to be issued February 7, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated November 8, 1962 , and to mature May 9, 1963 , originally issued in the amount of $ 702,298,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated February 7, 1963 , and to mature August 8, 1963 .

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, February 4, 1963 . 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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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated November 8, 1962, (91-days remaining until maturity date on May 9, 1963) 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 February 7, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 7, 1963. 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.

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Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States, and placed in the mail before midnight February 6, will be considered as timely. The new securities will be delivered February 15, 1963. The new certificates of indebtedness will be available only in bearer form. The new bonds will be made available in registered as well as bearer form. All subscribers requesting registered bonds will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service.

Interest on the 3-1/4% certificates of indebtedness will be paid on August 15, 1963, and February 15, 1964. Interest on the 3-3/4% Treasury Bonds of 1968 is payable semiannually on February 15 and August 15.

TREASURY DEPARTMENT

WASHINGTON, D.C.

January 30, 1963

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES $9.5 BILLION EXCHANGE AND
OUTLINES FUTURE FINANCING PLANS

In announcing today its plans for the refunding of $9.5 billion of securities maturing February 15, 1963, the Treasury said that this operation is to be viewed as the first step in a probable three-phase program.

Subject to future market developments, the Treasury plans, upon completion of the February 15 financing, to announce a "junior" advance refunding adapted to the requirements of the market at that time. The Treasury is also considering the employment for the second time of the newly developed technique for offering long-term bonds at competitive bidding. Subject to market developments, it is likely that the bidding for this offering of long-term bonds will occur during the first half of April.

The holders of Treasury securities maturing February 15, aggregating $9,465 million, will have the right to exchange them for any of the following securities:

A 3-1/4% Treasury certificate of indebtedness to be dated February 15, 1963, and to mature February 15, 1964, at par; or

An additional amount of 3-3/4% Treasury bonds of 1968 originally issued April 18, 1962, maturing August 15, 1968, at par, of which $1,258 million are now outstanding.

Cash subscriptions for the new securities will not be received. The maturing issues eligible for exchange are as follows:

$5,719 million of 3-1/2% Treasury Certificates of Indebtedness of Series A-1963, dated February 15, 1962,

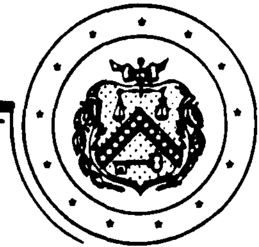
$1,487 million of 2-5/8% Treasury Notes of Series A-1963, dated April 15, 1958, and

$2,259 million of 3-1/4% Treasury Notes of Series E-1963, dated November 15, 1961.

Exchanges of the maturing 3-1/2% certificates and the 2-5/8% and 3-1/4% notes will be made in a like face amount of the new securities as of February 15. Coupons dated February 15 on the maturing certificates and notes should be detached and cashed when due.

The subscription books will be open only on February 4 through February 6 for the receipt of subscriptions. Subscriptions for any issue addressed to a

TREASURY DEPARTMENT



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FOR RELEASE A. M. NEWSPAPERS,
Thursday, January 31, 1963.

January 30, 1963

RESULTS OF TREASURY'S $1 BILLION 138-DAY TAX ANTICIPATION BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,000,000 or thereabouts, of Tax Anticipation Series 138-day Treasury bills to be dated February 6, 1963, and to mature June 24, 1963, which were offered on January 22, were opened at the Federal Reserve Banks on January 30.

The details of this issue are as follows:

Total applied for - $2,061,518,000
Total accepted - 1,000,434,000 (includes $42,068,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

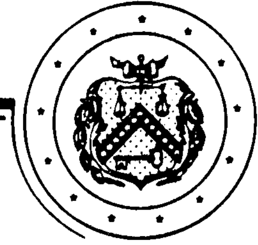
High	- 98.891	Equivalent rate of discount approx. 2.893% per annum
Low	- 98.873	" " " " " 2.940% " "
Average	- 98.877	" " " " " 2.929% " " 1/

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 27,370,000	$ 18,530,000
New York	1,652,659,000	823,825,000
Philadelphia	23,405,000	1,405,000
Cleveland	20,101,000	4,101,000
Richmond	2,202,000	2,202,000
Atlanta	15,927,000	12,927,000
Chicago	159,127,000	68,977,000
St. Louis	12,485,000	6,485,000
Minneapolis	19,832,000	7,572,000
Kansas City	15,420,000	4,920,000
Dallas	24,300,000	9,040,000
San Francisco	88,690,000	40,450,000
TOTAL	$2,061,518,000	$1,000,434,000

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 3.00%. 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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balance in our international accounts -- that is a pledge that we will conduct our affairs in a manner that will maintain our recent record of price stability. That is why it is essential that we finance our deficit in a prudent way, with an eye toward the future as well as the present. That is why we need to maintain a flexible monetary policy, alert to developments as they emerge. And, above all, that is why it is so important that labor and business alike, as the stimulus from our tax program takes hold, continue to seek out more efficient methods of production and display restraint in their wage bargaining and pricing decisions.

This process should be greatly facilitated by the new incentives and the increases in after-tax incomes of individuals and business enterprises alike which will be provided by our tax program. It is in this context of responsible citizen action within a framework of effective public policy that tax reduction will be a boon to us all.

mechanism can effectively substitute for the hard and continuing task of steadily improving our own balance of payments. The "easy", obvious savings have already been made -- the hard core of the deficit that remains will require the conscious effort and understanding of all groups in the economy, as well as the cooperation of our friends abroad who now find themselves in a strong position.

In this connection, I was much interested in reading the report of your own subcommittee, chaired by Congressman Reuss, that recently made available a mass of valuable and provocative material on the balance of payments and related monetary arrangements. The emphasis in your own conclusions on the fundamental necessity for working with our allies to achieve a more equitable sharing of the burdens of defense and aid, with full recognition of the increased capacity and economic strength of other industrialized nations in recent years, seems to me entirely appropriate. And I also share your view that we can find no solution to our problems by simply multiplying guarantees for dollars in the hands of foreigners.

The Need for Price Stability

But there is one sort of "guarantee" that is vitally necessary if we are to maintain the confidence of our friends abroad and successfully achieve our twin goals of domestic expansion and

arrangement -- making available in time of demonstrated need a pool of up to $6 billion of convertible currencies -- was a source of special gratification. Moreover, we have now tested in a wide variety of situations the usefulness of operations for our own account in both the spot and forward foreign exchange markets, of reciprocal currency agreements by the Federal Reserve with the monetary authorities of other industrialized countries, and of Treasury direct borrowing at short and medium term from other countries in a strong payments position. The effectiveness of these arrangements, supplementing the resources of the IMF itself, in meeting incipient strains of various kinds -- whether directed against the dollar or other currencies -- was demonstrated at the time of the stock market disturbances last spring, and again during the Canadian exchange crisis and the Cuban situation. Similarly, the new cooperative arrangements in the London gold market have been helpful in dispelling a potentially speculative atmosphere, and the price of gold in that market declined toward the end of last year. For much of January, the price has been below $35.06, touching the lowest level since 1959.

No doubt there is room for further innovation and improvement in these areas. We are continuing to study these questions in cooperation with other interested countries. But no monetary

and the President has therefore proposed a sharp step-up in our export expansion program. Our long-term capital exports continue to reflect the absence of effective alternatives abroad to our own well developed capital markets, as well as the inadequate investment opportunities at home. And the burdens of aid and defense must be more equitably shared.

Strengthening the International Payments System

We cannot take comfort in the thought that an "easy" solution can be found in some new monetary arrangement that will shield us from the necessity for taking corrective action. Any effective monetary arrangement necessarily presupposes, not balance every year, but an ability and willingness to avoid large and continuing deficits, as well as the full confidence of a group of willing lenders.

We need a stable monetary system, resistant to the strains and shocks that can quickly develop as a result of sudden and massive flows of funds between countries, and capable of meeting the needs of a growing world economy for international liquidity and access to credit. During the past year, we have made great strides toward strengthening the existing system. The prompt ratification and implementation of the special IMF borrowing

Improvement developed in other directions as well. Commercial exports rose moderately, despite slower growth in Europe -- our most rapidly expanding export market. The steady increase in earnings on our overseas investment provided a factor of long-term strength. Short-term capital outflows, which had reached exceptionally high levels in 1960 and 1961, declined, although they still remain a major factor in our payments difficulties. These outflows, including items not specifically recorded in our balance of payments statistics, accounted for approximately 70% of our total deficit as compared to about 80% in 1961.

Last year's deficit resulted in a gold loss of $890 million as compared to $857 million in 1962. Toward the end of last year, and continuing into early 1963, ten weeks passed in which there was no net decline in our gold stock. This situation could not be expected to continue in the face of our payments deficit, and the gold outflow resumed in January. Further moderate outflows can be expected in the coming weeks and months.

The improvement in our balance of payments thus far is simply not good enough if we are to maintain a strong dollar and fulfill our basic commitments for aid and defense. The hard job of searching out and penetrating new foreign markets has only begun,

With merchandise imports rising by $1.6 billion last year, the moderate progress recorded in reducing our deficit from the $2½ billion of 1961 was possible only because the concerted efforts to stem the dollar drains directly associated with Government activities have begun to bear fruit. Most importantly, net military spending overseas declined by almost $600 million (on the basis of incomplete data), reflecting offsetting purchases of military goods and services by our allies. The vigorous efforts to economize on our own military spending overseas merely served to hold the over-all total level while absorbing the costs of larger forces and higher foreign price levels. Prepayments of loans by France, Italy and Sweden amounted to over $650 million, approximately comparable to our 1961 receipts from this source. A larger proportion of our aid to the less developed countries was directly reflected in purchases in this country, and fully three-quarters of this fiscal year's new AID commitments will result in American exports in coming years.

Further savings in Government spending overseas are clearly necessary. I am confident that they will emerge as the new Government-wide control system for international transactions, established within the Bureau of the Budget, becomes fully effective as an administrative device for budgeting our foreign exchange outlay

posture in markets at home and abroad. Our leadership in research and its application to industrial products -- products that account for a large portion of our total exports -- will also be further bolstered.

To realize these potential benefits for our balance of payments, it remains critically important that we maintain price stability. The wage and price guideposts reiterated in the Report of the Council of Economic Advisers clearly set forth the general standards by which price and wage decisions may appropriately be evaluated from the standpoint of the public interest. The increases in take-home pay and profits implicit in our tax program should make it easier for both sides to accept wage settlements and to make pricing decisions that lie well within these guideposts, effectively supporting our goal of price stability.

Balance of Payments Results

One of the disappointments of the past year has been the relatively slow improvement in our balance of payments. The preliminary figures presently available, indicating that our over-all deficit remained somewhat over $2 billion, demonstrate conclusively that we must seek out and apply even more vigorously measures specifically aimed at restoring lasting equilibrium in our international accounts.

period when tight money has often sharply curtailed homebuilding -- is another sign of the really unique character of this period.

Tax Policy and the Balance of Payments

The continuing need for striking an appropriate balance between domestic and external considerations in the execution of debt management and monetary policies will not be fundamentally changed by our tax proposals. However, we have developed the tax program so as to reduce the possibility of serious conflicts arising. For one thing, it will take on a good part of the burden for encouraging expansion that is being borne by monetary policy, thereby easing the problems of the monetary authorities should they one day find themselves compelled to deal more vigorously with the balance of payments.

Equally important, the stimulus to domestic investment, the new incentives for cost-cutting and modernization, the encouragement for industrial research, and the higher profits implicit in the tax program will support and reinforce our more specific efforts to deal with the balance of payments problem. Some capital that is now inclined to seek employment abroad will find new opportunities opening up in this country. The productivity of our industry should be reinforced, bettering our competitive

by other sectors of the economy. I am confident that, as the economy does reach its full potential, the tax rates we are proposing will in fact generate revenues adequate to cover the essential expenditures of Government

The course of interest rates in the months ahead will be affected less by Treasury debt management decisions than by the course of the economy itself, and by the policies of the Federal Reserve in response to emerging developments both domestically and in our balance of payments.

Whatever the future may bring in this respect, it is clear that easy money and ample availability of credit has been a major factor supporting the economy throughout this period of expansion, and remains so today. Seldom in our history -- certainly not since World War II -- have most long-term interest rates actually declined during a recovery period. I was interested to see recently a report that the larger New York banks charged an average of 1/8 - 1/4% less per annum for new term loans in 1962 than was the case a year earlier -- a striking reflection of the downward pressures on the rate structure and aggressiveness of banks in seeking out new borrowers, even while the so-called prime rate remained unchanged. The record volume of mortgage financing in 1962 -- coming at a time in the expansion

flow from higher incomes. The act of saving may itself be the end product of a long sequence of prior spending decisions, each of which will tend to add to the level of business activity and the incomes of workers. The taxpayer himself, when he devotes part of his tax saving to purchases of goods or services, will be only the first link in this chain of spending, income generation, and saving that lies at the heart of the expansionary process. Under these circumstances, it is quite possible and practicable for the Government to absorb some of the new savings for its own use, without bringing undesirable upward pressures on interest rates or diverting funds from use in other investment channels.

As the economy reaches full employment, and potential savings can be fully and productively employed in financing our expanding private economy, the situation becomes quite different. Then, it is quite true that wedging Government bonds into an already taut capital market will raise interest rates and curtail private spending. And, in a potentially inflationary situation, that might be appropriate. Even more to the point, that would clearly be a situation in which Government policies should be directed toward budgetary balance and surplus, thereby restraining demand and (through debt retirement) releasing funds for productive use

success provides every reason for further testing from time to time as market conditions and our own objectives make that desirable.

Financing the Transitional Deficit

It is sometimes argued that, to the extent we tap savings in financing the deficit, the desired stimulus from our tax program will be offset -- that we will, in effect, take back with one hand the money that we provide with the other. This over-simplified account of the financing process overlooks several important considerations. First of all, however the deficit is financed, it will leave untouched the spur to the economy from the greater incentives for productive effort and new investment brought on by tax rate reduction. Equally important, there is every reason to believe that, until we return closer to full employment, the flow of longer-term investment funds generated by rising levels of business activity will exceed the combined borrowing requirements of individuals, businesses, and state and local governments -- just as has been the case over the last two years.

An increased volume of savings will not require decisions to reduce spending by business or consumers, but rather will

While hard and fast mechanical rules cannot be set down in advance, this guide implies a continuing need to tap longer-term savings -- either directly, or through the complex of savings institutions -- for a portion of the funds required to finance our forthcoming deficit. We are fortunate, in approaching this task,that techniques have been developed that permit us to raise funds in the intermediate and longer-term sectors of the market with a minimum of disturbance to other borrowers. I am thinking partly of our advance refundings, which have now been tested and found useful in six instances over the course of two Administrations. I am also thinking of our recent experience in auctioning long-term bonds through competing syndicates of security dealers -- an experiment that owes much to the continuing interest and support of Senator Douglas. I am happy to report that our initial venture in selling $250 million of long-term bonds by that means was highly successful in achieving a wide distribution of the new securities, in this instance at an interest cost virtually equivalent to the prevailing yield for comparable outstanding securities. While it is still too soon to permit a judgment concerning the ultimate role of this new technique within our total debt management program, the initial

marketable debt -- symbolized by a 7½% increase in its average maturity -- without diverting funds from productive use elsewhere in the economy. In fact, most long-term interest rates drifted down below their recession lows over the course of the year.

As we move ahead in financing the deficit, we will remain alert to the need to maintain a debt structure that will not contribute to inflationary pressures as full employment is restored. This will require distribution of the debt among the various maturity areas and investor groups in a manner that avoids excessive liquidity, either in the form of new money creation or short-term Treasury securities.

Of course, at a time of unemployment and excess capacity like the present, the use of short-term securities or commercial bank financing is fully justified in appropriate amounts. A growing economy needs more money and other liquid assets, and short-term Government issues may help to fill these needs. The compelling policy requirement -- and the guide that we have consistently observed -- is to insure that the growth of liquidity instruments of all kinds does not run ahead of the ability of the economy to absorb them without inflation.

None of us can be happy with the temporary increase in the deficit that our tax program implies for fiscal 1964 -- although I should point out that the estimated net revenue loss of $2.7 billion is small when compared to the $9.2 deficit that we face in any event as a consequence of the failure of our economy to achieve reasonably full capacity operation. The phasing of the full program over three years, but with enactment in a single package, is designed to minimize the transitional deficit, before balance can be restored, without delaying the impact on business incentives. And I am confident that we will be able to manage a deficit of the magnitude we foresee without endangering either our record of price stability or our balance of payments position -- just as we have successfully financed our deficits of the past two years.

We have been aided in that task by a rising flow of savings that individuals and businesses have been willing to commit to investment for a substantial period of time. Almost all the deficit in 1962 was financed outside the banking system. Moreover, the increase in outstanding Government securities maturing in more than five years was substantially greater than the total rise in the public debt. Under the circumstances, it was possible to achieve this progress toward restructuring and funding the

here today. Rather, I would like to consider the program in the perspective of the over-all financial policy of this Administration, for tax reduction -- however vital -- can be only a part of a well-conceived financial program for the mid-1960's.

Ultimately, one result of our proposed tax program will be a higher level of Federal revenues than can reasonably be expected if we continue to hold back our productive power with a tax structure that saps initiative and drains off such a large fraction of income that reasonably full employment becomes an ever receding mirage. The reason is very simple -- revenues reflect not only the level of tax rates, but also the level of incomes to which they are applied. Our own experience -- most recently following the 1954 tax reduction -- shows that this kind of stimulus to an idling economy can be the surest path to vigorous expansion and budgetary balance. And the record of the past five years also demonstrates the futility of deferring action in the hope that some other stimulus -- always just beyond the visible horizon -- can do the job.

means of expanding demand would clearly violate important considerations of public policy. Finally, consumers -- accounting for two-thirds of our whole gross national product -- have regularly been spending a normal share of their after-tax incomes. Further increases in their outlays can be expected, but only as we generate a rise in income and employment from other sources.

The Tax Program and Debt Management

We have at our command an instrument that will permit us to cut through this impasse. A broad consensus has developed among leaders from all sectors of our economy that fresh incentives for investment, for risk-taking, and for personal effort -- supported by the release of additional purchasing power through tax reduction -- offers a practicable means for breaking through the sluggish performance of recent years to achieve the difficult transition to sustained and self-reinforcing prosperity. This consensus is embodied in the program of tax reduction and reform that the President presented to the Congress last week, and that lies at the core of our economic and financial policy. I shall be testifying on that program in detail before the House Ways and Means Committee next week, and am not in a position to treat the specifics at length

of serious recession in the months ahead appears remote. But, in an economy with a growing labor force and steady increases in worker productivity, we cannot be satisfied with stability or creeping advance. And the fact of the matter is that we need, and could effectively utilize at a high level of employment, much more investment than has been forthcoming.

Much of the difficulty lies in an absence of sufficiently strong and assured markets -- markets more in line with our potential capacity to produce. After five years of inadequate progress we cannot confidently sit back in the hopes that such markets will appear spontaneously, without the encouragement of fresh incentives and the release of new purchasing power.

Residential housing, for instance, had a good year in 1962 -- helped by the prevailing ease of mortgage credit. But, it would be unrealistic to expect, within the limits set by family formation and current income levels, that that sector can supply the further expansionary drive that is needed. Government expenditures, at all levels, are also rising, but not appreciably faster than current tax rates are draining income from other sectors of the economy. To permit expenditures to rise further, in areas of less than compelling need, merely as a

reached as long ago as 1957. In real terms, spending is actually below earlier peaks. We have been adding to our capital stock at a rate of little more than 1-1/2% per year since 1957 -- well below the amounts that are needed to support a vigorously growing economy. Moreover, businessmen, once the threat of a steel strike was eliminated early last year, have followed increasingly cautious inventory policies, adding to stocks only where clearly needed to support their current level of sales.

The explanation for these conservative business policies is not hard to find. With many industries faced for some time with more capacity than they could effectively use, and with profit margins under pressure over a period of years, businessmen understandably have confined their investment spending largely to those replacement and modernization projects offering clear and prompt cost advantages. With fast deliveries assured, and with constantly improving methods of inventory control allowing smaller inventories to serve a given level of demand, incentives for adding to their volume have been weak.

These investment and inventory practices, rooted in the experience of the past five years, are one reason why the danger

capital and attract funds from abroad. Price stability is essential both to broaden our export markets and to achieve balanced growth at home.

The continuing challenge before us is to seek out and apply that blend of practical policies that, taken together, promise to support both our domestic and international objectives. This requires, first of all, a clear appraisal of existing trends -- not just for recent months or the past year, but for a long enough period to appreciate the underlying forces at work in the economy. It is in this longer perspective that the performance of the past year, while gratifying in many respects, has demonstrated the need for new approaches.

The Key Role of Investment

One fact that stands out in our recent experience has been the sluggishness of business investment -- the kind of spending that both generates current income and enlarges our productive potential. This is true in relation to both our earlier postwar record and that of our aggressive foreign competitors. To be sure, business spending for plant and equipment rose by 9% in 1962. But the gains slowed appreciably after the early months of recovery and, in dollar volume, outlays barely surpassed levels

powerfully influences our trading partners, rich and poor alike, and which is itself subject to strong competitive pressures from abroad. Our growth -- or failure to grow, the efficiency with which we produce, the climate for domestic investment, and our success in achieving price stability all affect the flows of goods and capital between nations. And the strength and stability of our currency concern every nation with a stake in freely-flowing trade and a durable international payments system, for side by side with gold itself, the dollar serves the free world as its chief reserve and trading currency.

The continuing need to reconcile our domestic and internation objectives sometimes limits the kind and scope of specific action that we can take in pursuit of one goal or the other. But fundamentally these goals need not be incompatible; indeed, they can reinforce each other. Faster growth at home and an efficient industry, able to pour out the new products eagerly sought in world markets, both depend upon a higher level of domestic investment, incorporating the latest technology and exploiting the fruits of new research. A dynamic domestic economy, alive with new and profitable investment opportunities, is ultimately the only way -- consistent with our free market system -- by which we can discourage excessive outflows of

Our difficulties are not those of crisis -- a sharp domestic recession -- an unmanageable drain of international reserves -- an early relapse into inflation. Rather, the problem lies in a gradual accumulation of deficiencies over a period of years, each interacting with the other to retard our progress. Slow growth and less-than-capacity operations inevitably dull incentives to invest, encourage inefficient "make work" practices, and lead to pressures on unit costs and profit margins. In this setting, investment opportunities abroad, within the borders of our rapidly growing foreign competitors, become magnets to American capital, burdening our balance of payments today and diverting potential new jobs and efficient productive facilities from our shores. And, in terms of the Federal budget, our underemployed economy is not able to generate the revenues needed to cover the costs of Government -- even though increases in spending for fiscal 1964 are being held to the essentials of national security, space, and interest payments.

The Link Between Our Domestic and Balance of Payments Goals

One lesson of the past five years is that our goals of domestic growth and external balance cannot safely be separated. We live in an open economy -- an economy whose performance

Nevertheless, our recovery since early 1961, reassuring as it has been, has not achieved the kind of decisive transition to dynamic, self-reinforcing growth that is well within our means. The past five years have left us with a residue of unemployment that a recovery of only normal proportions cannot eliminate. Excess productive capacity and pressures on profits continue to chill the incentives to invest and expand upon which our economic vitality depends. Not only has our progress at home been limited, but also our ability to provide expanded markets for other nations struggling to find the means for a better life within a framework of individual freedom. At the same time, the deficit in our international payments has remained uncomfortably large.

We want to increase our rate of economic growth and improve our living standards because it is basic to our way of life. We are concerned that too many of our citizens are unemployed, that others do not have a fair share of the national prosperity, that there are depressed economic areas, that our economy is not growin as fast as others. We are not willing to accept these as inevitab and we believe a combination of appropriate Government policies an private initiative, consistent with our political and economic traditions, can help to ease these problems.

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
Before the
JOINT ECONOMIC COMMITTEE
January 31, 1963
10:00 a.m.

Mr. Chairman and Members of the Joint Economic Committee:

The recent performance of the American economy has already been reviewed in the Economic Message of the President and in the Report and testimony of the Council of Economic Advisers. The compelling and overriding theme of their remarks can be simply stated.

The Need for Faster Growth

1962 was, against the background of recent experience, a good year. Employment, output, and incomes all reached new records. Almost two years after the last recession, the economy appears free of those excesses and imbalances that in the past have signaled a new downturn. Virtual price stability has been maintained throughout the expansion period. And, despite the substantially higher level of imports generated by rising business activity, the pattern of increasingly large deficits in our balance of payments that characterized the years 1958 - 1960 has been reversed.

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JANUARY 31,1963
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Equally important, the stimulus to domestic investment, the new incentives for cost-cutting and modernization, the encouragement for industrial research, and the higher profits implicit in the tax program will support and reinforce our more specific efforts to deal with the balance of payments problem. Some capital that is now inclined to seek employment abroad will find new opportunities opening up in this country. The productivity of our industry should be reinforced, bettering our competitive posture in markets at home and abroad. Our leadership in research and its application to industrial products -- products that account for a large portion of our total exports -- will also be further bolstered.

To realize these potential benefits for our balance of payments, it remains critically important that we maintain price stability. The wage and price guideposts reiterated in the Report of the Council of Economic Advisers clearly set forth the general standards by which price and wage decisions may appropriately be evaluated from the standpoint of the public interest. The increases in take-home pay and profits implicit in our tax program should make it easier for both sides to accept wage settlements and to make pricing decisions that lie well within these guideposts, effectively supporting our goal of price stability.

Balance of Payments Results

One of the disappointments of the past year has been the relatively slow improvement in our balance of payments. The preliminary figures presently available, indicating that our over-all deficit remained somewhat over $2 billion, demonstrate conclusively that we must seek out and apply even more vigorously measures specifically aimed at restoring lasting equilibrium in our international accounts.

With merchandise imports rising by $1.6 billion last year, the moderate progress recorded in reducing our deficit from the $2-1/2 billion in 1961 was possible only because the concerted efforts to stem the dollar drains directly associated with Government activities have begun to bear fruit. Most importantly, net military spending overseas declined by almost $600 million (on the basis of incomplete data), reflecting offsetting purchases of military goods and services by our allies. The vigorous efforts to economize on our own military spending overseas merely served to hold the over-all total level while absorbing the costs

of larger forces and higher foreign price levels. Prepayments of loans by France, Italy and Sweden amounted to over $650 million, approximately comparable to our 1961 receipts from this source. A larger proportion of our aid to the less developed countries was directly reflected in purchases in this country, and fully three-quarters of this fiscal year's new AID commitments will result in American exports in coming years.

Further savings in Government spending overseas are clearly necessary. I am confident that they will emerge as the new Government-wide control system for international transactions, established within the Bureau of the Budget, becomes fully effective as an administrative device for budgeting our foreign exchange outlays.

Improvement developed in other directions as well. Commercial exports rose moderately, despite slower growth in Europe -- our most rapidly expanding export market. The steady increase in earnings on our overseas investment provided a factor of long-term strength. Short-term capital outflows, which had reached exceptionally high levels in 1960 and 1961, declined, although they still remain a major factor in our payments difficulties. These outflows, including items not specifically recorded in our balance of payments statistics, accounted for approximately 70% of our total deficit as compared to about 80% in 1961.

Last year's deficit resulted in a gold loss of $890 million as compared to $857 million in 1961. Toward the end of last year, and continuing into early 1963, ten weeks passed in which there was no net decline in our gold stock. This situation could not be expected to continue in the face of our payments deficit, and the gold outflow resumed in January. Further moderate outflows can be expected in the coming weeks and months.

The improvement in our balance of payments thus far is simply not good enough if we are to maintain a strong dollar and fulfill our basic commitments for aid and defense. The hard job of searching out and penetrating new foreign markets has only begun and the President has therefore proposed a sharp step-up in our export expansion program. Our long-term capital exports continue to reflect the absence of effective alternatives abroad to our own well developed capital markets, as well as the inadequate investment opportunities at home. And the burdens of aid and defense must be more equitably shared.

Strengthening the International Payments System

We cannot take comfort in the thought that an "easy" solution can be found in some new monetary arrangement that will shield us from the necessity for taking corrective action. Any effective monetary arrangement necessarily presupposes, not balance every year, but an ability and willingness to avoid large and continuing deficits, as well as the full confidence of a group of willing lenders.

We need a stable monetary system, resistant to the strains and shocks that can quickly develop as a result of sudden and massive flows of funds between countries, and capable of meeting the needs of a growing world economy for international liquidity and access to credit. During the past year, we have made great strides toward strengthening the existing system. The prompt ratification and implementation of the special IMF borrowing arrangement -- making available in time of demonstrated need a pool of up to $6 billion of convertible currencies -- was a source of special gratification. Moreover, we have now tested in a wide variety of situations the usefulness of operations for our own account in both the spot and forward foreign exchange markets, of reciprocal currency agreements by the Federal Reserve with the monetary authorities of other industrialized countries, and of Treasury direct borrowing at short and medium term from other countries in a strong payments position. The effectiveness of these arrangements, supplementing the resources of the IMF itself, in meeting incipient strains of various kinds -- whether directed against the dollar or other currencies -- was demonstrated at the time of the stock market disturbances last spring, and again during the Canadian exchange crisis and the Cuban situation. Similarly, the new cooperative arrangements in the London gold market have been helpful in dispelling a potentially speculative atmosphere, and the price of gold in that market declined toward the end of last year. For much of January, the price has been below $35.06, touching the lowest level since 1959.

No doubt there is room for further innovation and improvement in these areas. We are continuing to study these questions in cooperation with other interested countries. But no monetary mechanism can effectively substitute for the hard and continuing task of steadily improving our own balance of payments. The "easy", obvious savings have already been made -- the hard core of the deficit that remains will require the conscious effort and understanding of all groups in the economy, as well as the cooperation of our friends abroad who now find themselves in a strong position.

In this connection, I was much interested in reading the report of your own subcommittee, chaired by Congressman Reuss, that recently made available a mass of valuable and provocative material on the balance of payments and related monetary arrangements. The emphasis in your own conclusions on the fundamental necessity for working with our allies to achieve a more equitable sharing of the burdens of defense and aid, with full recognition of the increased capacity and economic strength of other industrialized nations in recent years, seems to me entirely appropriate. And I also share your view that we can find no solution to our problems by simply multiplying guarantees for dollars in the hands of foreigners.

The Need for Price Stability

But there is one sort of "guarantee" that is vitally necessary if we are to maintain the confidence of our friends abroad and successfully achieve our twin goals of domestic expansion and balance in our international accounts -- that is a pledge that we will conduct our affairs in a manner that will maintain our recent record of price stability. That is why it is essential that we finance our deficit in a prudent way, with an eye toward the future as well as the present. That is why we need to maintain a flexible monetary policy, alert to developments as they emerge. And, above all, that is why it is so important that labor and business alike, as the stimulus from our tax program takes hold, continue to seek out more efficient methods of production and display restraint in their wage bargaining and pricing decisions.

This process should be greatly facilitated by the new incentives and the increases in after-tax incomes of individuals and business enterprises alike which will be provided by our tax program. It is in this context of responsible citizen action within a framework of effective public policy that tax reduction will be a boon to us all.

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United States Savings Bonds Issued and Redeemed Through January 31, 1963

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

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstan of Amt.Is
MATURED				
Series A-1935 - D-1941	$ 5,003	$4,989	$ 15	.3[illegible]
Series F & G-1941 - 1950	28,512	28,297	215	.75
UNMATURED 3/				
Series E:				
1941	1,821	1,523	298	16.36
1942	8,043	6,742	1,302	16.19
1943	12,942	10,836	2,106	16.27
1944	15,072	12,520	2,553	16.94
1945	11,799	9,588	2,210	18.73
1946	5,297	4,076	1,221	23.05
1947	4,986	3,649	1,337	26.82
1948	5,134	3,646	1,488	28.98
1949	5,048	3,492	1,556	30.82
1950	4,398	2,951	1,447	32.90
1951	3,809	2,532	1,277	33.53
1952	3,984	2,555	1,428	35.84
1953	4,522	2,694	1,828	40.42
1954	4,557	2,656	1,900	41.69
1955	4,722	2,711	2,011	42.59
1956	4,538	2,610	1,929	42.51
1957	4,258	2,341	1,917	45.02
1958	4,111	2,105	2,006	48.80
1959	3,839	1,894	1,946	50.69
1960	3,815	1,706	2,110	55.31
1961	3,820	1,437	2,383	62.38
1962	3,194	744	2,449	76.68
1963	-	-	-	-
Unclassified	525	545	-20	-
Total Series E	124,234	85,553	38,680	31.13
Series H (1952 - 1963) 3/	8,827	1,828	6,999	79.29
Total Series E and H	133,061	87,382	45,679	34.33
Series F and G (1951 - 1952).....	1,006	687	4/ 319	31.71
Series J and K (1952 - 1957)	3,691	1,948	1,743	47.22
Total Series F, G, J and K	4,697	2,635	2,062	43.90
All Series: Total matured	33,515	33,285	230	.69
All Series: Total unmatured	137,758	90,017	47,742	34.66
All Series: Grand Total	171,274	123,302	47,971	28.01

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

United States Savings Bonds Issued and Redeemed Through January 31, 1963

(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
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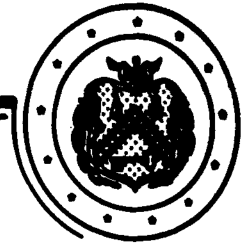
OFFICE OF FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT



WASHINGTON, D.C.

February 4, 1963

FOR IMMEDIATE RELEASE

171

MERLYN N. TRUED NAMED DEPUTY
ASSISTANT SECRETARY OF THE TREASURY

Treasury Secretary Douglas Dillon today administered the oath of office to Merlyn N. Trued as Deputy Assistant Secretary of the Treasury.

Mr. Trued has been an Assistant Vice President of the Federal Reserve Bank of New York, leaving that position to assume his new duties with the Treasury Department on January 28th.

Mr. Trued will assist Assistant Secretary John C. Bullitt in carrying out the Department's responsibilities in international financial and monetary affairs.

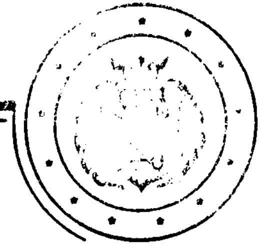
Mr. Trued joined the New York Federal Reserve Bank's Research Department in 1954 and has held official positions in the Public Information and Foreign Departments. While on leave of absence from the Bank, he served as a financial specialist with an advisory group to the Government of Viet Nam. He has also served as a lecturer on Economics at the University of Virginia and has taught at Rutgers University, the City College of New York, and New York University. He joined the United States Navy in 1942 and was commissioned a Lieutenant in the U. S. Marine Corps in 1943. Mr. Trued is now a Major in the U. S. Marine Corps Reserve.

Mr. Trued attended public schools in Tribune, Kansas. He received his M.A. degree in Foreign Affairs in 1951 from the University of Virginia and his Ph.D degree in Economics in 1954. Mr. Trued, a member of Phi Beta Kappa, is an honors graduate of the University of Oregon and has received a number of fellowship awards.

Mr. Trued is the author of a number of published works, including a monograph, Post-War Bilateral Payments Agreements, and an article in the October 1957 Journal of Political Economy, "Interest Arbitrage, Exchange Rates, and Gold and the Dollar Reserves."

Mr. Trued, 40, was born in Ceresco, Nebraska. He is married to the former Josephine Schafer of Perry, Kansas. They have a son and a daughter and maintain their residence in Ridgewood, New Jersey.

TREASURY DEPARTMENT



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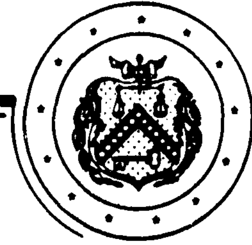
TREASURY DEPARTMENT



WASHINGTON, D.C.

February 4, 1963

NOTE TO CORRESPONDENTS:

The attached tables are made available in response to inquiries concerning the impact on taxpayers of the proposed five per cent floor on itemized deductions.

Table I shows the combined effects of the floor on itemized deductions and the proposed rate reductions on typical itemizers in both 1964 and 1965. Some of the figures differ by a few dollars from those contained in the examples which were supplied to accompany the President's Tax Message. The levels of itemized deductions shown on Table I are based on analysis of a larger sample of returns than the examples were. They reflect actual average deductions in each income group.

Tables II, III, and IV show the "breakeven point" for taxpayers who itemize. All taxpayers who have itemized deductions which do not exceed the amounts shown in the second column of the tableswill find their taxes reduced after taking into account both the five per cent floor and the proposed rate reductions.

As can be seen from the tables, the total deductions would have to be much larger than the average before the effects of the five per cent floor would completely wipe out the benefits of the rate cut. Studies of sample returns indicate that only a handful of taxpayers have deductions as large as these.

Table I

(Married, Two Dependents)
(With Average Itemized Deductions)

Annual Income	Present Tax	1964 Tax Liability	1965 Tax Liability	Tax Reduction by 1965	Percentage cut when program fully in effect
$0-3,000	0	0	0	0	*
5,000	$310	279	252	58	18.7
7,000	640	574	528	112	17.5
10,000	1,240	1,125	1,050	190	15.3
15,000	2,252	2,059	1,940	312	13.9
20,000	3,500	3,208	3,024	476	13.6
50,000	15,136	13,998	13,410	1,996	13.2
100,000	41,274	37,936	35,700	5,574	13.5

* The typical itemizer in this income group has no tax liability now and would continue to have none under the proposal.

Table 2

Maximum Itemized Deductions Of Taxable Individuals
Who Will Have Tax Savings After Taking Into
Account The Effects Of The Floor On Deductions
And The Tax Rate Reductions

(Single Individual Taxpayers)

Adjusted gross income	Maximum itemized deductions	Maximum itemized deductions as percent of AGI	Actual Average itemized deductions for income class as percent of AGI
$ 3,000	$ 2,050	68%	23%
5,000	3,816	76	20
7,000	5,500	79	20
10,000	7,900	79	20
15,000	11,525	77	20
20,000	14,800	74	19
25,000	18,067	72	16
50,000	34,567	69	17
100,000	70,600	71	21

Office of the Secretary of the Treasury
Office of Tax Analysis

Table 3

Maximum Itemized Deductions Of Taxable Individuals Who Will Have Tax Savings After Taking Into Account The Effects Of The Floor On Deductions And The Tax Rate Reductions

(Married - No Dependents)

AGI	Maximum itemized deductions	Maximum itemized deductions as percent of AGI	Actual average itemized deductions for income class as percent of AGI
$ 3,000	$ 1,450	48%	23%
5,000	3,216	64	21
7,000	4,983	71	20
10,000	7,633	76	16
15,000	11,800	79	16
20,000	15,800	79	15
25,000	19,175	77	13
50,000	36,133	72	13
100,000	69,086	69	15

Office of the Secretary of the Treasury
Office of Tax Analysis

Table 4

Maximum Itemized Deductions Of Taxable Individuals Who Will Have Tax Savings After Taking Into Account The Effects Of The Floor On Deductions And The Tax Rate Reductions

(Married taxpayers with two dependents)

AGI	Maximum itemized deductions	Maximum itemized deductions as percent of AGI	Actual average itemized deductions for income class as percent of AGI
$3,000	--------------Nontaxable under program--------------------		
5,000	$ 2,015	40%	21%
7,000	3,783	54	20
10,000	6,433	64	16
15,000	10,600	71	16
20,000	14,600	73	15
25,000	17,975	72	13
50,000	34,933	70	13
100,000	67,886	68	15

Office of the Secretary of the Treasury
Office of Tax Analysis

FOR RELEASE, A. M. NEWSPAPERS,
Tuesday, February 5, 1963.

February 4, 1963

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 November 8, 196[illegible] and the other series to be dated February 7, 1963, which were offered on January 30, were opened at the Federal Reserve Banks on February 4. Tenders were invited for $1,300,000,000 or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing May 9, 1963		:	182-day Treasury bills maturing August 8, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.266	2.904%	:	98.500	2.967%
Low	99.251	2.963%	:	98.481	3.005%
Average	99.255	2.946% 1/	:	98.486	2.995% 1/

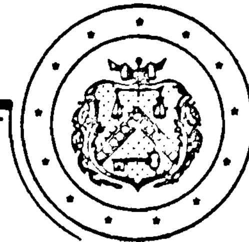
32 percent of the amount of 91-day bills bid for at the low price was accepted
40 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 26,917,000	$ 16,917,000	:	$ 9,810,000	$ 5,810,000
New York	1,378,099,000	851,019,000	:	1,063,569,000	634,969,000
Philadelphia	28,180,000	16,980,000	:	8,029,000	3,029,000
Cleveland	31,643,000	31,643,000	:	25,875,000	22,875,000
Richmond	23,687,000	21,647,000	:	9,961,000	3,961,000
Atlanta	25,432,000	24,432,000	:	4,331,000	4,331,000
Chicago	196,286,000	149,030,000	:	131,035,000	50,035,000
St. Louis	32,392,000	27,392,000	:	6,973,000	5,473,000
Minneapolis	23,370,000	21,690,000	:	6,995,000	5,695,000
Kansas City	32,580,000	32,580,000	:	18,183,000	17,083,000
Dallas	30,692,000	26,012,000	:	10,614,000	9,614,000
San Francisco	81,750,000	80,750,000	:	43,701,000	37,201,000
TOTALS	$1,911,028,000	$1,300,092,000 a/		$1,339,076,000	$800,076,000 b/

a/ Includes $233,122,000 noncompetitive tenders accepted at the average price of 99.255
b/ Includes $52,418,000 noncompetitive tenders accepted at the average price of 98.486
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.01%, for the 91-day bills, and 3.08%, 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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	$ 26,917,000	$ 16,917,000	:	$ 9,810,000	$ 5,810,000
rk	1,378,099,000	851,019,000	:	1,063,569,000	634,969,000
elphia	28,180,000	16,980,000	:	8,029,000	3,029,000
and	31,643,000	31,643,000	:	25,875,000	22,875,000
nd	23,687,000	21,647,000	:	9,961,000	3,961,000
a	25,432,000	24,432,000	:	4,331,000	4,331,000
o	196,286,000	149,030,000	:	131,035,000	50,035,000
uis	32,392,000	27,392,000	:	6,973,000	5,473,000
polis	23,370,000	21,690,000	:	6,995,000	5,695,000
City	32,580,000	32,580,000	:	18,183,000	17,083,000
	30,692,000	26,012,000	:	10,614,000	9,614,000
ncisco	81,750,000	80,750,000	:	43,701,000	37,201,000
TOTALS	$1,911,028,000	$1,300,092,000 a/		$1,339,076,000	$800,076,000 b/

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(Married taxpayers with two dependents)

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5,000	$ 2,015	40%	21%
7,000	3,783	54	20
10,000	6,433	64	16
15,000	10,600	71	16
20,000	14,600	73	15
25,000	17,975	72	13
50,000	34,933	70	13
100,000	67,886	68	15

Office of the Secretary of the Treasury
Office of Tax Analysis

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7,000	4,983	71	20
10,000	7,633	76	16
15,000	11,800	79	16
20,000	15,800	79	15
25,000	19,175	77	13
50,000	36,133	72	13
100,000	69,086	69	15

Office of the Secretary of the Treasury
Office of Tax Analysis

Table 2

Maximum Itemized Deductions Of Taxable Individuals
Who Will Have Tax Savings After Taking Into
Account The Effects Of The Floor On Deductions
And The Tax Rate Reductions

(Single Individual Taxpayers)

Adjusted gross income	Maximum itemized deductions	Maximum itemized deductions as percent of AGI	Actual Average itemized deductions for income class as percent of AGI
$ 3,000	$ 2,050	68%	23%
5,000	3,816	76	20
7,000	5,500	79	20
10,000	7,900	79	20
15,000	11,525	77	20
20,000	14,800	74	19
25,000	18,067	72	16
50,000	34,567	69	17
100,000	70,600	71	21

Office of the Secretary of the Treasury
Office of Tax Analysis

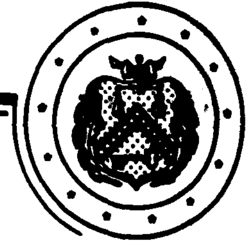
Table I

(Married, Two Dependents)
(With Average Itemized Deductions)

Annual Income	Present Tax	1964 Tax Liability	1965 Tax Liability	Tax Reduction by 1965	Percentage when progra fully in eff
$0-3,000	0	0	0	0	*
5,000	$310	279	252	58	18.7
7,000	640	574	528	112	17.5
10,000	1,240	1,125	1,050	190	15.3
15,000	2,252	2,059	1,940	312	13.9
20,000	3,500	3,208	3,024	476	13.6
50,000	15,136	13,998	13,410	1,996	13.2
100,000	41,274	37,936	35,700	5,574	13.5

* The typical itemizer in this income group has no tax liability now and would continue to have none under the proposal.

TREASURY DEPARTMENT



WASHINGTON, D.C.

February 4, 1963

NOTE TO CORRESPONDENTS:

The attached tables are made available in response to inquiries concerning the impact on taxpayers of the proposed five per cent floor on itemized deductions.

Table I shows the combined effects of the floor on itemized deductions and the proposed rate reductions on typical itemizers in both 1964 and 1965. Some of the figures differ by a few dollars from those contained in the examples which were supplied to accompany the President's Tax Message. The levels of itemized deductions shown on Table I are based on analysis of a larger sample of returns than the examples were. They reflect actual average deductions in each income group.

Tables II, III, and IV show the "breakeven point" for taxpayers who itemize. All taxpayers who have itemized deductions which do not exceed the amounts shown in the second column of the tableswill find their taxes reduced after taking into account both the five per cent floor and the proposed rate reductions.

As can be seen from the tables, the total deductions would have to be much larger than the average before the effects of the five per cent floor would completely wipe out the benefits of the rate cut. Studies of sample returns indicate that only a handful of taxpayers have deductions as large as these.

TREASURY DEPARTMENT

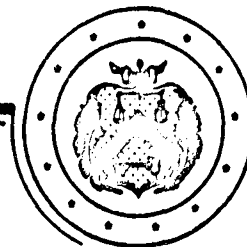


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Table I

(Married, Two Dependents)
(With Average Itemized Deductions)

Annual Income	Present Tax	1964 Tax Liability	1965 Tax Liability	Tax Reduction by 1965	Percentage cut when program fully in effect
$0-3,000	0	0	0	0	*
5,000	$310	279	252	58	18.7
7,000	640	574	528	112	17.5
10,000	1,240	1,125	1,050	190	15.3
15,000	2,252	2,059	1,940	312	13.9
20,000	3,500	3,208	3,024	476	13.6
50,000	15,136	13,998	13,410	1,996	13.2
100,000	41,274	37,936	35,700	5,574	13.5

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And The Tax Rate Reductions

(Single Individual Taxpayers)

Adjusted gross income	Maximum itemized deductions	Maximum itemized deductions as percent of AGI	Actual Average itemized deductions for income class as percent of AGI
$ 3,000	$ 2,050	68%	23%
5,000	3,816	76	20
7,000	5,500	79	20
10,000	7,900	79	20
15,000	11,525	77	20
20,000	14,800	74	19
25,000	18,067	72	16
50,000	34,567	69	17
100,000	70,600	71	21

Office of the Secretary of the Treasury
Office of Tax Analysis

Table 3

Maximum Itemized Deductions Of Taxable Individuals Who Will Have Tax Savings After Taking Into Account The Effects Of The Floor On Deductions And The Tax Rate Reductions

(Married - No Dependents)

AGI	Maximum itemized deductions	Maximum itemized deductions as percent of AGI	Actual average itemized deductions for income class as percent of AGI
$ 3,000	$ 1,450	48%	23%
5,000	3,216	64	21
7,000	4,983	71	20
10,000	7,633	76	16
15,000	11,800	79	16
20,000	15,800	79	15
25,000	19,175	77	13
50,000	36,133	72	13
100,000	69,086	69	15

Office of the Secretary of the Treasury
Office of Tax Analysis

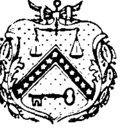
Table 4

Maximum Itemized Deductions Of Taxable Individuals Who Will Have Tax Savings After Taking Into Account The Effects Of The Floor On Deductions And The Tax Rate Reductions

(Married taxpayers with two dependents)

AGI	Maximum itemized deductions	Maximum itemized deductions as percent of AGI	Actual average itemized deductions for income class as percent of AGI
$3,000	--------------Nontaxable under program--------------------		
5,000	$ 2,015	40%	21%
7,000	3,783	54	20
10,000	6,433	64	16
15,000	10,600	71	16
20,000	14,600	73	15
25,000	17,975	72	13
50,000	34,933	70	13
100,000	67,886	68	15

Office of the Secretary of the Treasury
Office of Tax Analysis



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON 25, D.C.

~~DRAFT RELEASE~~

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February 7, 1963

FOR IMMEDIATE RELEASE

ADDITIONAL DATA ON SOVIET TRADE
REQUESTED BY TREASURY

The Treasury Department today announced that it is conducting a survey of shipments of certain commodities to Soviet bloc countries by foreign firms owned or controlled by Americans.

The survey concerns commodities not subject to present Treasury Transaction Control Regulations. These non-controlled commodities are on the Department of Commerce's Positive List, but are not identified on that list by the Commodity Code symbol "A". THOSE ON THE "A" LIST ARE SUBJECT TO THE TREASURY REGULATIONS.

Information obtained through the survey will supply the Treasury with data on the quantity, value and nature of such shipments.

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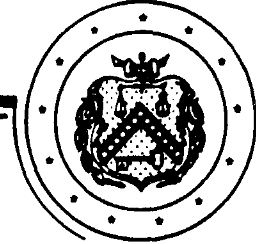
TREASURY DEPARTMENT

WASHINGTON, D.C.



February 5, 1963

FOR IMMEDIATE RELEASE

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reserves by foreign monetary authorities reduces the demand in the money market for marketable securities and helps to fulfill the U. S. responsibility as a key currency country while minimizing strains on the balance of payments.

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TREASURY DEPARTMENT
Washington

February 5,1963

FACT SHEET ON ISSUANCE OF LONGER-TERM FOREIGN SERIES NOTES

The Treasury Daily Statement for January 31, 1963 shows that during January two Treasury notes were issued in the foreign series with maturities longer than one year. One note, in the amount of $125 million with a 15-month maturity, was purchased by Canada. Another note, for $58 million with a 5-year maturity but carrying earlier call provisions was purchased by Italy. All previous foreign series issues, which are non-marketable, had been limited to three-month certificates of indebtedness. The interest rates on the foreign series securities have been equal to or less than those prevailing in the United States market for securities of comparable maturities.

These longer-term issues provide an additional investment opportunity designed to meet the special needs of foreign monetary authorities and enable them to diversify further that part of their reserves which is held in dollars. In part these longer-term investments were also arranged to accommodate countries that have contractual payments obligations to the United States in the more distant future. Although the issues are non-marketable, provision may be made, as is provided in the case of the note purchased by Canada, for their conversion at par into shorter-term obligations of the United States if the foreign monetary authority judges this necessary in order to provide greater liquidity. The creation of longer-term instruments particularly adapted to the holding of

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TREASURY DEPARTMENT
Washington

February 5,1963

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TREASURY DEPARTMENT
Washington

February 5, 1963

FACT SHEET ON DEUTSCHE MARK AND SWISS FRANC BORROWINGS

The Treasury Daily Statement for January 31, 1963 shows that the Treasury has issued two bonds denominated in Deutsche Marks of 15- and 18-month maturities, respectively, in the amount of 200 million Deutsche Marks each -- the equivalent of about $50 million each. These borrowings were handled as public debt operations, authorized under the Second Liberty Bond Act, as amended, as were earlier borrowings from Switzerland and Italy.

The availability of such securities for investment purposes by foreign monetary authorities is of mutual advantage to the foreign investor and the United States. It affords countries, such as Germany, that are currently, or have in the recent past been, substantial creditors in international payments an investment opportunity for their surplus funds. On the United States side, the foreign exchange resources thus obtained may be used by the Treasury in current or future exchange operations.

A $30 million 16-month bond denominated in Swiss francs was also issued during January bringing the total of such longer-term investments purchased by Switzerland to $80 million. This additional transaction represents a continuation of the activities described in the Treasury Press Release of October 23, 1962.

The interest rates on all foreign currency series securities have been equal to or less than those prevailing in the United States market for securities of comparable maturities.

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

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

Immediately after the closing hour, tenders will be opened at the Federal serve Banks and Branches, following which public announcement will be made by ; Treasury Department of the amount and price range of accepted bids. Those omitting tenders will be advised of the acceptance or rejection thereof. The :retary of the Treasury expressly reserves the right to accept or reject any all tenders, in whole or in part, and his action in any such respect shall be ıal. Subject to these reservations, noncompetitive tenders for $200,000 (x(16)x) or ss for the additional bills dated November 15, 1962 (x(17)x), (91 (x(18)x) days remain- ; until maturity date on May 16, 1963 (x(19)x) and noncompetitive tenders for 00,000 (x(20)x) or less for the 182 (x(21)x) -day bills without stated price from any one ider will be accepted in full at the average price (in three decimals) of ac- ›ted competitive bids for the respective issues. Settlement for accepted ten- :s in accordance with the bids must be made or completed at the Federal Reserve ıks on February 14, 1963 (x(22)x), in cash or other immediately available funds or a like face amount of Treasury bills maturing February 14, 1963 (x(23)x). Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE — February 6, 1963

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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 $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing February 14, 1963 , in the amount of $2,106,282,000 , as follows:

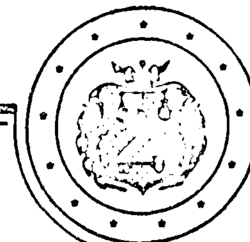
91 -day bills (to maturity date) to be issued February 14, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated November 15, 1962 , and to mature May 16, 1963 , originally issued in the amount of $ 701,326,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated February 14, 1963 , and to mature August 15, 1963 .

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, February 11, 1963 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

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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 November 15,1962,(91-days remaining until maturity date on May 16, 1963) 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 February 14, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 14, 1963.Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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of the Free World. The Treasury intends to adhere firmly to our policy of continuing to buy and to sell gold at $35 an ounce, and we firmly intend to oppose all attempts, whether direct or indirect, to change the $35 price for gold. This has been our policy since 1934. It must continue to be our policy.

of the world's payments needs. Our payments problem is not to be considered lightly nor is it to be viewed as something that cannot be corrected over a period of time. The same is true of our gold loss, since it is so closely tied to our payments problem. Nor should we back away from our role as world banker. Our political, economic and military position in the world makes our balance of payments problem a difficult one, because in making military expenditures and in giving aid, some dollars will continue to go abroad even though the amount that is not spent directly on U. S. goods and services is being constantly reduced. Our economic health is observed from abroad, and measures taken to correct our balance-of-payments must be consistent with the growth of our domestic economy. In formulating overall policies we must, on the other hand, keep strongly in mind our balance-of-payments problem.

One of the most important things to point out is the cooperation in the monetary field that is taking place between the U. S. and the other countries of the Free World. The cooperation in this field today, in which mutual problems are being discussed constantly, is a bright spot in today's problem-plagued world.

All of these, then, are the reasons for the Treasury's position on gold. We must, as I have explained, think of gold as a monetary metal -- not as a commodity. We must think of the dollar not only as involved in our domestic economy, but also as a reserve currency held by others as a supplement to the world's gold supply. The dollar has attained this position internationally for a number of reasons. But one essential aspect of maintaining confidence in the dollar and maintaining a strong and stable international monetary system is to continue to stand ready to buy and sell gold at the fixed price of $35 an ounce and to avoid any actions that would encourage speculation for a higher price of gold.

The Treasury is deeply interested in the health of the gold-mining industry, just as we are interested in the well being of our other major industries. However, we must think of gold from the standpoint of the national interest as a whole, and not only in its relation to one segment of the economy. As I indicated earlier, we cannot take side excursions in gold that others will interpret as a sign that we do not think the present price for gold is correct. We cannot run the risk of disrupting the monetary system which is so vital to the United States economy and the economy

balance-of-payments deficit has been developed and much progress has been made.

I might add, without going into too much detail, that several easy but deceptive solutions to the balance of payments problem have been put forth. The first of these is devaluation. Devaluation would not only fail to help our balance of payments, but it would destroy the status of the dollar in international trade. United States devaluation would undoubtedly be followed by devaluation in all other countries, thus leaving the dollar in the same relative position as before but with less prestige. Because of devaluation, the dollar would not be used as a companion to gold in furnishing world liquidity. Once the value of the dollar is changed, the world is left without a major currency generally acceptable as a supplement to gold. Yet providing such a supplement is vitally important, as you can judge by the fact that foreign monetary authorities now hold about $12 billion in short-term dollar assets, private foreigners about $8 billion, and international institutions more than $5 billion.

Another plan is to create a super world central bank with a new monetary unit of account representing the deposit balances held at the super bank. This would require all countries of the world to give up their present reserves and accept the new monetary unit of account of the super central bank. No matter how constituted, the credit standing of the super world bank would, in the final analysis, depend upon the credit structure of the countries involved and the same balance of payments problem would confront each country under this system as under the present one.

Another suggested solution is one of free exchange rates. During the postwar period we have striven through the International Monetary Fund and through international monetary cooperation to develop a payments system based on stable exchange rates firmly linked to gold. Free exchange rates would introduce uncertainties and disruptions in exchange transactions and would not be conducive to trade between countries, which has grown so greatly since World War II under a system of basically fixed exchange rates among the major industrial countries.

The dollar is sound both at home and abroad. It is the currency on which other countries rely for a large amount, and in some cases, for all of their international payments. We are the banker for a large part

fixed price. This much is clear. But how, one might still ask, can a subsidy to us, a domestic problem, have anything to do with the dollar as an international currency? Gold, one might add, is subsidized in other countries and agriculture and other industries are subsidized in this country.

The answer is that the monetary units of other countries do not have the status of the dollar, and other countries do not have the responsibility for maintaining a fixed relationship between their currencies and gold. Gold in the United States is a monetary metal and cannot be treated as a commodity, as are products of other industries, or as gold is treated in some countries. The usual reasons, therefore, for urging gold subsidies in other countries or for urging subsidies to other industries in this country are not applicable to gold in the United States. The gold mining industry cannot be viewed simply as a case of a marginal or depressed industry seeking relief from the normal compelling pressures of economic change. An effort to assist a relatively few people to keep or obtain jobs, no matter how desirable, would instead of helping those in the gold industry, run the grave risk of disrupting the monetary system on which not only their own livelihood but the livelihood of all of us depends.

There must not be a second price for gold in the United States, no matter how indirect, alongside the official price. Any price other than the official price could be construed by our creditors -- those countries that hold dollar balances -- to mean that we had in some way made a judgment that the official price of gold is too low; that in some way, directly or indirectly, we were on the way to revising our official price. This could lead to speculation against our currency. Doubt must not exist. We are the country that maintains the monetary role of gold and for that reason we cannot treat gold as we would another commodity or the gold-mining industry as we might treat some other industry.

The position of the Treasury, therefore, which is, of course, that of the President, is to maintain the fixed price of $35 an ounce for gold and to oppose any proposals that would lead anyone to believe that we did not think that the $35 price is the proper price for gold.

It is the balance in our international payments -- that is, the balance between the total payments made by U. S. residents to foreigners and the receipts of U. S. residents from foreigners -- which is the root cause of our gold outflow. A comprehensive program to eliminate this

predicted that there will continue to be an increase for many years to come. As it now stands, based on 1961 figures, United States gold production is only 4-1/2 per cent of Free World production.

Many have predicted that a subsidy would cause United States gold production to increase enough within a few years to offset our decrease in gold stocks. In the past five years this decrease has amounted to nearly 7 billion dollars. That is a lot of gold. As it is difficult to predict production at some higher price, let's look and see what happened in the United States in 1934, when the price of gold was increased 69 per cent. At a time when labor and supplies were at their cheapest, when ore dumps and tailing piles that had been in existence for years were reworked, when the dredge really blossomed -- many gold-bearing streams in the West that could be worked with a dredge were worked -- gold production slightly more than doubled. Recently, in commenting on one of the proposed subsidy bills, the Department of the Interior indicated that a 100 per cent subsidy would about double today's gold production. Yet if such subsidy were given and we doubled our gold production it would take this increase well over one hundred years to replace the decrease in the gold stocks in the past five years.

A subsidy, in short, cannot solve the problem. And it would present a very real danger to our dollar.

Starting after World War I, the dollar evolved as a key currency of the world, and since World War II, the world has accepted the dollar as a supplement to the gold supply in furnishing liquidity to the trade between the countries of the world. The dollar has become the kingpin, so to speak, of international financial stability. This has been possible for a number of reasons. But a fundamental aspect has been our policy of buying and selling gold at a fixed price to foreign governments, central banks and, under certain conditions to international institutions, for the settlement of international balances and for other legitimate monetary purposes. We do not, I might note here, sell to foreign individuals. Also, we sell gold for legitimate industrial, professional and artistic use in the United States and, of course, we buy gold here. Other governments hold the dollar because of our policy of buying and selling gold at a fixed price. The dollar is the only currency that maintains this link between money and gold, and the monetary system of the entire Free World is hinged to this interconvertibility which we maintain between gold and dollars at a

that the metal content of the ore body is not inexhaustible, and it eventually "peters out."

The history of gold mining in the United States demonstrates that this problem has played an important part in the gold mining industry. We know that gold mining was once a flourishing industry in Virginia, the Carolinas and Georgia. And any one of us could relate, as if it were yesterday, the story of the many once great mining areas here in the West. You may recall that we have had mints for the coinage of gold in Charlotte, N. C., and Dahlonega, Ga. Also, a mint for coining gold and silver at Carson City, Nev., and assay offices at Seattle, Helena, Salt Lake City, Deadwood and Boise. These went out of existence years ago because of the drying up of ore bodies, the cost of production and the price of gold. I do not believe anyone present would contend that these mining areas should have been kept open through subsidy or a higher price for gold -- that would have interfered with the monetary role of gold. Nor do I believe anyone would contend that today there should be a subsidy large enough to reopen these fields. All of us can agree, therefore, that our policy is clear and right when we apply it to these events of the far distant past. But our perspective changes when it affects us here and now.

There is another problem, as well, that arises from the very nature of mining. Many mines involve more than one metal. And the decrease in the price of one metal increases the importance of the revenue from another. No doubt, some of the arguments today for a greater return from gold in by-product mining result from a decrease in the price of another metal. But I do not believe we should blame gold for an unprofitable situation when another metal is at fault.

These, then, are two problems caused, not by external circumstances, but by the character of mining itself. This, of course, does not change the larger picture, in which gold production in the United States has been on the wane while Free World gold production has been waxing strong. In the United States, production reached its peak in 1940, when it amounted to 170 million dollars. In 1961, U. S. production amounted to only 55 million dollars. Free World gold production, on the other hand, has increased from 738 million dollars after World War II to 1 billion 220 million dollars in 1961. During the 10-year period 1951-1961, Free World gold production increased 45 per cent. Preliminary figures for 1962 indicate a further increase in Free World production and it is

TREASURY DEPARTMENT
Washington

FOR RELEASE UPON DELIVERY

REMARKS BY LELAND HOWARD
DIRECTOR, OFFICE OF DOMESTIC GOLD AND SILVER OPERATIONS
BEFORE THE SIXTY-SIXTH
NATIONAL WESTERN MINING CONFERENCE AND EXHIBITION
THE DENVER HILTON HOTEL, DENVER, COLORADO
THURSDAY, FEBRUARY 7, 1963, 4 P. M., M.S.T.

TREASURY'S GOLD POLICY

I welcome this opportunity to talk to you because, for one thing, it gives me an opportunity to see so many friends I have known for so long a time. I first visited Denver in 1934, shortly after joining the Bureau of the Mint, and it has been my good fortune to come here several times a year ever since.

I understand that your invitation was extended to me so that the Treasury would have an opportunity to restate its position on gold. In response, I want to say that the Treasury's policy on gold has remained the same since 1934, when Congress passed the Gold Reserve Act. Although the technique of carrying out the policy under different Administrations may vary, the basic policy has been the same under both Democrats and Republicans. Our basic policy has been - and remains - one of centralizing the gold reserves of the country in the hands of the Government under the jurisdiction of the Treasury and maintaining a fixed price of $35 an ounce for gold.

Having worked in the gold and silver field during my entire Government career, I believe that I well understand your problems. I know that you, as producers, are interested in bringing out of the ground a ton of material for which you can obtain a price, on the basis of the metal or metals therein, that will offset your cost of mining the ton of material. I know that because mining is an extractive industry, many things enter into the picture in addition to the price you obtain for metals. One problem is

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fixed price. This much is clear. But how, one might still ask, can a subsidy to us, a domestic problem, have anything to do with the dollar as an international currency? Gold, one might add, is subsidized in other countries and agriculture and other industries are subsidized in this country.

The answer is that the monetary units of other countries do not have the status of the dollar, and other countries do not have the responsibility for maintaining a fixed relationship between their currencies and gold. Gold in the United States is a monetary metal and cannot be treated as a commodity, as are products of other industries, or as gold is treated in some countries. The usual reasons, therefore, for urging gold subsidies in other countries or for urging subsidies to other industries in this country are not applicable to gold in the United States. The gold mining industry cannot be viewed simply as a case of a marginal or depressed industry seeking relief from the normal compelling pressures of economic change. An effort to assist a relatively few people to keep or obtain jobs, no matter how desirable, would instead of helping those in the gold industry, run the grave risk of disrupting the monetary system on which not only their own livelihood but the livelihood of all of us depends.

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The position of the Treasury, therefore, which is, of course, that of the President, is to maintain the fixed price of $35 an ounce for gold and to oppose any proposals that would lead anyone to believe that we did not think that the $35 price is the proper price for gold.

It is the balance in our international payments -- that is, the balance between the total payments made by U. S. residents to foreigners and the receipts of U. S. residents from foreigners -- which is the root cause of our gold outflow. A comprehensive program to eliminate this

balance-of-payments deficit has been developed and much progress has been made.

I might add, without going into too much detail, that several easy but deceptive solutions to the balance of payments problem have been put forth. The first of these is devaluation. Devaluation would not only fail to help our balance of payments, but it would destroy the status of the dollar in international trade. United States devaluation would undoubtedly be followed by devaluation in all other countries, thus leaving the dollar in the same relative position as before but with less prestige. Because of devaluation, the dollar would not be used as a companion to gold in furnishing world liquidity. Once the value of the dollar is changed, the world is left without a major currency generally acceptable as a supplement to gold. Yet providing such a supplement is vitally important, as you can judge by the fact that foreign monetary authorities now hold about $12 billion in short-term dollar assets, private foreigners about $8 billion, and international institutions more than $5 billion.

Another plan is to create a super world central bank with a new monetary unit of account representing the deposit balances held at the super bank. This would require all countries of the world to give up their present reserves and accept the new monetary unit of account of the super central bank. No matter how constituted, the credit standing of the super world bank would, in the final analysis, depend upon the credit structure of the countries involved and the same balance of payments problem would confront each country under this system as under the present one.

Another suggested solution is one of free exchange rates. During the postwar period we have striven through the International Monetary Fund and through international monetary cooperation to develop a payments system based on stable exchange rates firmly linked to gold. Free exchange rates would introduce uncertainties and disruptions in exchange transactions and would not be conducive to trade between countries, which has grown so greatly since World War II under a system of basically fixed exchange rates among the major industrial countries.

The dollar is sound both at home and abroad. It is the currency on which other countries rely for a large amount, and in some cases, for all of their international payments. We are the banker for a large part

of the world's payments needs. Our payments problem is not to be considered lightly nor is it to be viewed as something that cannot be corrected over a period of time. The same is true of our gold loss, since it is so closely tied to our payments problem. Nor should we back away from our role as world banker. Our political, economic and military position in the world makes our balance of payments problem a difficult one, because in making military expenditures and in giving aid, some dollars will continue to go abroad even though the amount that is not spent directly on U. S. goods and services is being constantly reduced. Our economic health is observed from abroad, and measures taken to correct our balance-of-payments must be consistent with the growth of our domestic economy. In formulating overall policies we must, on the other hand, keep strongly in mind our balance-of-payments problem.

One of the most important things to point out is the cooperation in the monetary field that is taking place between the U. S. and the other countries of the Free World. The cooperation in this field today, in which mutual problems are being discussed constantly, is a bright spot in today's problem-plagued world.

All of these, then, are the reasons for the Treasury's position on gold. We must, as I have explained, think of gold as a monetary metal -- not as a commodity. We must think of the dollar not only as involved in our domestic economy, but also as a reserve currency held by others as a supplement to the world's gold supply. The dollar has attained this position internationally for a number of reasons. But one essential aspect of maintaining confidence in the dollar and maintaining a strong and stable international monetary system is to continue to stand ready to buy and sell gold at the fixed price of $35 an ounce and to avoid any actions that would encourage speculation for a higher price of gold.

The Treasury is deeply interested in the health of the gold-mining industry, just as we are interested in the well being of our other major industries. However, we must think of gold from the standpoint of the national interest as a whole, and not only in its relation to one segment of the economy. As I indicated earlier, we cannot take side excursions in gold that others will interpret as a sign that we do not think the present price for gold is correct. We cannot run the risk of disrupting the monetary system which is so vital to the United States economy and the economy

of the Free World. The Treasury intends to adhere firmly to our policy of continuing to buy and to sell gold at $35 an ounce, and we firmly intend to oppose all attempts, whether direct or indirect, to change the $35 price for gold. This has been our policy since 1934. It must continue to be our policy.

February 8, 1963

FOR IMMEDIATE RELEASE

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

Treasury officials indicated today that they are highly gratified with the results of the exchange offering on which the books closed on February 6. Preliminary figures show that about $9,234 million, or 97.6%, of Treasury certificates and notes maturing February 15, 1963, aggregating $9,465 million, were exchanged for the two new issues included in the current exchange offering. About $231 million, or 2.4%, of the three maturing issues remain for cash redemption.

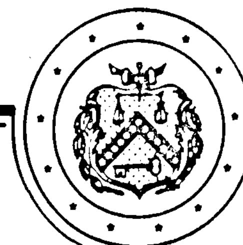
Of the $5,479 million of maturing securities held outside the Federal Reserve Banks and Government accounts, $181 million, or 3.3%, were not exchanged.

Details of the exchange are as follows: (in millions)

ELIGIBLE FOR EXCHANGE		EXCHANGED FOR			UNEXCHANGED
Securities	Amounts	3-1/4% Ctfs. due 2/15/64	3-3/4% Bonds due 8/15/68	Total	Amount
3-1/2% Ctfs.	$5,719	$4,696	$ 971	$5,667	$ 52
2-5/8% Notes	1,487	651	744	1,395	92
3-1/4% Notes	2,259	1,416	756	2,172	87
Totals	$9,465	$6,763	$2,471	$9,234	$231
Subscribers					
Federal Reserve Banks and Govt. accounts	$3,986	$3,921	$ 15	$3,936	$ 50
All others	5,479	2,842	2,456	5,298	181
Totals	$9,465	$6,763	$2,471	$9,234	$231

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

TREASURY DEPARTMENT



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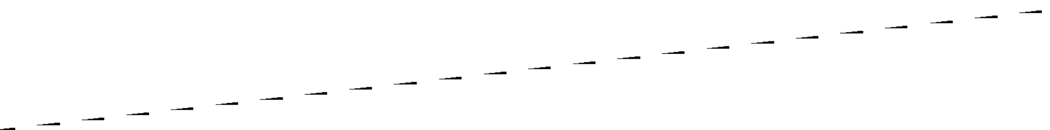

Over 77 million ounces of silver were used for silver coinage in 1962. More than 616 million silver coins were produced. From this production approximately 62,000 silver coins have been reserved for the annual trial. A representative sample will be exami to make sure they are of the proper weight and fineness.

In making a half dollar with a standard weight of 192.9 grains, the allowable tolerance is 4 grains over- or under weight; on a quarter, 3 grains and on a dime 1.5 grains. As to the silver-copper alloy of the coins, the standard is that 900 parts out of a thousand must be silver, though the Mint is given a tolerance of 6 parts, either way.

The Mints in Denver and Philadelphia throughout the year send samples of the coins into Washington where they are weighed and assayed to make sure of their weight and silver content. The Trial of the Coins is the official test by private citizens which assures the public that its coins have been struck in accordance with the law.

NOTE: THE PRESS AND TELEVISION SERVICES WILL BE ADMITTED TO THE PHILADELPHIA MINT, 16TH & SPRING GARDEN STREETS AT 10:00 A.M. ON FEBRUARY 13.

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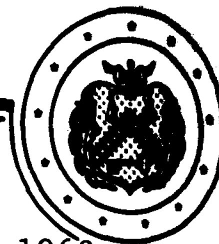
TREASURY DEPARTMENT



WASHINGTON, D.C.

February 8, 1963

FOR IMMEDIATE RELEASE

MINT DIRECTOR ANNOUNCES ANNUAL TRIAL OF THE COINS

Miss Eva Adams, Director of the United States Mint, will appear at the Philadelphia Mint on February 13 before a special commission named by the President yesterday for the Annual Trial of the Coins.

This historic ritual, dating back to the past century and a half in the United States has its roots in thirteenth century English law requiring an assize of the coins. In those early days the trial took place only when a chest known as the pyx, stored in Westminster Abbey, was filled.

Upon the recommendations of Alexander Hamilton legislation was enacted by the United States in 1792 making mandatory a yearly examination of the coins by persons not connected with the Mint.

The commissioners who will meet at Philadelphia next Wednesday are:

Mr. George J. Boardman, of Pawtucket, Rhode Island
Mr. Selig S. Burrows, of Great Neck, New York
Mr. Matthew Hale, of Alexandria, Virginia
Dr. Warren C. Jones, of Forest, Mississippi
Mr. Maxwell J. Lieberman, of Philadelphia, Pennsylvania
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Mr. Elston G. Bradfield, of Highland Park, Illinois
Mrs. Oscar Dodson, Grosse Pointe, Michigan
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Mr. Ray O. Lefman, of Kansas City, Missouri
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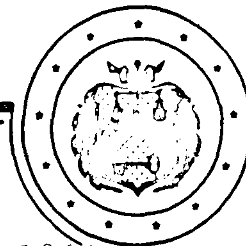
Mr. Matthew H. Rothert, of Camden, Arkansas
Mr. Leonard W. Stark, of Chicago, Illinois

The Commission will be expected to complete its examination in one day. Serving as an ex-officio member will be a scientist who will bring with him weights, calibrated against the standard weights the Bureau of Standards, for use in testing the coins. The Judge of the District Court for the Eastern District of Pennsylvania, the Comptroller of the Currency, and the Assayer of the United States Assay Office in New York will also assist.

TREASURY DEPARTMENT



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Now consider a second family: A married couple with two children who have been living in a house for some time. Its yearly income is $15,000, its mortgage is now $16,000 on a $25,000 home, and its mortgage interest is $877. The total itemized deductions of this family, if typical of the income group, amount to $2,400. The five percent floor would lower its tax saving on deductions by $158, but the rate reduction would increase this saving by $470. Thus, the new tax program would mean for this family a total tax saving of $312. This family is one of your very real prospects for upgrading, and with its deductions already well over fifteen percent of its income, its additional mortgage and tax expenses for a larger home would be just as fully deductible as they are now.

You can take the rate schedules we have published and construct your own examples. The point will be clear: For virtually every taxpayer, the proposed rate cuts would far more than offset the effect of the five percent floor. I do not imagine anyone will argue that the families I have cited -- or the many more like them -- would be less likely prospects for newer and larger homes. If the new tax program is enacted, they would constitute a real and significant portion of a whole new market for housing.

In the excessive fixation upon the five percent floor and its imaginary demons, too many have overlooked in the new tax program an entire realm of promise for the housing industry -- the realm of profits. Literally tens of thousands of our home-industry concerns make less than $25,000 a year in taxable income. Those which are incorporated would benefit, beginning the first of this year, from the twenty seven percent reduction in the normal corporate tax rate. And the many more unincorporated concerns would enjoy the benefits, not only of the reduction in individual rates, but of the income averaging provision of the new tax program.

In both the areas, therefore, of profit and demand the housing industry has only the promise of gain and growth from the President's tax proposals. Nor could it be otherwise. For the housing industry is at once one of America's most vibrant sources and productive recipients of growth.

In its details as well as in its purposes, the new tax program will bear your scrutiny well. We may discover some legitimate differences among us on detail. But I do not think they will be many or great. And we cannot allow them to interfere with the major objective. For the President's tax program offers the impetus our economy needs to restore the buoyancy and spring that alone will allow it to approach the limits of its capacity.

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allowable, but that every single additional dollar of deductible expense would "float" far above the five percent floor. This means that practically all families which presently itemize would still be able to move into new and larger homes and deduct every additional dollar in mortgage interest and real property taxes -- just as they can today.

The situation might, of course, be somewhat different for the man contemplating his first house. Here it is entirely possible to construct cases in which someone with relatively small deductions who uses the standard ten percent deduction, would find that, upon purchase of a house, his deductions would not increase by an equivalent amount. But these cases must be placed in the perspective of the overall proposed tax package: The rate reductions, which are themselves partly dependent upon the five percent floor, would increase that taxpayer's take-home pay by substantially more than he could possibly lose as a result of the floor. This would be true regardless of what income bracket he falls into.

We can make all this clearer, I believe, by considering the impact the new program would have upon two different families if it were fully in effect:

First, the average family -- a young married couple with two children -- about to purchase its first house. Its income is $7,800 a year and, typical of this income group, the house it is considering is available with a $15,000, 25-year mortgage at 5-1/2 percent. Currently, this family takes the standard deduction, since its deductible expenses are only six percent of its income. The interest in the first year on its mortgage would be $818 and local real estate taxes would be $300. Together with the six percent existing deduction, this would bring to $1,586 its total deductions allowable under present law. The proposed five percent floor would reduce by $67 this family's tax saving through deductions. But this sum would be far exceeded by the substantial saving of $366 as a result of the rate reductions this family would enjoy. The new tax program, in short, would mean for this typical family considering taking on a typical home mortgage, a total tax saving of $299.

Does anyone here tonight think that family would be less likely to buy the house in question under the new program than under existing law?

The new tax program, in short, by increasing after-tax income at every level, would not only bolster, but would broaden, the demand for housing. For all phases of the housing industry, this is the salient fact in the President's tax program. Some have expressed fear, however, that the proposed five percent floor under itemized deductions would somehow offset this prospect, and present a threat to the industry.

I do not think it does, but let us consider this question openly and frankly:

First, the five percent floor will recoup about twenty percent of the revenue loss from the proposed rate reductions. These reductions are designed -- not as a temporary stimulus to the economy -- but as a permanent revision that will remain for years to come, with long-term benefits to the economy. Rate reductions of the size proposed could not prudently be suggested without the revenue that would flow from the five percent floor under deductions. And the higher marginal rates that would be necessary in the absence of the floor would adversely affect initiative, risk taking and effort.

Second, it is the rare family today that does not find the total of its state income and sales taxes, its basic charitable contributions, its medical deductions, or casualty losses very considerably exceeding five percent of its income -- whether or not it is a homeowning family. In fact, the itemized deductions of the average taxpayer amount to some 20 percent of his income.

Third, the floor would not become effective until January 1, 1964. By that time, three-quarters of the proposed $11 billion in individual rate reductions would also be in effect.

Fourth, the overall advantages of the tax program far outweigh any disadvantages which might accrue from the five percent floor.

The great majority of home owners today itemize deductions. In the $5,000-$10,000 income group, for example, three-quarters of those who itemize are home owners. And the percentage is naturally larger in the higher income groups. These home owners of today are tomorrow's potential buyers of larger, higher-priced homes -- the prime prospects for "trading up" upon which the health of the housing industry depends. There is no reason for concern that the five percent floor would undermine this market, for the average taxpayer who itemizes has deductions that amount to nearly twenty percent of his income. Under the proposed program he would find, not only that the bulk of his present deductions would be

industry is today inseparably linked with the prosperity of the nation. No longer is the availability of credit the only limiting factor upon your ability to expand. Rather, it is the availability of customers ready, willing, and able to upgrade their standard of living, and the availability of jobs for the swelling surge of younger people now crowding our schools and colleges.

The stimulus which would be provided by the proposed tax program is fully capable of breaking the pattern of slow growth that has retarded our economy over the past five years, of bringing our economy to full employment within a reasonable time, and of helping to provide the millions of new jobs that we need. If we assume that residential construction will retain no more than its present share of our national production, then a reasonably full employment economy in 1965 would produce a rise of several billion dollars in annual home construction expenditures. This would put us well on the path toward the goal of two million units per year projected for 1970.

Let me now turn to the hard, specific facts of the direct impact of the tax program on the potential home buyer:

By reducing the taxes of virtually everyone in the tax brackets from $10,000 up by an average of thirteen percent, the new tax program would directly increase the disposable income of existing homeowners and further whet their urge to find larger, more convenient, or more comfortable homes. And by cutting the taxes of those in the lower brackets even more sharply, the new tax program can help overcome the most serious financial problem of the new homebuyer -- finding that combination of down payment and mortgage loan that is within his capacity and within the guidelines of prudent lenders.

Of course, no feasible tax proposal can by itself provide the lump sum of cash that younger families need to meet the down payment. But it can have -- and the proposed tax program <u>would</u> have -- a direct and prompt impact upon the credit capability of many, many families, making home ownership for the first time a more practical proposition for some, and a larger mortgage possible for others. All of you will, I am sure, agree that, along with job stability, take-home pay is a key factor in any credit appraisal. The new tax program would turn many a marginal prospect into a profitable prospect as the rate reductions take effect and the withholding rate drops from eighteen percent to 13.5 percent. It would increase disposable personal income by nine and a half billion dollars. For a typical married taxpayer, with two dependents, a gross income of $7,500, with Social Security, a pension or medical plan, and other commitments eating into his take-home earnings, both his

We have thus paved the way for a permanent restructuring of our tax system. The time for action is now. But before we act, let us be clear about our purposes:

The President's new tax program offers to virtually every American, and to every segment of our economy, heightened incentives and new opportunities -- the promise of expanding markets and the reality of higher profits -- as well as additional rewards for hard work and for intelligent risk-taking. These are the very core and fiber of our free enterprise system. By increasing after-tax income and lowering marginal tax rates at every level, the new program would release in our economy precisely those energies and resources that it needs to translate productive possibility into hard productive fact. Now, let us get down to specifics:

Here tonight are many of the leaders of one of America's most vital industries -- an industry whose well-being is essential to both the economic and social health of the nation. The ideal of home ownership has long been a primary goal of our citizens, and public policy has always supported that goal. In sheer economic terms, residential, non-farm building in the last year alone accounted for $24.8 billion, or four and a half percent, of our Gross National Product. But even this is no adequate yardstick. For the rise in housing expenditures since World War II has been a strong factor in our economic growth. And a demand for housing also means a demand for lumber, steel, glass, electrical and plumbing equipment, and a large and increasing variety of other products.

The housing industry cannot help but benefit from President Kennedy's new tax program.

First of all, the new program would nourish that vital incentive that cannot be reduced to any calculation of dollars and cents on a family tax return -- the incentive of confidence. The purchase of a house is the single, largest financial commitment the average American ever undertakes. It is a long-term commitment that is heavily influenced by his confidence in the future. Today, the huge backlog of demand that fed the housing boom of the first post-war decade is pretty well exhausted. The breadwinner's decision to buy a house now turns, more than anything else, upon his confidence in his job, in his prospect for uninterrupted and higher income, and in the assurance of a thriving economy in which he, too, can thrive. The prosperity of the housing

I join with you tonight in saluting "Fannie Mae". Tonight I also ask you to join me in examining the President's new tax program and the ways it can strengthen the growth of the housing industry.

Currently, our economy is reasonably prosperous. But reasonable prosperity does not provide jobs for our unemployed, or adequate government revenues to meet our responsibilities at home and abroad. None of us can fail to heed the fact that our performance for more than five years has slipped well below the potential that is within our grasp -- that, despite a rise of $83 over the past two years, our real per capita disposable income has grown by only $132 since 1957 -- that four and three quarter million people are out of work and another two million are on short work weeks -- that profit margins have been under pressure -- and that, in the past five years, business investment has averaged only nine percent of our total output.

These are the facts that, for many months, have joined every major segment of our economy in a consensus that a merely reasonable prosperity is less than we require and less than we can accept. The consensus is equally strong that a permanent reduction in tax rates, providing both new incentives and increased purchasing power, is by far the most potent and appropriate path to a full employment economy. The prevailing opinion is that a tax cut of about $10 billion would be both safe and significant. Responsible experts have insisted that rate reduction be accompanied by reforms in our tax structure that would provide sufficient revenue to make rate reduction possible and also improve tax equity. Many also believe that rate reduction must be accompanied by a rigorous control of expenditures.

The President's new budget and new tax program are in full accord with the consensus I have just described.

The proposed budget for fiscal 1964 has rigorously held spending increases for national security, space, and interest payments down to the irreducible essentials. The total of the expenditures for all other programs has actually been kept below the level of fiscal 1963. And the initial and unavoidable adverse impact which the President's proposed tax reduction and reform would have upon our budget has been spaced out over a three year period. After that, the program will actually increase government revenues. The lower tax rates can be expected to produce more revenue from a healthy and expanding economy than our present repressive rate structure can produce from an economy that is denied its full potential.

TREASURY DEPARTMENT
Washington

FOR RELEASE A.M. NEWSPAPERS
TUESDAY, FEBRUARY 12, 1963

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE 25TH ANNIVERSARY INDUSTRY SALUTE
TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION
THE STATLER HILTON HOTEL, WASHINGTON, D.C.
MONDAY, FEBRUARY 11, 1963, 6:30 P.M.

Tonight we meet to honor an outstanding institution -- the Federal National Mortgage Association -- which has, for twenty-five years, supported the growth of the housing industry by helping to assure a free flow of mortgage credit. As leaders of the housing and home finance industry, you are very familiar with this record. And you are understandably fond of "Fannie Mae." So am I.

For the Treasury Department is the sole holder of "Fannie Mae's" nearly $159 million in preferred stock. In her twenty-five years of operation, she has turned over to the Treasury a $1/4 billion in cash from her earnings. And we have received more than $80 million in the equivalent of corporate income taxes on her Secondary Market Operations.

I need not relate here the long record of "Fannie Mae's" accomplishments. The resources of "Fannie Mae" are impressive. They allow "Fannie Mae", not only to carry out effectively its Secondary Market Program, but to pioneer in providing better housing for moderate income families and the elderly under special assistance programs. At the present time, the profits from these programs form a reserve against future losses and contingencies. If this reserve is not needed, it will eventually be turned over to the Treasury.

Throughout its life, "Fannie Mae" has been a cooperative venture combining the best thought and effort of many in government and industry, including members of our host organizations here tonight. Its achievements also reflect the devotion of the capable persons who work in "Fannie Mae", many of whom are also with us tonight.

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The new tax program, in short, by increasing after-tax income at every level, would not only bolster, but would broaden, the demand for housing. For all phases of the housing industry, this is the salient fact in the President's tax program. Some have expressed fear, however, that the proposed five percent floor under itemized deductions would somehow offset this prospect, and present a threat to the industry.

I do not think it does, but let us consider this question openly and frankly:

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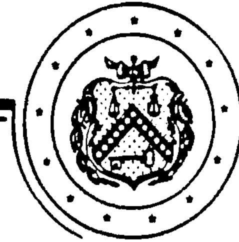
TREASURY DEPARTMENT



WASHINGTON, D.C.

February 12,1963

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN JANUARY

During January 1963, 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 $80,730,000.00.

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D-750

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, February 12, 1963.

February 11, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series o Treasury bills, one series to be an additional issue of the bills dated November 15, 1962, and the other series to be dated February 14, 1963, which were offered on Febru were opened at the Federal Reserve Banks on February 11. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing May 16, 1963		:	182-day Treasury bills maturing August 15, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.262	2.920%	:	98.492	2.983%
Low	99.255	2.947%	:	98.482	3.003%
Average	99.256	2.944% 1/	:	98.486	2.995% 1/

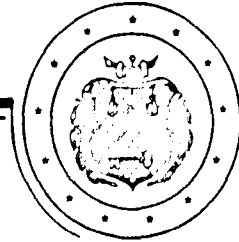
89 percent of the amount of 91-day bills bid for at the low price was accepted
41 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 24,156,000	$ 14,056,000	:	$ 9,183,000	$ 5,183,000
New York	1,795,849,000	884,579,000	:	1,009,112,000	642,086,000
Philadelphia	31,353,000	15,560,000	:	9,055,000	4,026,000
Cleveland	30,105,000	29,395,000	:	23,157,000	13,098,000
Richmond	21,080,000	16,687,000	:	7,879,000	4,699,000
Atlanta	34,855,000	29,535,000	:	8,286,000	8,286,000
Chicago	239,422,000	144,408,000	:	106,478,000	51,528,000
St. Louis	49,359,000	42,995,000	:	9,347,000	7,347,000
Minneapolis	21,495,000	14,654,000	:	7,813,000	6,813,000
Kansas City	46,645,000	34,958,000	:	14,969,000	9,510,000
Dallas	30,116,000	20,016,000	:	9,993,000	5,403,000
San Francisco	102,228,000	56,397,000	:	55,106,000	42,156,000
TOTALS	$2,426,663,000	$1,303,240,000 a/		$1,270,378,000	$800,135,000

a/ Includes $269,860,000 noncompetitive tenders accepted at the average price of 99.2
b/ Includes $58,873,000 noncompetitive tenders accepted at the average price of 98.4
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 3.01%, for the 91-day bills, and 3.08%, for t 182-day bills. Interest rates on bills are quoted in terms of bank discount wit the return related to the face amount of the bills payable at maturity rather th the amount invested and their length in actual number of days related to a 360-da year. In contrast, yields on certificates, notes, and bonds are computed in term 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 semiann compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

'OR RELEASE A. M. NEWSPAPERS,
'uesday, February 12, 1963.

February 11, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of reasury bills, one series to be an additional issue of the bills dated November 15, 962, and the other series to be dated February 14, 1963, which were offered on February 6, ere opened at the Federal Reserve Banks on February 11. Tenders were invited for 1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 82-day bills. The details of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing May 16, 1963		182-day Treasury bills maturing August 15, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.262	2.920%	98.492	2.983%
Low	99.255	2.947%	98.482	3.003%
Average	99.256	2.944% 1/	98.486	2.995% 1/

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

OTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	Applied For	Accepted
oston	$ 24,156,000	$ 14,056,000	$ 9,183,000	$ 5,183,000
ew York	1,795,849,000	884,579,000	1,009,112,000	642,086,000
hiladelphia	31,353,000	15,560,000	9,055,000	4,026,000
leveland	30,105,000	29,395,000	23,157,000	13,098,000
ichmond	21,080,000	16,687,000	7,879,000	4,699,000
tlanta	34,855,000	29,535,000	8,286,000	8,286,000
nicago	239,422,000	144,408,000	106,478,000	51,528,000
t. Louis	49,359,000	42,995,000	9,347,000	7,347,000
inneapolis	21,495,000	14,654,000	7,813,000	6,813,000
ansas City	46,645,000	34,958,000	14,969,000	9,510,000
allas	30,116,000	20,016,000	9,993,000	5,403,000
an Francisco	102,228,000	56,397,000	55,106,000	42,156,000
TOTALS	$2,426,663,000	$1,303,240,000 a/	$1,270,378,000	$800,135,000 b/

Includes $269,860,000 noncompetitive tenders accepted at the average price of 99.256
Includes $58,873,000 noncompetitive tenders accepted at the average price of 98.486
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.01%, for the 91-day bills, and 3.08%, 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-751

Savings Bonds and common stock purchased by employees under two General Electric savings plans, and company stock given to these employees as a savings incentive.

More than 100 companies include Savings Bonds in their employee thrift programs. Since the adoption of the Payroll Savings Plan in industry for the purchase of Savings Bonds, the Treasury has encouraged companies to incorporate Savings Bonds in such thrift-incentive plans.

Secretary Dillon said: "Without real savings in the hands of our industrial citizens we cannot accomplish the industrial growth that we have set as a goal for our nation. Both management and individual employees at General Electric have, through their Employee Savings Plans, provided an outstanding example of the type of savings and the necessary incentive for savings that we need if we are to maintain a vigorous and healthy economic climate in the years ahead.

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FOR IMMEDIATE RELEASE

GENERAL ELECTRIC [illegible] took given
$73,000,000 IN SAVINGS BONDS

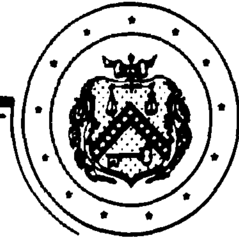
Treasury Secretary Douglas Dillon today congratulated the General Electric Company and its employees for their outstanding achievements in the field of savings.

The occasion was the announcement of the distribution next month of 1 1/2 million Series E Savings Bonds worth $73 million purchased by 150,000 employees.

John D. Lockton, Treasurer of General Electric and volunteer State Chairman of the Savings Bonds Program for New York, and Virgil B. Day, Vice-President Employee Relations, met with Secretary Dillon to accept the Treasury's congratulations on behalf of the company and its employees.

In addition to the distribution of Savings Bonds, General Electric will apportion 566,000 shares of company common stock to the 150,000 employees. The package distribution represents

TREASURY DEPARTMENT



WASHINGTON, D.C.

February 11, 1963

FOR IMMEDIATE RELEASE

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More than 100 companies include Savings Bonds in their employee thrift programs. Since the adoption of the Payroll Savings Plan in industry for the purchase of Savings Bonds, the Treasury has encouraged companies to incorporate Savings Bonds in such thrift-incentive plans.

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"Our country can only be as strong and secure as the strength and resources of its free institutions. Yet, both the nation and our institutions depend upon the strength of the people. General Electric's plan and others like it are helping keep the people financially strong.

"Mr. Lockton, I want to express my thanks and appreciation for your support of the Savings Bonds Program in your capacity as State Chairman of New York -- a position you have held with distinction since 1954. We depend upon such volunteers as you for the success of our efforts to promote the sale of Savings Bonds to all Americans."

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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 November 23, 1962, (91 days remaining until maturity date on May 23, 1963) 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 February 21, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 21, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, February 13, 1963

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 $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing February 21, 1963, in the amount of $2,099,970,000, as follows:

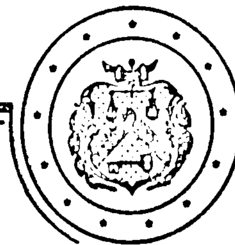
91-day bills (to maturity date) to be issued February 21, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated November 23, 1962, and to mature May 23, 1963, originally issued in the amount of $799,994,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated February 21, 1963, and to mature August 22, 1963.

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, February 18, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

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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-753

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated November 23,1962 (91-days remaining until maturity date on May 23, 1963) 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 February 21,1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 21,1963. 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 fr any Federal Reserve Bank or Branch.

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Commodity	Period and Quantity		Unit of Quantity	Imports as of February 2, 1963
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat................	Calendar Year 1963	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, 1962	1,000	Pound	644 1/
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)......	12 mos. from August 1, 1962	1,709,000	Pound	1,050,013 1/

1/ Imports through February 8, 1963

TREASURY DEPARTMENT
Washington

MMEDIATE RELEASE
RIDAY, FEBRUARY 15,1963

D-754

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through February 2, 1963:

Commodity	Period and Quantity		Unit of Quantity	Imports as of February 2, 1963
ariff-Rate Quotas:				
ream, fresh or sour.............	Calendar Year	1,500,000	Gallon	76,049
hole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	1
attle, 700 lbs. or more each (other than dairy cows).........	Jan. 1, 1963- March 31, 1963	120,000	Head	13,847
attle less than 200 lbs. each...	12 mos. from April 1, 1962	200,000	Head	58,002
ish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish........	Calendar Year	24,874,871	Pound	Quota Filled 1/
una fish.......................	Calendar Year	To be announced	Pound	1,836,788
hite or Irish potatoes:				
Certified seed..................	12 mos. from	114,000,000	Pound	37,270,237
Other..........................	Sept. 15, 1962	36,000,000	Pound	21,423,177
alnuts.........................	Calendar Year	5,000,000	Pound	103,713
tainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	39,364,217

/ Imports for consumption at the quota rate are limited to 6,218,718 pounds during the irst three months of the calendar year.

TREASURY DEPARTMENT
Washington

MEDIATE RELEASE
RIDAY, FEBRUARY 15, 1963 D-754

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Commodity	Period and Quantity		Unit of Quantity	Imports as of February 2, 1963
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat................	Calendar Year 1963	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, 1962	1,000	Pound	644
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter)......	12 mos. from August 1, 1962	1,709,000	Pound	1,050,013

1/ Imports through February 8, 1963

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 15, 1963

D-755

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1963, to February 2, 1963, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of February 2, 1963
Buttons.............	680,000	Gross	30,231
Cigars..............	160,000,000	Number	296,364
Coconut oil.........	358,400,000	Pound	40,427,262
Cordage.............	6,000,000	Pound	413,944
Tobacco.............	5,200,000	Pound	556,000

TREASURY DEPARTMENT
Washington

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FRIDAY, FEBRUARY 15,1963

D-755

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COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1962, to February 11, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962 to February 11, 1963
United Kingdom	4,323,457	1,005,918	1,441,152	900,448
Canada	239,690	239,690	-	-
France	227,420	37,272	75,807	13,295
British India	69,627	9,036	-	-
Netherlands	68,240	30,146	22,747	-
Switzerland	44,388	11,234	14,796	-
Belgium	38,559	-	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	-	25,443	-
Italy	21,263	-	7,088	-
	5,482,509	1,333,296	1,599,886	913,743

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.

Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 15,1963

D-756

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

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1962 - February 11, 1963

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	782,857	Honduras	752	-
Peru	247,952	17,178	Paraguay	871	-
British India	2,003,483	79,288	Colombia	124	-
China	1,370,791	-	Iraq	195	-
Mexico	8,883,259	8,883,259	British East Africa ...	2,240	-
Brazil	618,723	618,723	Netherlands E. Indies .	71,388	-
Union of Soviet Socialist Republics ...	475,124	-	Barbados	-	-
Argentina	5,203	-	1/Other British W. Indies	21,321	-
Haiti	237	-	Nigeria	5,377	-
Ecuador	9,333	-	2/Other British W. Africa	16,004	-
			3/Other French Africa ...	689	-
			Algeria and Tunisia ...	-	-

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

Cotton 1-1/8" or more
Imports August 1, 1962 - February 11, 1963

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	181,360
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, FEBRUARY 15,1963

D-756

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Cotton 1-1/8" or more
Imports August 1, 1962 - February 11, 1963

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	181,360
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1962, to February 11, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962 to February 11, 1963
United Kingdom	4,323,457	1,005,918	1,441,152	900,448
Canada	239,690	239,690	-	-
France	227,420	37,272	75,807	13,295
British India	69,627	9,036	-	-
Netherlands	68,240	30,146	22,747	-
Switzerland	44,388	11,234	14,796	-
Belgium	38,559	-	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	-	25,443	-
Italy	21,263	-	7,088	-
	5,482,509	1,333,296	1,599,886	913,743

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, FEBRUARY 15, 1963

D-757

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

QUARTERLY QUOTA PERIOD - January 1 - March 31, 1963

IMPORTS - January 1 - February [illegible], 1963 (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	10,080,000	23,680,000	7,247,939	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	3,452,630*	-	-	-	-	-	-
Canada	13,440,000	9,617,777*	15,920,000	8,957,820	66,480,000	66,480,000	37,840,000	17,396,756
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	22,726,928	70,480,000	30,594,783	6,320,000	953,028
Peru	16,160,000	14,278,667*	12,880,000	4,571,132	35,120,000	14,105,646	3,760,000	1,200,495
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	4,498,963*	-	-	-	-
All other foreign countries (total)	6,560,000	4,510,716*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of February 11, 1963

The above country designations are those s ecified in Presidential Proclamation No. 3257 of Se tember 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, FEBRUARY 15, 1963

D-757

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

QUARTERLY QUOTA PERIOD - January 1 - March 31, 1963

IMPORTS - January 1 - February 8, 1963 (or as noted)

Country of Production	ITEM 391 Lead-bearing ores, flue dust, and mattes		ITEM 392 Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, all alloys or combinations of lead n.s.p.f.		ITEM 393 Zinc-bearing ores of all kinds, except pyrites containing not over 3% of zinc		ITEM 394 Zinc in blocks, pigs, or slabs; old and worn-out zinc, fit only to be remanufactured, zinc dross, and zinc skimmings	
	Quarterly Quota Dutiable Lead (Pounds)	Imports (Pounds)	Quarterly Quota Dutiable Lead (Pounds)	Imports (Pounds)	Quarterly Quota Dutiable Zinc (Pounds)	Imports (Pounds)	Quarterly Quota By Weight (Pounds)	Imports (Pounds)
Australia	10,080,000	10,080,000	23,680,000	7,247,939	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	3,452,630*	-	-	-	-	-	-
Canada	13,440,000	9,617,777*	15,920,000	8,957,820	66,480,000	66,480,000	37,840,000	17,896,756
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	22,726,928	70,480,000	30,594,783	6,320,000	953,928
Peru	16,160,000	14,278,867*	12,880,000	4,571,132	35,120,000	14,105,646	3,760,000	1,200,495
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	4,498,963*	-	-	-	-
All other foreign countries (total)	6,560,000	4,510,716*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of February 11, 1963

The above country designations are those specified in Presidential Proclamation No. 3257 of September 22, 1958. Since that date the names of certain countries have been changed.

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE HENRY H. FOWLER
UNDER SECRETARY OF THE TREASURY, AT THE
ANNUAL LUNCHEON OF THE GIRARD TRUST CORN
EXCHANGE BANK, BELLEVUE-STRATFORD HOTEL,
PHILADELPHIA, PENNSYLVANIA, THURSDAY,
FEBRUARY 14, 1963, 1:00 P. M., EST.

THE PRESIDENT'S TAX AND EXPENDITURE CONTROL PROGRAM -- KEY TO ECONOMIC POLICY IN THE SIXTIES

A gathering of distinguished bankers and businessmen is a particularly appropriate place to discuss the leading question of national financial policy facing the nation -- namely, whether, in this period of slow growth, substantial budgetary deficits and idle manpower and capacity, the Congress should adopt the essence of the President's new economic program.

That program has two main elements: First, a substantial net reduction in Federal taxes, through ameaningful lowering, in several stages, of the tax rates on capital gains and individual and corporate income from "top to bottom" and; Second, as the tax cut becomes fully effective and the economy expands in response, the allocation of a substantial part of the resulting revenue increases toward eliminating the transitional deficit.

I shall have more to say of the general tendency to emphasize the first prong and ignore the second, despite the fact that the President in his State of the Union Message, his Budget Message and his Tax Message consistently coupled his tax proposals with the need for expenditure control.

Indeed, the key element in the Administration's fiscal policy for the years immediately ahead is a basic restructuring of our tax system, a restructuring to be achieved mainly through the single most important tax reform -- reduced rates -- and designed to increase incentives to investment, risk-taking, creative effort and initiative, and to release private purchasing power. But, there is full recognition that, if the tax program is to attain its objective, it must be carried forward as a part of a sound and

consistent overall financial program -- one that recognizes both our internal and external needs -- that protects us against any danger of new inflationary pressures.

Those in business and finance will bear a particularly heavy responsibility during the months ahead of legislative response to the President's new tax and expenditure program, lest the debate be left to the partisans, the issues obscured by predetermined prejudices, and a national consensus for positive constructive action frustrated by minor differences in degree and emphasis.

Those in business and finance, perhaps more than the average citizen, appreciate the critical importance of an appropriate financial environment to rapid and sustainable economic growth. You recognize the new competitive conditions of the 1960's at home and overseas. And you appreciate the complexities and conflicting factors that must be weighed and reconciled in drafting financial programs for dynamic enterprises to produce rapid but soundly-based growth and therefore gains in long-run strength.

Further, you are in a position to know that a tax program of the type proposed, with related expenditure control, must involve far more than a political or private polling appraisal of whether individuals would like their taxes cut at the cost of a debt increase -- far more than a selfish scramble between classes of taxpayers as to who will receive the lion's share of lower tax liability.

The prime concern must be the design of a tax system and related economic policies that are best for the country and responsive to our current national needs -- full employment and utilization of existing resources, a more rapid rate of economic growth with increased and more efficient capacity and manpower, an equilibrium in our balance of international payments, and a more dynamic economy fully capable of discharging its responsibilities in the Free World and meeting the needs of our citizens.

The tax program provides more adequate incentives to invest and enlarged discretion in the use of consumer incomes, and thus a needed and permanent stimulus to private purchasing power and spending. By this means, it offers an opportunity to reduce the war-imposed hobbles on economic growth implicit in the excessively high scale of income tax rates, individual and corporate. This has left us, despite our recent moderate expansion, with five peacetime years of excessive unemployment, unused capacity, and slack profits.

The tax program, with the related policies of expenditures, debt management and monetary affairs, seeks to establish a financial environment suitable for the Sixties, so that we can take full advantage of the gathering forces for economic progress both at home and abroad. And the tax program can be a key to resolving the interlocking goals of domestic growth and external stability that are inseparable from one another in the open, competitive environment in which we and our trading partners now live.

I am therefore glad to review with you the rationale of the President's proposal.

I shall omit any discussion of the detailed form and substance of various specific features of the President's tax program, believing the fundamental threshold issue to be the fiscal one, namely, whether or not the nation should adopt the main thrust of the President's proposal or maintain the status quo.

I. The Need for a Tax Program

In recent years it has become increasingly clear that our tax system exerts too heavy a drag on private purchasing power, profits, employment and incentives. This should come as no surprise in view of the fact that the existing structure of high tax rates -- repressive at every level and type of income -- was fastened on the economy to hold back war and postwar inflation. Designed to hold back consumer demand, initiative and investment, it now checks growth. It discourages extra effort and risk. Many of the "loopholes" or "breathing vents", depending upon the user, distort the use of labor and capital, making individual and corporate action unduly responsive to tax considerations rather market opportunities. The resulting structure invites recurrent recessions, depresses our Federal revenues, and contributes to chronic budget deficits.

To be sure our recent moderate economic expansion, which has continued through 1962 contrary to some fears, seems likely to extend through 1963. Still, the fact that output and employment have remained well below our potential for five years poses a perplexing challenge to the American people. After 60 months of unemployment in excess of five percent, save for one month, the new year finds unemployment running at 5.8 percent. Although unemployment has been significantly reduced from its beginning 1961 rate of 6.7 percent, there are still well in excess of four million people unemployed on a seasonally adjusted basis. Output is running

$30 to $40 billion below its potential, despite the gratifying recovery that has added more than $60 billion to the annual rate of Gross National Product in the last two years.

Our growth rate of 2.7 percent from early 1955 to the present compares unfavorably with regular rates in Western European countries of 4, 5 and 6 percent, or our own earlier 4 percent trend even though our rate from 1960 to 1962 of 3.6 percent has been somewhat higher than the trend since 1955. Our economy could easily generate $7 to $8 billion more profits at more adequate rates of capacity use.

Our unfavorable balance of payments for 1962 remained somewhat in excess of $2 billion. While representing a considerable improvement over the $3-1/2 to $4 billion annual imbalance that characterized the years 1958-1960, this situation is still a challenge that must be met if our shared responsibilities for Free World security, development and a trade and payments system based on a sound dollar are to be adequately discharged.

There have been deficits in the administrative budget in all save one of the last five years, ranging down from the $12.4 billion deficit of 1959, resulting primarily from an unanticipated recession, and the estimated $8.8 billion deficit in fiscal 1963, resulting from a failure of the economy to approach its potential.

These are the facts that, for many months, have joined every major segment of our economy in a consensus that a mild prosperity is less than we require and less than we can accept. The consensus is equally strong that a permanent lowering in tax rates involving a substantial net tax reduction will provide both new incentives and increased purchasing power, thereby opening a potent and appropriate path to an increasing rate of economic activity.

The appropriateness of this particular approach to the creation of a healthy financial and economic environment is highlighted by two important and interrelated facts to which attention has been directed by responsible business groups such as the U.S. Chamber of Commerce and the Committee for Economic Development. The Research and Policy Committee of the Committee for Economic Development set forth these facts as follows in its December statement of last year urging tax reduction and reform:

"1. Production and employment in the United States could be higher than they are without serious risks of inflation or other adverse consequences.

"2. Private investment in productive plant and equipment is particularly low, in relation to total production and to the amount of savings available to finance such investment. . ."

Why was the tax program chosen as the appropriate tool under the circumstances to meet the problem of slow growth that holds an answer to so many facets of our economic and financial problem?

It was because the President concluded that the most direct and significant kind of government action to aid economic growth is to make possible an increase in private consumption and investment demand by cutting the fetters which hold back private spending. Growth itself could have been achieved by massive increase in Federal spending well beyond the limits of the 1964 budget. But the President decided against that course because he felt that "In today's setting private consumers, employers and investors should be given a full opportunity first." He felt that in today's circumstances it is desirable to seek expansion through our free market processes by placing increased spending power in the hands of private consumers and investors and offering more incentive to private investment initiative.

There was another alternative -- the increased use of credit and monetary tools in an attempt to provide still lower interest rates and substantially increased supplies of money and credit. But, as the President pointed out in his address to the Economic Club of New York in December: "Our balance of payments situation today places limits on our use of those tools for expansion." So it was determined that the most effective policy was to expand demand and unleash investment incentives through a program of tax reduction and reform, coupled with the most prudent possible policies of government expenditure.

II. The Nature of the Program -- Combining Tax Reduction and Revision of an Obsolete Tax Structure with Expenditure Control.

By now the outlines of the President's tax program are generally familiar to all despite a rather vast amount of confusion on some of its specific details. By way of tax relief the program provides for the enactment this year, in a single comprehensive bill, of

a "top to bottom" reduction, in stages, of rates of tax on capital gains, individual and corporate income. Revenue losses would also result from structural changes designed primarily to rectify special hardships from taxes on the very poor, the elderly, and small business corporations having gross incomes of less than $25,000 per year.

The total revenue loss of these measures would be approximately $14.4 billion, with the rate reductions costing $13.6 billion per annum when fully effective, and the hardship rectification approximately $790 million. Other structural changes -- broadening the base of individual and corporate taxes and removing or limiting certain special privileges -- would increase revenue, when fully effective, by $4.1 billion, leaving a net revenue cost of the entire program at $10.3 billion, which represents the maximum revenue cost that the Treasury believes can be safely accepted.

Individual income tax rates would be cut in three stages, from their present range of 20 to 91 percent to a more reasonable range of 14 to 65 percent. Although these staged cuts would be in three calendar years, they would become effective in the 18-month period beginning July 1, 1963 through January 1, 1965 -- the tenure of the present Congress.

In the first stage, beginning July 1, the program would reduce individual liabilities at an annual rate of $6 billion through a reduction in the basic withholding rate. Further rate reduction would apply to 1964 and 1965 income with the withholding rate dropping on July 1, 1964 to 13.5 percent as compared to the present 18 percent.

The structural changes in the individual income tax would become effective on January 1, 1964. Contrary to some opinion, the combined effect of structural reform and rate reduction would be to reduce the personal tax liabilities of virtually all individual taxpayers. If everyone who jumped to the conclusion that the overall impact of the individual tax changes will cause him to pay more taxes will figure out his projected liability under the 1965 rate schedules with the proposed structural changes, this confusion would never have arisen; because well over 99 percent of all taxpayers will get reductions, most of them substantial, through the enactment of the President's program.

For all groups of individual taxpayers combined the overall reduction would be 18 percent. For the few exceptional cases who may experience an increase in tax liability in any one year -- mostly those with deductions ranging upwards of 50 percent of their gross income -- it should be remembered that they are not likely to be in such a position year after year. The resulting tax system with its substantially lower rate scale will give more reward for effort. The effect of lower rates would be to increase incentive and initiative to earn the marginal dollar by increased effort and risk-taking; the market, rather than tax consequences, would be the prime determinant of economic decisions; and the door to substantial increases in net disposable income after taxes -- the final test -- will be opened more widely.

This cut in the individual tax load, amounting to about $8 billion, can be expected to add directly to purchasing power in consumer markets and savings for investment, with their multiplier and accelerator effects. American consumers typically spend a large percentage of their after tax (disposable) income, whether incomes are rising or falling. Added to this direct effect is a further increment to consumer income to be expected from reductions in corporate taxes. Finally, there are important indirect effects both in consumer and investment spending. This is because the rising output and employment to meet new private demands generate new incomes which are in turn available to be spent or saved and invested. The stimulus to consumer incentives that is engendered by the tax cut thus cumulates throughout a broad range of the economy, setting in motion forces of expansion that otherwise remain inert. Moreover, the release of funds to consumers will generate new incentives also for investment spending, and production of new machines and the building of new factories, offices, stores, and apartments will add further to consumer incomes in the same way as the production of consumer goods.

The second major goal of the tax program is to provide additional direct incentives for productive investment that will increase profit after taxes. The first step, already in effect, is the 7 percent tax credit for business spending on major kinds of equipment, passed last year, and the liberalization in Treasury depreciation rules to reflect present day conditions. The second step is to reduce corporate tax rates from 52 to 47 percent, beginning in 1963, with a drop from 30 to 22 percent in the rate on the first $25,000 of corporate income. In later stages, the 52 percent rate on corporate income over $25,000 would drop to 47 percent. The combined effect of these two stages represents reductions in corporate tax liabilities of $4.5 billion a year.

The resulting increase in return on investment after taxes, as well as lower individual rates on income earned by the millions of self-employed and unincorporated businesses, should bring many hitherto marginal investment opportunities into an attractive range, particularly as increasing demand moves up volume and opportunity. The pressure to assure maximum profits on increasing volume by modernization of high cost plant or increasing or providing new capacity will be felt.

The third part of the President's tax program would revise the tax treatment of capital gains and losses. It is designed to provide a freer and fuller flow of capital by increasing the mobility of investment funds and the liquidity in capital markets, as well as providing a higher net return from increased volume. The percentage of long-term capital gains included in taxable income of individuals would be reduced from the present 50 percent of the gain to 30 percent, resulting in capital gains taxes ranging from 4.2 percent to a maximum of 19.5 percent, compared with an existing range of 10 to 25 percent. The alternative rate for capital gains of corporations would be reduced from the present 22 percent to correspond to the proposed reduced corporate normal tax rate.

To further reduce the "lock in" problem that has resulted from the present tax treatment and impeded the mobility and flow of risk capital from static to more dynamic situations, the program provides that the reduced capital gains rates be applied to the hitherto tax free net gains accrued on assets at the time of transfer at death or by gift, except for charitable gifts or bequests. The capital gains package also includes recommendations for tightening the definition of capital gains. This is designed to reverse the trend, inspired by war time increases in tax rates, toward the progressive extension of capital gains treatment to a variety of types of what are, in fact, ordinary income.

From the foregoing it will be clear that the central thrust of this proposed tax program is the most thorough overhauling in tax rates in more than 20 years, substantially reducing rates that are levied on individual and corporate income and capital gains at all levels.

Usually a discussion of the President's program moves from this point into a detailed discussion of the individual structural changes or reforms that are designed to provide greater equity and a broader tax base, to remove special privileges, to simplify tax administration and compliance, and to release for more productive

endeavors the energies now devoted to avoiding taxes. Without in any way derogating from the merits of these reform proposals on a basis of fairness, equity and good tax theory, I would focus your attention today on the purely fiscal aspects of the program which are summed up in the question "Is it fiscally responsible?"

Many of us, and I would include myself in that group, would have greatly preferred to push for a tax program involving substantial net tax reduction, with its drain on the budget, against the background of a balanced budget or a surplus, rather than the very substantial budgetary deficits that are currently projected.

So would the President, who stated in December:

> "When I announced in April of 1961 that this kind of comprehensive tax reform would follow the bill enacted this year, I had hoped to present it in the atmosphere of a balanced budget."

But, as he pointed out, it has been necessary to augment sharply our nuclear and conventional forces, step up our efforts in space, and meet the cost of servicing a national debt that has grown larger as a result of these imperatives. The failure of the economy to approach its full potential has meant that revenues did not keep pace with these increased needs.

A review of the salient facts will support the proposition that the allocation of increased funds to the domestic civilian sector of the budget has been only in line with the trend established by the predecessor administration. Only in the field of defense, space and interest has the current administration increased expenditures beyond that previously established pattern.

The increase in administrative budget expenditures for the first three fiscal years in this Administration (1961-1964) amounts to $17.3 billion, of which $12.6 billion represents increases in defense, space and interest while $4.7 billion represents increases in all the remaining programs. In the last three years of the preceding administration (1958-1961) there was a total increase in administrative budget expenditures of $10.1 billion, of which $5.3 billion went to defense, space and interest and $4.8 billion to remaining programs. Thus, the three-year increase of $4.8 billion in the domestic civilian sector in 1958-61 exceeded slightly the $4.7 billion of increase in that area in 1961-64.

In his 1964 budget the President refused to either postpone his tax program or cut into essential national security programs. But he did aggressively exert expenditure control by reducing the overall total outlays other than defense, space and interest charges below their present levels -- despite the fact that such expenditures had risen at an average annual rate of 7.5 percent during the last nine years.

The hard fact of life is that if a tax program of substantial rate reduction is put off until the nation is in a fiscal situation of a balanced budget or a surplus, it may be a very long time. The price will be a very substantial reduction in the defense and space program which, together with interest, are responsible for $70 billion out of the estimated $98.8 billion in the 1964 budget.

To wait for a balanced budget to enact the President's tax proposals might be costly and self-defeating. Continued slow growth will not generate the revenue we need at current tax rates -- or the new tax rate structure applied to a full employment economy. Moreover, recession in 1963 or 1964 could produce a far larger deficit without a tax cut than the estimated addition to the deficit attributable to the tax program. In 1959, for example, a planned surplus became a record deficit of $12.4 billion, largely because of economic recession. As long as we have slack markets for our goods and services and have large numbers of workers without jobs the threat of sliding into an unanticipated recession remains.

The fiscal issue involved in the tax program is whether the strengthening of the economy that is potential in that program justifies the addition of $2.7 billion to an already projected deficit of $9.2 billion that would otherwise exist for fiscal 1964 without the tax program. If the tax brake on our economy is not released, the chances are that the slack will remain, Federal revenues will lag, and budget deficits will persist. But once the tax brake is released, the base of taxable income, wages and profits should grow -- and a temporary increase in the deficit could eventually turn into a permanent increase of Federal revenues.

It is not the purpose of the tax program to create a deficit but to increase investment, employment and the prospects for a balanced budget. This is not pure theory, being supported by recent experience. In our last major peacetime tax reduction, under the 1954 tax program, taxes were reduced by $7.4 billion, but by fiscal year 1956 budget receipts had attained a level of $3.5 billion more than had been realized in the year prior to the tax reduction.

We do not rush out to embrace a continuing series of deficits by reducing taxes. We accept the additional slice of deficits that are a consequence of the tax program very reluctantly in the conviction that this is the surest route to balanced budgets consistent with national security. The program seeks to minimize those tax induced deficits in at least three ways: first, phasing or spacing out the rate cuts over three calendar years instead of concentrating them in a single year; second, coupling the reductions with selected structural changes which will broaden the tax base and offset the revenue loss by $4.1 billion; third, offsetting the loss of revenues at the outset by $1-1/2 billion a year, without any change in tax liabilities, by shifting the tax payments of large corporations to a more current time schedule. This combined program should increase the rate of economic activity and, in time, result, as in the 1954 tax program, in a feedback of the revenues lost to a position of still higher Federal revenues.

The three stage approach to tax reduction in a single bill in a single Congress has many fiscal advantages. The impact of the reductions on revenue will be minimized and inflationary pressures avoided; yet, business planners in particular may feel the incentive that comes from foreknowledge of lower rates to come. Revenue losses involved in the second and third stages may be replenished somewhat by the increases or feedback resulting from the first stage.

The fiscal advantage of the so-called structural reforms that broaden the tax base and bring in revenue offsetting between one-third and one-quarter of the losses involved in rate reduction is at least as important as their other merits in terms of equity or tax policy.

But, the increased revenues that will flow from a stronger, faster growing economy will not bring us to a balanced budget or surplus unless the Executive and the Congress practice expenditure control. The nondefense portions of the 1964 budget show the first results of the Executive effort. But, of course, this, a one-year effort, will not be enough. That is why the President, in his Budget Message (page 11) stressed the matter of expenditure control policy firmly and specifically. He rebutted any notion that rising Federal revenues in the years ahead mean that Federal outlays should rise in proportion to such revenue increases. He established a practical doctrine of expenditure control, consistent with other national requirements by asserting that, as the tax cut becomes fully effective and the economy climbs toward full employment, a substantial part of the revenue increases must go toward eliminating the deficit.

A consideration of the defense picture shows this to be a practical objective consistent with the national interest. The substantial yearly increases in defense expenditures which have characterized the past three years are bringing us to a new and safer level of readiness. Barring an unexpected worsening in the cold war, the future maintenance of this level should not require the same sort of annual increases that have marked recent budgets. This should serve to make feasible the expenditure control phase of the President's new economic program. But, here, as in all other phases, the close cooperation and partnership of the Congress will be required.

III. The Relationship of the New Program to an Overall Financial Plan.

Diagnosing the economic problem, taking into account the relationship between domestic and international policy, choosing the new tax and expenditure control program as the key policy instrument appropriate to the problem, and reconciling the new program with other areas of financial and economic policy will illustrate the many complexities and conflicting factors involved in the economy of the 1960's.

The principal task of economic policy, as established by Congress in the Employment Act of 1946, may be distilled into the single objective of promoting orderly and vigorous economic growth, with full employment and price stability. Our problem in this regard is not that of crisis, easily dramatized and impelling immediate action. Rather it is an accumulation of short falls over a period of years, interacting together to slow domestic progress and hinder international payments balance.

Our problem brings home the close relationship between domestic and international goals.

For example, slow growth dulls investment incentives, fosters inefficient work spreading, maintains high unit costs, and presses upon profit margins. In this setting, investment abroad in rapidly growing economies attracts more American capital, and foreign capital does not seek out opportunities for investment in the U.S. Both elements burden our balance of payments. Meanwhile, at home, the same sluggish economy fails to produce enough jobs to keep our available labor resources usefully employed and enough revenue to cover the cost of discharging the responsibilities that our national government has undertaken on behalf of Free World security and the welfare of our citizens.

The complex problem of slow growth has appeared to some to lead to a conflict between economic objectives. It is argued that if we seek more rapid growth at home, the resulting pressures on costs and prices may increase and worsen the balance of payments. In the meanwhile, others argue that if we seek payments balance through monetary means, this will stifle domestic growth. The truth is that, because domestic and international goals are today necessarily linked together, we simply do not have a choice of pursuing policies aimed only at one set of goals to the virtual exclusion of the other. We must seek a mix of policies that will achieve both together, or we may end up achieving neither.

Faster growth and payments balance need not be incompatible; indeed, they can reinforce one another if a proper balance among policy instruments is achieved. An efficient, expanding industry, pouring out new products of increasing technological sophistication eagerly sought in world markets, depends upon a higher level of domestic investment, incorporating the latest technology and exploiting the fruits of expanded civilian research. A domestic economy alive with new and profitable investment opportunities is ultimately the only way -- consistent with our free enterprise system -- to slow down outflows of U. S. capital and attract funds from abroad. But, in turn, vigorous growth must be accompanied by monetary stability to avoid either the excesses of inflation that undermine export markets or the waste of under-employment which dries up domestic investment opportunities.

The next step after delineating the economic problem is to give priority to a specific policy mix of fiscal and monetary measures. Throughout the expansion from 1961 to the present, monetary policy has remained easy, in contrast to earlier expansions. However, to avoid conflict with balance of payments objectives, reserves needed for bank credit expansion were provided in ways designed to minimize the direct downward pressure on short-term interest rates. Thus, monetary techniques such as reserve requirement changes and debt management techniques of selling short-term securities have been used extensively.

Yet monetary measures by themselves have not been sufficient in the existing tax climate. The drag of the tax system served as a useful device for restraining inflation in the buoyant early postwar years and the Korean war period, but the margin of unemployed manpower and industrial facilities now available is what promises to allow some easing of the heavy tax bite without great risk of price rises. That is why a broad consensus has emerged among leaders from all sectors of the economy that a tax reduction seems

to offer the best hope of reaching through the difficult transition to sustained and self-reinforcing prosperity without adding further risk of price inflation or worsening the payments balance by stimulus to short-term capital flows.

But this achievement requires an adequate coordination of the new fiscal program with debt management, monetary policy, and balance of payments policy, each of which forms a vital environmental factor in any overall financial plan.

The central problem of debt management in financing the deficit which is a consequence of necessary expenditures, slow growth and the tax program is to structure a debt that will avoid contributing to inflationary pressures as the economy moves closer to full employment. This means continuously achieving a proper balance between, on the one hand, creating excessive amounts of new money and short-term government securities and, on the other, so inadequate a supply of liquidity that expansion is stifled. Given the present underemployment of labor and manufacturing capacity, and given the present price stability, the use of commercial bank financing or of short-term securities is justified in reasonable amounts, because the economy requires more money and liquid assets as it grows. On the other hand, it is equally important to avoid a growth of liquidity that exceeds the ability of the economy to absorb it at stable prices.

The debt management policy indicated above requires that we make further efforts to tap long-term savings, either directly or through the savings institutions. The techniques of advance refunding, together with the promising experiment of competitive bidding for long-term bonds through syndicates, which have been worked out in the recent past, suggest that we can now raise funds in the intermediate and long-term sectors of the market with a minimum of disturbance to other borrowers. Refunding maturing issues in advance of the maturity date, by offering new and longer term securities to existing holders, directly taps the resources of the satisfied government securities investor. The initial venture in competitive bidding, involving $250 million of long-term bonds, was successful in achieving a wide distribution of the new securities at an interest cost virtually equivalent to the prevailing yield for comparable outstanding securities. While it is still too soon to judge its ultimate role, competitive bidding will be further tested from time to time as market conditions and immediate objectives indicate.

Overall, it is important to remember that the deficit we had to finance over the last calendar year has given a real test of our ability to finance it without inflation. And that deficit, as you know, was placed entirely outside the commercial banks.

An important complexity of monetary policy associated with the management of the debt is whether the deficit can be financed importantly from savings without offsetting the effect of the tax program itself -- in other words, as the question is sometimes crudely put, whether we may not take back with one hand the money we make available with the other. This is, of course, a restatement of the position that there is no good time for the government to sell long-term bonds -- not in a recession because it competes with private investment and not in a boom because it is too expensive and also shuts off further private investment.

This view, however, overlooks several important factors. First, the method of financing the deficit does not affect the spur to investment and consumer spending of the tax reduction. Second, as long as resources remain underemployed, the flow of savings is likely to exceed borrowing requirements of business and individuals, not because investment and consumer spending will be reduced, but because rising incomes will be generating new savings, adding to the huge current volume. Under these circumstances, the Government can tap some of the new savings without diverting funds from other investment channels.

As the tax spur has worked its way through the economy and it approaches full employment, then adding Government bonds to an already heavily scheduled capital market might very well raise interest rates and dampen the rate of increases in private investment spending. Of course, in potentially inflationary situations, just such a debt management policy might well be called for. Furthermore, at such times budgetary policy appropriately directs itself towards balance or surplus, restraining demand and making investment funds available elsewhere in the economy. And the tax program has been designed to yield a balanced budget as employment of men and machines reaches higher levels. Thus, interest rate trends in the months ahead are less likely to be affected by Treasury debt management policy than by the course of the economy itself, and together the response of Federal Reserve policy to developments.

Indeed, one of the striking characteristics of the expansion since 1961 is the major part which easy money and ample credit availability have played in support of the economy. Not only have long-term rates remained stable or actually declined in this

recovery period, contrary to typical cyclical behavior; in addition, there has been a record volume of mortgage financing and sustained individual construction during a cyclical period when credit tightness has often sharply curtailed homebuilding. Thus, even though it has been important to maintain short-term interest rates reasonably close to levels in monetary centers abroad, monetary policy has made a valuable contribution to the support of the domestic economy in the last year.

The principal potential conflict between balance of payments and tax policy lies in the danger of inflationary pressures on export prices. Recognizing such dangers, the tax program reflects considerable planning to provide against their happening. For one thing, with the major stimulus to investment and consumer spending being borne by the tax program, monetary policy is left free to deal with the balance of payments -- if that should prove necessary -- with less concern for domestic repercussions. For another, the tax program deals directly with the crucial long-run solution to the payments imbalance, namely, the stimulus to domestic investment, to cost cutting, to modernization, to more industrial research, and to more efficient production and more effective pricing in competition at home and abroad with foreign goods and services. The stimulus to economic growth in the tax program also implies higher profits which make the investment of capital in this country more attractive compared with competitive countries abroad. And, finally, the general movement towards fuller and more effective use of our resources assures a net gain in productive efficiency which, through competitive open trading, raises living standards among all the trading countries.

Conclusion

The adoption in 1963 of the President's tax and expenditure control program is the key to economic policy in the Sixties, for these hard reasons:

- Unutilized resources of manpower and capacity, resulting in slow economic growth -- our major economic problem -- is the result of a tax drag.

- Under current balance of payments conditions, tax and fiscal policy can be more effective than monetary policy in providing fresh incentive and continuing stimulus.

- The most direct and significant Federal action to aid growth is to cut the fetters that hold back private spending and investment, rather than resort to massive increases in Federal expenditures.

- Debt management and monetary policy can avoid inflation.

- The effective coordination of these policy instruments on the domestic side is the best contribution to resolving the balance of payments problem.

We must not make the mistake of focusing solely on the tax program. It cannot be fully effective in helping us to achieve our goals unless it is regarded as a part of a comprehensive financial plan which also includes these elements:

- Financing the deficit without inflation

- Maintaining a flexible monetary policy

- Continuing efforts by both management and labor to install more efficient methods of production and to maintain judicious restraint in price and wage decisions.

- Finally, as the economy moves forward faster, firm adherence to a policy of achieving balance or surplus in the Federal budget, with private credit assuming the liquidity and growth function.

The tax program alone cannot solve all of our economic problems overnight. However, if its vast potential as a stimulus to the economy is unleashed within the framework of such a comprehensive financial plan as I have just outlined, we need have little fear for the future. The President's tax program is the key to economic growth and progress in the Sixties. It merits your careful appraisal and, I hope, your support.

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.

February 14, 1963

IMMEDIATE RELEASE

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The results of the Treasury's current exchange offering of

/4% certificates of indebtedness dated February 15, 1963, maturing February 15, 1964, and
/4% bonds (additional issue) dated April 18, 1962, maturing August 15, 1968,

summarized in the following tables.

Issues Eligible for Exchange	Amount Eligible for Exchange	Exchanged For 3-1/4% Ctfs.	Exchanged For 3-3/4% Bonds	Exchanged For Total	For Cash Redemption
		(In millions)			
/2% Ctfs., A-1963	$5,719	$4,696	$ 971	$5,667	$ 52
/8% Notes, A-1963	1,487	652	743	1,395	92
/4% Notes, E-1963	2,259	1,412	756	2,168	91
Total	$9,465	$6,760	$2,470	$9,230	$235

Exchanges for 3-1/4% Certificates of Series A-1964

[Fed]eral Reserve [Di]strict	3-1/2% Ctfs. Series A-1963	2-5/8% Notes Series A-1963	3-1/4% Notes Series E-1963	Total for A-1964 Ctfs.
ston	$ 62,008,000	$ 18,399,000	$ 47,027,000	$ 127,434,000
York	3,980,408,000	393,179,000	711,664,000	5,085,251,000
ladelphia	20,183,000	6,882,000	36,504,000	63,569,000
veland	83,784,000	16,836,000	55,833,000	156,453,000
hmond	18,800,000	6,000,000	30,154,000	54,954,000
lanta	46,860,000	19,239,000	46,253,000	112,352,000
cago	159,287,000	72,378,000	156,976,000	388,641,000
Louis	53,411,000	21,219,000	71,453,000	146,083,000
neapolis	20,489,000	6,513,000	23,279,000	50,281,000
sas City	40,950,000	37,055,000	33,864,000	111,869,000
llas	27,315,000	18,812,000	42,331,000	88,458,000
Francisco	169,678,000	35,107,000	146,014,000	350,799,000
asury	13,009,000	315,000	10,910,000	24,234,000
Total	$4,696,182,000	$651,934,000	$1,412,262,000	$6,760,378,000

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Exchanges for 3-3/4% Bonds of 1968

Federal Reserve District	3-1/2% Ctfs. Series A-1963	2-5/8% Notes Series A-1963	3-1/4% Notes Series E-1963	Total for Bonds of 196
Boston	$ 25,416,000	$ 8,187,000	$ 38,080,000	$ 71,683,0
New York	527,077,000	411,279,000	367,242,000	1,305,598,0
Philadelphia	38,250,000	17,573,000	21,199,000	77,022,0
Cleveland	71,279,000	17,996,000	49,122,000	138,397,0
Richmond	11,413,000	3,553,000	7,585,000	22,551,0
Atlanta	31,844,000	20,454,000	23,265,000	75,563,0
Chicago	87,216,000	111,137,000	141,156,000	339,509,0
St. Louis	36,586,000	17,605,000	32,262,000	86,453,0
Minneapolis	19,360,000	11,604,000	13,595,000	44,559,0
Kansas City	13,886,000	14,683,000	29,165,000	57,734,0
Dallas	18,013,000	19,934,000	9,533,000	47,480,0
San Francisco	87,573,000	89,388,000	23,252,000	200,213,0
Treasury	2,990,000	35,000	260,000	3,285,0
Total	$970,903,000	$743,428,000	$755,716,000	$2,470,047,0

STATUTORY DEBT LIMITATION

As of January 31, 1963 Washington, Feb. 15, 1963

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 July 1, 1962 (P.L. 87-512 87th Congress) provides that the above limitation shall be temporarily increased (1) during the period beginning on July 1, 1962, and ending on March 31, 1963, to $308,000,000,000, (2) during the period beginning on April 1, 1963, and ending on June 24, 1963, to $305,000,000,000, and (3) during the period beginning on June 25, 1963, and ending on June 30, 1963, to $300,000,000,000.

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			$308,000,000
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$48,944,481,000		
Certificates of indebtedness	22,710,419,000		
Treasury notes	53,696,502,000	$125,351,402,000	
Bonds -			
Treasury	78,607,551,450		
*Savings (current redemption value)	47,741,517,355		
United States Retirement Plan bonds	1,950		
Depositary	108,179,500		
R. E. A. series	26,364,000		
Investment series	4,409,896,000	130,893,510,255	
Certificates of Indebtedness -			
Foreign series	285,000,000		
Foreign Currency series	47,904,975		
Treasury notes -			
Foreign series	183,000,000		
Treasury bonds -			
Foreign Currency series	380,744,788	896,649,763	
Special Funds -			
Certificates of indebtedness	6,201,388,000		
Treasury notes	5,480,938,000		
Treasury bonds	30,508,391,000	42,190,717,000	
Total interest-bearing		299,332,279,018	
Matured, interest-ceased		390,196,173	
Bearing no interest:			
United States Savings Stamps	52,197,077		
Excess profits tax refund bonds	713,832		
Special notes of the United States:			
Internat'l Monetary Fund series	2,995,000,000		
Internat'l Develop. Ass'n. series	150,956,600		
Inter-American Develop. Bank series	125,000,000	3,323,867,509	
Total		303,046,342,700	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	526,034,700		
Matured, interest-ceased	4,874,050	530,908,750	
Grand total outstanding			303,577,251
Balance face amount of obligations issuable under above authority			4,422,748

Reconcilement with Statement of the Public Debt January 31, 1963
(Date)

(Daily Statement of the United States Treasury, January 31, 1963)
(Date)

Outstanding -	
Total gross public debt	303,417,167
Guaranteed obligations not owned by the Treasury	530,90[illegible]
Total gross public debt and guaranteed obligations	303,948,07[illegible]
Deduct - other outstanding public debt obligations not subject to debt limitation	370,82[illegible]
	303,577,[illegible]

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STATUTORY DEBT LIMITATION

As of January 31, 1963 Washington, Feb. 15, 1963

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guar-teed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $285,000,000,000 of June 30, 1959; U.S.C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current re-mption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder l be considered as its face amount." The Act of July 1, 1962 (P.L. 87-512 87th Congress) provides that the above limita-on shall be temporarily increased (1) during the period beginning on July 1, 1962, and ending on March 31, 1963, to 308,000,000,000, (2) during the period beginning on April 1, 1963, and ending on June 24, 1963, to $305,000,000,000, and) during the period beginning on June 25, 1963, and ending on June 30, 1963, to $300,000,000,000.

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Treasury bills	$48,944,481,000		
Certificates of indebtedness	22,710,419,000		
Treasury notes	53,696,502,000	$125,351,402,000	
Bonds -			
Treasury	78,607,551,450		
*Savings (current redemption value)	47,741,517,355		
United States Retirement Plan bonds	1,950		
Depositary	108,179,500		
R. E. A. series	26,364,000		
Investment series	4,409,896,000	130,893,510,255	
Certificates of Indebtedness -			
Foreign series	285,000,000		
Foreign Currency series	47,904,975		
Treasury notes -			
Foreign series	183,000,000		
Treasury bonds -			
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Special Funds -			
Certificates of indebtedness	6,201,388,000		
Treasury notes	5,480,938,000		
Treasury bonds	30,508,391,000	42,190,717,000	
Total interest-bearing		299,332,279,018	
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Internat'l Monetary Fund series	2,995,000,000		
Internat'l Develop. Ass'n. series	150,956,600		
Inter-American Develop. Bank series	125,000,000	3,323,867,509	
Total		303,046,342,700	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	526,034,700		
Matured, interest-ceased	4,874,050	530,908,750	
Grand total outstanding			303,577,251,450
Balance face amount of obligations issuable under above authority			4,422,748,550

Reconcilement with Statement of the Public Debt January 31, 1963
(Date)

(Daily Statement of the United States Treasury, January 31, 1963)
(Date)

Outstanding -	
Total gross public debt	303,417,167,304
Guaranteed obligations not owned by the Treasury	530,908,750
Total gross public debt and guaranteed obligations	303,948,076,054
Deduct - other outstanding public debt obligations not subject to debt limitation	370,824,604
	303,577,251,450

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, February 19, 1963.

February 18, 1963

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 November 23, 1962, and the other series to be dated February 21, 1963, which were offered on February 13, were opened at the Federal Reserve Banks on February 18. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing May 23, 1963		:	182-day Treasury bills maturing August 22, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	:	98.506 a/	2.955%
Low	99.264	2.912%	:	98.494	2.979%
Average	99.266	2.905% 1/	:	98.499	2.969% 1/

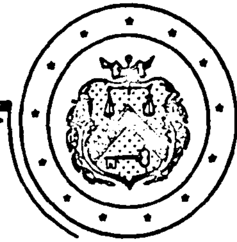
a/ Excepting one tender of $514,000
77 percent of the amount of 91-day bills bid for at the low price was accepted
10 percent of the amount of 182-day bills bid for at the low price was accepted.

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 30,232,000	$ 19,772,000	:	$ 12,315,000	$ 6,315,000
New York	1,669,678,000	795,547,000	:	1,214,285,000	628,369,000
Philadelphia	29,805,000	14,553,000	:	7,617,000	2,617,000
Cleveland	33,001,000	31,872,000	:	29,365,000	19,165,000
Richmond	25,918,000	11,860,000	:	7,991,000	2,291,000
Atlanta	27,899,000	21,838,000	:	5,510,000	5,510,000
Chicago	237,145,000	171,255,000	:	118,757,000	66,857,000
St. Louis	34,683,000	28,183,000	:	8,842,000	6,892,000
Minneapolis	20,727,000	13,882,000	:	6,682,000	4,637,000
Kansas City	34,763,000	29,463,000	:	16,172,000	12,572,000
Dallas	28,194,000	19,864,000	:	9,249,000	6,339,000
San Francisco	171,841,000	142,172,000	:	59,635,000	38,832,000
TOTALS	$2,343,886,000	$1,300,261,000 b/	:	$1,496,420,000	$800,396,000 c/

b/ Includes $249,159,000 noncompetitive tenders accepted at the average price of 99.266
c/ Includes $53,813,000 noncompetitive tenders accepted at the average price of 98.499
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.97%, 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



WASHINGTON, D.C.

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Atlanta	27,899,000	21,838,000	:	5,510,000	5,510,000
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TOTALS	$2,343,886,000	$1,300,261,000 b/		$1,496,420,000	$800,396,000 c/

Includes $249,159,000 noncompetitive tenders accepted at the average price of 99.266
Includes $53,813,000 noncompetitive tenders accepted at the average price of 98.499
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.97%, 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.

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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 November 29, 1962, (92 days remaining until maturity date on May 31, 1963) 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 February 28, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 28, 1963. Cash

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE	February 19, 1963

(1)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing February 28, 1963 (3), in the amount of $ 2,100,667,000 (4), as follows:

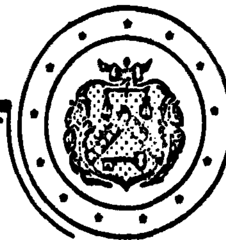
92 (5) -day bills (to maturity date) to be issued February 28, 1963 (6), in the amount of $ 1,300,000,000 (7), or thereabouts, representing an additional amount of bills dated November 29, 1962 (8), and to mature May 31, 1963 (9), originally issued in the amount of $ 800,744,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 800,000,000 (12), or thereabouts, to be dated February 28, 1963 (13), and to mature August 29, 1963 (14).

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $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, February 25, 1963 (15). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

February 19, 1963

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing February 28,1963, in the amount of $2,100,667,000 as follows:

92-day bills (to maturity date) to be issued February 28,1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated November 29,1962, and to mature May 31,1963, originally issued in the amount of $800,744,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated February 28,1963, and to mature August 29, 1963.

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, February 25, 1963. 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.

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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 November 29,1962, (92-days remaining until maturity date on May 31, 1963) 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 February 28, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing February 28,1963. 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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APPENDIX TO PARAGRAPH NO. 9

NONRECOGNITION OF GAIN OR LOSS FOR FEDERAL INCOME TAX PURPOSES

Where a bond is offered by the Treasury with a payment (other than the accrued interest adjustment) to the investor.

Examples:

1. Assume that:

   (a) The fair market value of the security offered by the Treasury on the date the subscription is submitted is $99.00 (per $100 face value).

   (b) The payment to the subscriber (discount) on account of $100 issue price is $.50.

   (c) The cost basis of the security surrendered by the subscriber is $99.75 (per $100 face value).

   The sum of the fair market value of the security offered by the Treasury and the payment to the subscriber is $99.00 + $.50 or $99.50. This is less than the cost basis of the issue surrendered, therefore, no gain is recognized. The new issue will be entered on the books of the subscriber at a cost basis of $99.25, the cost basis of the issue surrendered less $.50. The gain or loss between this cost basis and the proceeds of a subsequent sale or redemption of the new issue will be a capital gain or loss to all investors, except those to whom the bonds are stock in trade. Under present law, if the combined time that the security surrendered and the new security received in exchange were held exceeds 6 months, the capital gain or loss is long-term, otherwise it is short-term.

2. The assumptions are the same except that the cost basis on the books of the subscriber, of the security surrendered is now $99.25 (per $100 face value) instead of $99.75 in example 1.

   The sum of the fair market value of the new security received in exchange by the subscriber plus the $.50 payment (discount) is again $99.50. This exceeds the cost basis of the security surrendered by $.25. This excess is a recognized gain reportable for the year in which the exchange takes place. The gain is a capital gain except to those to whom the bonds are stock in trade. Under present law, if the time the security surrendered was held exceeds 6 months, the capital gain is long-term, otherwise it is short-term.

   The subscriber will carry the new issue received in exchange at a cost basis equal to the basis of the issue surrendered ($99.25), less the payment ($.50), plus the amount of the recognized gain ($.25), or ($99.25 - $.50 + $.25) $99.00.

3. The assumptions are the same as in example 1, except that the cost basis on the books of the subscriber, of the security surrendered is $98.75 (per $100 face value) instead of $99.75 in example 1.

   The sum of the fair market value of the new issue received in exchange by the subscriber plus the $.50 payment (discount) is still $99.50. This exceeds the $98.75 cost basis by more than $.50. However, the amount of the gain reportable for the year of the exchange is $.50, since the amount of gain recognized cannot exceed the amount of the payment. The nature of the recognized gain and its treatment is the same as in example 2.

   In this case, the subscriber will enter the new security received in exchange on his books at the same cost basis as the security surrendered.

Eligible securities	3-1/2% C/Is 8/15/63	2-1/2% Bonds 8/15/63	3-1/8% C/Is 11/15/63	3% Bonds 2/15/64	3-1/2% Notes 11/15/65	3-5/8% Notes 2/15/66	3% Bonds 8/15/66	3-3/8% Bonds 11/15/66
	FOR THE NEW 4% BONDS OF FEBRUARY 15, 1980							
Payments on account of $100 issue price:								
By subscriber ---------------	$ -	$ -	$ -	$ -	$ -	$ -	$0.50	$ -
To subscriber ---------------	0.90	0.50	0.70	0.50	1.00	1.20	-	0.40
Approximate investment yield from exchange date (3/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange 1/ -----------------	4.04%	4.04%	4.04%	4.03%	4.04%	4.04%	4.03%	4.03%
Approximate minimum reinvestment rate for the extension period 2/ -------------------	4.09	4.10	4.11	4.12	4.23	4.24	4.30	4.29

1/ Yield to nontaxable holder or before tax. Based on mean of bid and asked prices (adjusted for payments on account of issue price) at noon on February 19, 1963.

2/ Rate for nontaxable holder or before tax. For explanation see paragraph 12 above.

13. Investment rates on the new notes and bonds offered in exchange to holders of the eligible securities:

Eligible securities	3-1/2% C/Is 8/15/63	2-1/2% Bonds 8/15/63	3-1/8% C/Is 11/15/63	3% Bonds 2/15/64
FOR THE NEW 3-5/8% NOTES OF FEBRUARY 15, 1967				
Payments on account of $100 issue price to subscriber ----------------------	$0.50	$0.10	$0.30	$0.10
Approximate investment yield from exchange date (3/15/63) to maturity of notes offered in exchange based on price of securities eligible for exchange 1/ ---	3.65%	3.65%	3.64%	3.63%
Approximate minimum reinvestment rate for the extension period 2/ ------------	3.80	3.80	3.84	3.87
FOR THE NEW 3-7/8 BONDS OF NOVEMBER 15, 1971				
Payments on account of $100 issue price to subscriber ----------------------	$1.10	$0.70	$0.90	$0.70
Approximate investment yield from exchange date (3/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange 1/ ---	3.97%	3.97%	3.96%	3.96%
Approximate minimum reinvestment rate for the extension period 2/ ------------	4.05	4.06	4.08	4.11

	3-1/2% Notes 11/15/65	3-5/8% Notes 2/15/66	3% Bonds 8/15/66	3-3/8% Bonds 11/15/66
FOR THE NEW 3-7/8% BONDS OF NOVEMBER 15, 1974				
Payments on account of $100 issue price to subscriber:	$1.50	$1.70	$ -	$0.90
Approximate investment yield from exchange date (3/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange 1/ --	3.98%	3.98%	3.97%	3.97%
Approximate minimum reinvestment rate for the extension period 2/ ------------	4.24	4.24	4.33	4.32

Footnotes appear at end of table on next page.

(Continued)

Securities to be exchanged	On account of purchase price of securities to be issued 1/	Amounts to be paid to or by subscribers on account of accrued interest to 3/15/63: Payable to subscriber on securities to be exchanged	Payable by subscriber on securities to be issued	Net amount: To be paid to subscriber	To be collected from subscriber	Exten of matur Yrs.
		FOR THE 3-7/8% BONDS OF 1974				
-1/2% note B-1965	$1.50	$1.160221	$1.284530	$1.375691	$ -	9
-5/8% note B-1966	1.70	.280387	1.284530	0.695857	-	8
% bond 1966	-	.232044	1.284530	-	1.052486	8
-3/8% bond 1966	0.90	1.118785	1.284530	0.734255	-	8
		FOR THE 4% BONDS OF 1980				
-1/2% ctf. C-1963	$0.90	$ .270718	$ .309392	$0.861326	$ -	16
-1/2% bond 1963	0.50	.193370	.309392	0.383978	-	16
-1/8% ctf. D-1963	0.70	1.035012	.309392	1.426520	-	16
% bond 1964	0.50	.232044	.309392	0.422652	-	16
-1/2% note B-1965	1.00	1.160221	.309392	1.850829	-	14
-5/8% note B-1966	1.20	.280387	.309392	1.170995	-	14
% bond 1966	(0.50)	.232044	.309392	-	0.577348	13
-3/8% bond 1966	0.40	1.118785	.309392	1.209393	-	13

/ Amounts payable by subscribers are included within parenthesis.

The following coupons should be attached to the securities in bearer form when they surrendered:

Securities	Coupons to be attached
-1/2% ctf. C-1963, 2-1/2% bond 1963	Aug. 15, 1963
-1/8% ctf. D-1963, 3-1/2% note B-1965, 3-3/8% bond 1966	May 15, 1963, and subsequ
% bond 1964, 3-5/8% note B-1966, 3% bond 1966	Aug. 15, 1963, and subseq

. Payment:

Payment for the new securities must be completed by March 15, 1963. The new securi will be delivered March 15, 1963. Where the table in the preceding paragraph shows net amount to be collected from subscribers such amount should accompany the subscr tion. Where the table shows a net amount payable to subscribers the payment will b made by the Treasury, if bearer securities are surrendered following their acceptan and if registered securities are surrendered following discharge of registration in accordance with the assignments on the securities.

5. Limitation on amount of securities to be issued:

The amount of securities to be issued under this offering will be limited to the am

Terms and Conditions of the Advance Refunding Offer

1. To all holders of the following outstanding Treasury securities:

Description of securities	Issue date	Final maturity date	Remaining term to maturity Yrs. - Mos.		Amount outstanding (in billions)
3-1/2% certificate C-1963	Aug. 15, 1962	Aug. 15, 1963	-	5	$6.9
2-1/2% bond 1963	Dec. 15, 1954	Aug. 15, 1963	-	5	4.3
3-1/8% certificate D-1963	Nov. 15, 1962	Nov. 15, 1963	-	8	4.9
3% bond 1964	Feb. 14, 1958	Feb. 15, 1964	-	11	2.7
3-1/2% note B-1965	Nov. 15, 1962	Nov. 15, 1965	2	8	3.3
3-5/8% note B-1966	May 15, 1962	Feb. 15, 1966	2	11	3.1
3% bond 1966	Feb. 28, 1958	Aug. 15, 1966	3	5	1.5
3-3/8% bond 1966	March 15, 1961	Nov. 15, 1966	3	8	2.4

2. New securities to be issued (or additional amounts of outstanding issues):

Description of securities	Issue date	Amount outstanding (in billions)	Interest starts 1/	Interest payabl
3-5/8% note of Feb. 15, 1967	March 15, 1963	-	March 15, 1963	Feb. 15 & Aug.
3-7/8% bond of Nov. 15, 1971	May 15, 1962	$1.2	March 15, 1963	May 15 & Nov. 1
3-7/8% bond of Nov. 15, 1974	Dec. 2, 1957	1.2	March 15, 1963	May 15 & Nov. 1
4% bond of Feb. 15, 1980	Jan. 23, 1959	1.5	March 15, 1963	Feb. 15 & Aug.

1/ Interest on the securities surrendered stops on March 15, 1963.

3. Terms of the exchange:

Exchanges will be made on the basis of equal face amounts, with payments to or by the Treasury, and with adjustments of accrued interest to March 15, 1963, on the securities surrendered and on the additional issues of bonds (per $100 face amount), as indicated below:

Securities to be exchanged	Amounts to be paid to or by subscribers: On account of purchase price of securities to be issued 1/	On account of accrued interest to 3/15/63: Payable to subscriber on securities to be exchanged	On account of accrued interest to 3/15/63: Payable by subscriber on securities to be issued	Net amount: To be paid to subscriber	Net amount: To be collected from subscriber	Extension of maturity Yrs.-Mos
		FOR THE 3-5/8% NOTES OF SERIES B-1967				
3-1/2% ctf. C-1963	$0.50	$ .270718	-	$0.770718	$ -	3 -
2-1/2% bond 1963	0.10	.193370	-	0.293370	-	3 -
3-1/8% ctf. D-1963	0.30	1.035912	-	1.335912	-	3 -
3% bond 1964	0.10	.232044	-	0.332044	-	3 -
		FOR THE 3-7/8% BONDS OF 1971				
3-1/2% ctf. C-1963	$1.10	$ .270718	$1.284530	$0.086188	$ -	8 -
2-1/2% bond 1963	0.70	.193370	1.284530	-	0.391160	8 -
3-1/8% ctf. D-1963	0.90	1.035912	1.284530	0.651382	-	8 -
3% bond 1964	0.70	.232044	1.284530	-	0.352486	7 -

Footnote appears at end of table on next page.

6. Books open for subscriptions for the new securities:

The books will be open for the receipt of subscriptions from ALL classes of subscribers from Monday, February 25, through Thursday, February 28. In addition, the books will also be open for the receipt of subscriptions from individuals through Friday, March 8. For this purpose, individuals are defined as natural persons in their own right. Subscriptions placed in the mail by midnight of the respective closing dates, addressed to any Federal Reserve Bank or Branch or the Treasurer, U. S., Washington 25, D. C., will be considered as timely. The use of registered mail is recommended for the security holders' protection in submitting securities to be exchanged.

If securities eligible for exchange are pledged with a State or Federal Government agency or authority and such securities cannot or will not be released by such authority to the pledgor in time for use in making payment for the securities offered in this exchange, the pledgor may, nevertheless, enter a subscription. Such subscriptions should be accompanied by a letter signed by an authorized official of the pledgor explaining the circumstances and, if the authority will not release the securities, a request and authorization for the Federal Reserve Bank, or Branch, or the Treasurer of the U. S. (according to where the subscription is directed) to deliver the new securities to the State or Federal authority in exchange for the old securities held by such authority.

7. Requirements applicable to subscriptions:

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington 25, D. C. Banking institutions generally may submit subscriptions for account of customers.

8. Denominations and other characteristics of new securities:

The notes will be issued in denominations of $1,000, $5,000, $10,000, $100,000, $1,000,000, $100,000,000 and $500,000,000 in coupon and registered forms. The bonds will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000 in coupon and registered forms. All subscribers requesting registered securities will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service. The notes and bonds will be acceptable to secure deposits of public moneys.

9. Nonrecognition of gain or loss for Federal income tax purposes:

(a) General -- The Secretary of the Treasury has declared pursuant to section 1037(a) of the Internal Revenue Code that no gain or loss shall be recognized for Federal income tax purposes solely on account of the exchange of the securities; however, section 1031(b) of the Code requires recognition of any gain realized on the exchange to the extent that money (other than interest) is received by the security holder in connection with the exchange as indicated in (b).

(b) Where the securities to be issued are offered by the Treasury with a payment to the investor -- If the fair market value 1/ of the securities to be issued plus the amount paid to the investor (discount) exceeds the cost basis to the investor of the securities to be exchanged, such gain (but not to exceed the amount of the payment) must be recognized and accounted for as gain for the taxable year of exchange. He will carry the new securities on his books at the same amount as he is now carrying the old securities except that he will reduce the cost basis by the amount of the payment and increase it by the amount of the gain recognized. If the fair market value of the new securities plus the amount of the payment does not exceed the cost basis of the old securities, the basis in the new securities will be the cost basis in the old securities reduced by the amount of the payment.

1/ The mean of the bid and asked quotations on date subscriptions are submitted.

(c) Where premium is paid by the subscriber -- If a premium is paid by the subscriber no gain or loss will be recognized; but his tax basis in the new securities will be his cost basis in the old securities increased by the amount of the premium.

(d) Gain to the extent not recognized under (b) (or loss), if any, upon the old securities surrendered in exchange will be taken into account upon the disposition or redemption of the new securities. (See appendix to paragraph 9 attached.)

10. Federal estate tax option on the 3-7/8% bonds of 1974 and 4% bonds -- The 3-7/8% bonds of 1974 and 4% bonds of 1980 will be redeemable at par and accrued interest prior to maturity for the purpose of using the proceeds in payment of Federal estate taxes but only if they are owned by the decedent at the time of his death and thereupon constitute part of his estate.

11. Book value of new securities to banking institutions:

The Comptroller of the Currency, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation have indicated to the Treasury that banks under their supervision may place the new notes and bonds received in exchange on their books at an amount not greater than the amount at which the eligible securities surrendered by them are carried on their books plus the amount of premium, if any, paid on the new securities, or reduced by the amount of discount, if any, received by the subscriber and increased by the amount of gain, if any, which will be recognized as indicated in paragraph 9. They will so advise their examiners.

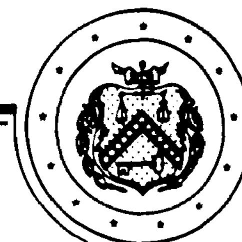
12. Computation of reinvestment rate for the extension of maturity:

A holder of the outstanding eligible securities has the option of accepting the Treasury's exchange offer or of holding them to maturity. Consequently, he can compare the interest plus (or minus) any payment, other than the adjustment of accrued interest, he will receive resulting from exchanging now with the total of the interest on the eligible issues and what he might obtain by reinvesting the proceeds of the eligible securities at maturity.

The income before tax for making the extension now through exchange will be the coupon rates plus (or minus) any payment on the new issues. If a holder of the eligible securities does not make the exchange he would receive the coupon rates on the eligible issues to their maturity and would have to reinvest at that time at a rate equal to that indicated in paragraph 13 below for the remaining terms of the issues now offered, in order to equal the return (including any payment) he would receive by accepting the exchange offer. For example, if the 3% bonds of 2/15/64 are exchanged for 3-7/8% bonds of 11/15/71 the investor receives 3-7/8% interest for the entire eight years and eight months plus $.70 (per $100 face value) immediately. If the exchange is not made, a 3% rate will be received until February 15, 1964, requiring reinvestment of the proceeds of the 3's of 1964 at that time at a rate of at least 4.11% for the remaining seven years and nine months, all at compound interest, to average out to a 3-7/8% rate for eight years and eight months plus the $.70 immediate payment. This minimum reinvestment rate for the extension period is shown in the table under paragraph 13. The minimum reinvestment rates for the other issues included in the exchange are also shown in the table under paragraph 13.

1/ The mean of the bid and asked quotations on date subscriptions are submitted.

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE February 20, 1963

ADVANCE REFUNDING OFFER

The Treasury today announced that it will offer holders of $29.0 billion of outstanding Treasury securities an opportunity to extend their holdings at higher yields. Of this total, $20.3 billion are held by the public.

The possibility of such an announcement was indicated on January 30 when it was stated that the Treasury planned, upon completion of the February 15 financing, to announce a program of advance refunding adapted to the requirements of the market at that time.

The current offering combines a junior advance refunding with a "prerefunding," that is, an advance refunding of issues maturing within the next 12 months.

Holders of securities eligible for exchange have the option of exchanging them, as of March 15, 1963, for four new issues as follows:

Securities eligible for exchange and their maturity dates		Securities offered in exchange and their maturity dates	
	Prerefunding		
3-1/2% ctfs., C-1963	8/15/63)		
2-1/2% bonds, 1963	8/15/63)	3-5/8% notes, B-1967 (new)	2/15/67
3-1/8% ctfs., D-1963	11/15/63)	3-7/8% bonds, 1971 (addl. issue)	11/15/71
3% bonds, 1964	2/15/64)	4% bonds, 1980 (addl. issue)	2/15/80
	"Junior" Advance Refunding		
3-1/2% notes, B-1965	11/15/65)		
3-5/8% notes, B-1966	2/15/66)	3-7/8% bonds, 1974 (addl. issue)	11/15/74
3% bonds, 1966	8/15/66)	4% bonds, 1980 (addl. issue)	2/15/80
3-3/8% bonds, 1966	11/15/66)		

The exchanges will be made on the basis of par for par with accrued interest adjustments and cash payments to or payable by the subscribers which will approximately equalize current market values among eligible issues having different coupons and maturities, and provide an attractive exchange value for each of the issues offered. The amount of the offering will be limited to the amount of securities accepted in exchange. Cash subscriptions are not invited.

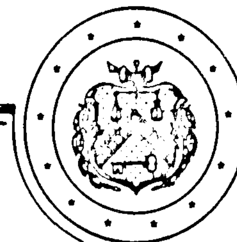
The exchanges will not be treated as a sale and purchase for tax purposes; therefore, there will be no recognition of gain or loss for Federal income tax purposes solely on account of the exchange of old for new securities. Details are presented in the following paragraph No. 9.

The subscription books will be open beginning Monday, February 25, and will remain open through Thursday, February 28, 1963, for all classes of subscribers. In addition, individuals (natural persons in their own right) will be allowed to subscribe for a further period through Friday, March 8, 1963.

The amounts of cash payments due to or by subscribers, including the amounts of accrued interest adjustments, as well as other details relating to this advance refunding are as follows.

D-763

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE February 20, 1963

ADVANCE REFUNDING OFFER

The Treasury today announced that it will offer holders of $29.0 billion of outstanding Treasury securities an opportunity to extend their holdings at higher yields. Of this total, $20.3 billion are held by the public.

The possibility of such an announcement was indicated on January 30 when it was stated that the Treasury planned, upon completion of the February 15 financing, to announce a program of advance refunding adapted to the requirements of the market at that time.

The current offering combines a junior advance refunding with a "prerefunding," that is, an advance refunding of issues maturing within the next 12 months.

Holders of securities eligible for exchange have the option of exchanging them, as of March 15, 1963, for four new issues as follows:

Securities eligible for exchange and their maturity dates		Securities offered in exchange and their maturity dates	
Prerefunding			
3-1/2% ctfs., C-1963	8/15/63)		
2-1/2% bonds, 1963	8/15/63)	3-5/8% notes, B-1967 (new)	2/15/67
3-1/8% ctfs., D-1963	11/15/63)	3-7/8% bonds, 1971 (addl. issue)	11/15/71
3% bonds, 1964	2/15/64)	4% bonds, 1980 (addl. issue)	2/15/80
"Junior" Advance Refunding			
3-1/2% notes, B-1965	11/15/65)		
3-5/8% notes, B-1966	2/15/66)	3-7/8% bonds, 1974 (addl. issue)	11/15/74
3% bonds, 1966	8/15/66)	4% bonds, 1980 (addl. issue)	2/15/80
3-3/8% bonds, 1966	11/15/66)		

The exchanges will be made on the basis of par for par with accrued interest adjustments and cash payments to or payable by the subscribers which will approximately equalize current market values among eligible issues having different coupons and maturities, and provide an attractive exchange value for each of the issues offered. The amount of the offering will be limited to the amount of securities accepted in exchange. Cash subscriptions are not invited.

The exchanges will not be treated as a sale and purchase for tax purposes; therefore, there will be no recognition of gain or loss for Federal income tax purposes solely on account of the exchange of old for new securities. Details are presented in the following paragraph No. 9.

The subscription books will be open beginning Monday, February 25, and will remain open through Thursday, February 28, 1963, for all classes of subscribers. In addition, individuals (natural persons in their own right) will be allowed to subscribe for a further period through Friday, March 8, 1963.

The amounts of cash payments due to or by subscribers, including the amounts of accrued interest adjustments, as well as other details relating to this advance refunding are as follows.

D-763

Terms and Conditions of the Advance Refunding Offer

1. To all holders of the following outstanding Treasury securities:

Description of securities	Issue date	Final maturity date	Remaining term to maturity Yrs. - Mos.		Amount outstanding (in billions)
3-1/2% certificate C-1963	Aug. 15, 1962	Aug. 15, 1963	-	5	$6.9
2-1/2% bond 1963	Dec. 15, 1954	Aug. 15, 1963	-	5	4.3
3-1/8% certificate D-1963	Nov. 15, 1962	Nov. 15, 1963	-	8	4.9
3% bond 1964	Feb. 14, 1958	Feb. 15, 1964	-	11	2.7
3-1/2% note B-1965	Nov. 15, 1962	Nov. 15, 1965	2	8	3.3
3-5/8% note B-1966	May 15, 1962	Feb. 15, 1966	2	11	3.1
3% bond 1966	Feb. 28, 1958	Aug. 15, 1966	3	5	1.5
3-3/8% bond 1966	March 15, 1961	Nov. 15, 1966	3	8	2.4

2. New securities to be issued (or additional amounts of outstanding issues):

Description of securities	Issue date	Amount outstanding (in billions)	Interest starts 1/	Interest payable
3-5/8% note of Feb. 15, 1967	March 15, 1963	-	March 15, 1963	Feb. 15 & Aug. 15
3-7/8% bond of Nov. 15, 1971	May 15, 1962	$1.2	March 15, 1963	May 15 & Nov. 15
3-7/8% bond of Nov. 15, 1974	Dec. 2, 1957	1.2	March 15, 1963	May 15 & Nov. 15
4% bond of Feb. 15, 1980	Jan. 23, 1959	1.5	March 15, 1963	Feb. 15 & Aug. 15

1/ Interest on the securities surrendered stops on March 15, 1963.

3. Terms of the exchange:

Exchanges will be made on the basis of equal face amounts, with payments to or by the Treasury, and with adjustments of accrued interest to March 15, 1963, on the securities surrendered and on the additional issues of bonds (per $100 face amount), as indicated below:

Securities to be exchanged	Amounts to be paid to or by subscribers: On account of purchase price of securities to be issued 1/	On account of accrued interest to 3/15/63: Payable to subscriber on securities to be exchanged	On account of accrued interest to 3/15/63: Payable by subscriber on securities to be issued	Net amount: To be paid to subscriber	Net amount: To be collected from subscriber	Extension of maturity Yrs.-Mos.
		FOR THE 3-5/8% NOTES OF SERIES B-1967				
3-1/2% ctf. C-1963	$0.50	$ .270718	-	$0.770718	$ -	3 - 6
2-1/2% bond 1963	0.10	.193370	-	0.293370	-	3 - 6
3-1/8% ctf. D-1963	0.30	1.035912	-	1.335912	-	3 - 3
3% bond 1964	0.10	.232044	-	0.332044	-	3 - 0
		FOR THE 3-7/8% BONDS OF 1971				
3-1/2% ctf. C-1963	$1.10	$ .270718	$1.284530	$0.086188	$ -	8 - 3
2-1/2% bond 1963	0.70	.193370	1.284530	-	0.391160	8 - 3
3-1/8% ctf. D-1963	0.90	1.035912	1.284530	0.651382	-	8 - 0
3% bond 1964	0.70	.232044	1.284530	-	0.352486	7 - 9

Footnote appears at end of table on next page.

3. (Continued)

Securities to be exchanged	On account of purchase price of securities to be issued 1/	Amounts to be paid to or by subscribers on account of accrued interest to 3/15/63: Payable to subscriber on securities to be exchanged	Payable by subscriber on securities to be issued	Net amount: To be paid to subscriber	To be collected from subscriber	Extension of maturity Yrs.-Mos.
		FOR THE 3-7/8% BONDS OF 1974				
3-1/2% note B-1965	$1.50	$1.160221	$1.284530	$1.375691	$ -	9 - 0
3-5/8% note B-1966	1.70	.280387	1.284530	0.695857	-	8 - 9
3% bond 1966	-	.232044	1.284530	-	1.052486	8 - 3
3-3/8% bond 1966	0.90	1.118785	1.284530	0.734255	-	8 - 0
		FOR THE 4% BONDS OF 1980				
3-1/2% ctf. C-1963	$0.90	$ .270718	$ .309392	$0.861326	$ -	16 - 6
2-1/2% bond 1963	0.50	.193370	.309392	0.383978	-	16 - 6
3-1/8% ctf. D-1963	0.70	1.035912	.309392	1.426520	-	16 - 3
3% bond 1964	0.50	.232044	.309392	0.422652	-	16 - 0
3-1/2% note B-1965	1.00	1.160221	.309392	1.850829	-	14 - 3
3-5/8% note B-1966	1.20	.280387	.309392	1.170995	-	14 - 0
3% bond 1966	(0.50)	.232044	.309392	-	0.577348	13 - 6
3-3/8% bond 1966	0.40	1.118785	.309392	1.209393	-	13 - 3

1/ Amounts payable by subscribers are included within parenthesis.

The following coupons should be attached to the securities in bearer form when they are surrendered:

Securities	Coupons to be attached
3-1/2% ctf. C-1963, 2-1/2% bond 1963	Aug. 15, 1963
3-1/8% ctf. D-1963, 3-1/2% note B-1965, 3-3/8% bond 1966	May 15, 1963, and subsequent
3% bond 1964, 3-5/8% note B-1966, 3% bond 1966	Aug. 15, 1963, and subsequent

4. Payment:

Payment for the new securities must be completed by March 15, 1963. The new securities will be delivered March 15, 1963. Where the table in the preceding paragraph shows a net amount to be collected from subscribers such amount should accompany the subscription. Where the table shows a net amount payable to subscribers the payment will be made by the Treasury, if bearer securities are surrendered following their acceptance, and if registered securities are surrendered following discharge of registration in accordance with the assignments on the securities.

5. Limitation on amount of securities to be issued:

The amount of securities to be issued under this offering will be limited to the amount of the eligible securities tendered in exchange and accepted.

6. Books open for subscriptions for the new securities:

The books will be open for the receipt of subscriptions from ALL classes of subscriber from Monday, February 25, through Thursday, February 28. In addition, the books will also be open for the receipt of subscriptions from individuals through Friday, March 8 For this purpose, individuals are defined as natural persons in their own right. Subscriptions placed in the mail by midnight of the respective closing dates, addressed to any Federal Reserve Bank or Branch or the Treasurer, U. S., Washington 25, D. C., will be considered as timely. The use of registered mail is recommended for the security holders' protection in submitting securities to be exchanged.

If securities eligible for exchange are pledged with a State or Federal Government agency or authority and such securities cannot or will not be released by such authority to the pledgor in time for use in making payment for the securities offered in this exchange, the pledgor may, nevertheless, enter a subscription. Such subscription should be accompanied by a letter signed by an authorized official of the pledgor explaining the circumstances and, if the authority will not release the securities, a request and authorization for the Federal Reserve Bank, or Branch, or the Treasurer of the U. S. (according to where the subscription is directed) to deliver the new securities to the State or Federal authority in exchange for the old securities held by such authority.

7. Requirements applicable to subscriptions:

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington 25, D. C. Banking institutions generally may submit subscriptions for account of customers.

8. Denominations and other characteristics of new securities:

The notes will be issued in denominations of $1,000, $5,000, $10,000, $100,000, $1,000,000, $100,000,000 and $500,000,000 in coupon and registered forms. The bonds will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000 in coupon and registered forms. All subscribers requesting registered securities will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service. The notes and bonds will be acceptable to secure deposits of public moneys.

9. Nonrecognition of gain or loss for Federal income tax purposes:

(a) General -- The Secretary of the Treasury has declared pursuant to section 1037(a) of the Internal Revenue Code that no gain or loss shall be recognized for Federal income tax purposes solely on account of the exchange of the securities; however, section 1031(b) of the Code requires recognition of any gain realized on the exchange to the extent that money (other than interest) is received by the security holder in connection with the exchange as indicated in (b).

(b) Where the securities to be issued are offered by the Treasury with a payment to the investor -- If the fair market value 1/ of the securities to be issued plus the amount paid to the investor (discount) exceeds the cost basis to the investor of the securities to be exchanged, such gain (but not to exceed the amount of the payment) must be recognized and accounted for as gain for the taxable year of exchange. He will carry the new securities on his books at the same amount as he is now carrying the old securities except that he will reduce the cost basis by the amount of the payment and increase it by the amount of the gain recognized. If the fair market value of the new securities plus the amount of the payment does not exceed the cost basis of the old securities, the basis in the new securities will be the cost basis in the old securities reduced by the amount of the payment.

1/ The mean of the bid and asked quotations on date subscriptions are submitted.

(c) Where premium is paid by the subscriber -- If a premium is paid by the subscriber no gain or loss will be recognized; but his tax basis in the new securities will be his cost basis in the old securities increased by the amount of the premium.

(d) Gain to the extent not recognized under (b) (or loss), if any, upon the old securities surrendered in exchange will be taken into account upon the disposition or redemption of the new securities. (See appendix to paragraph 9 attached.)

10. Federal estate tax option on the 3-7/8% bonds of 1974 and 4% bonds -- The 3-7/8% bonds of 1974 and 4% bonds of 1980 will be redeemable at par and accrued interest prior to maturity for the purpose of using the proceeds in payment of Federal estate taxes but only if they are owned by the decedent at the time of his death and thereupon constitute part of his estate.

11. Book value of new securities to banking institutions:

The Comptroller of the Currency, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation have indicated to the Treasury that banks under their supervision may place the new notes and bonds received in exchange on their books at an amount not greater than the amount at which the eligible securities surrendered by them are carried on their books plus the amount of premium, if any, paid on the new securities, or reduced by the amount of discount, if any, received by the subscriber and increased by the amount of gain, if any, which will be recognized as indicated in paragraph 9. They will so advise their examiners.

12. Computation of reinvestment rate for the extension of maturity:

A holder of the outstanding eligible securities has the option of accepting the Treasury's exchange offer or of holding them to maturity. Consequently, he can compare the interest plus (or minus) any payment, other than the adjustment of accrued interest, he will receive resulting from exchanging now with the total of the interest on the eligible issues and what he might obtain by reinvesting the proceeds of the eligible securities at maturity.

The income before tax for making the extension now through exchange will be the coupon rates plus (or minus) any payment on the new issues. If a holder of the eligible securities does not make the exchange he would receive the coupon rates on the eligible issues to their maturity and would have to reinvest at that time at a rate equal to that indicated in paragraph 13 below for the remaining terms of the issues now offered, in order to equal the return (including any payment) he would receive by accepting the exchange offer. For example, if the 3% bonds of 2/15/64 are exchanged for 3-7/8% bonds of 11/15/71 the investor receives 3-7/8% interest for the entire eight years and eight months plus $.70 (per $100 face value) immediately. If the exchange is not made, a 3% rate will be received until February 15, 1964, requiring reinvestment of the proceeds of the 3's of 1964 at that time at a rate of at least 4.11% for the remaining seven years and nine months, all at compound interest, to average out to a 3-7/8% rate for eight years and eight months plus the $.70 immediate payment. This minimum reinvestment rate for the extension period is shown in the table under paragraph 13. The minimum reinvestment rates for the other issues included in the exchange are also shown in the table under paragraph 13.

1. Investment rates on the new notes and bonds offered in exchange to holders of the eligible securities:

Eligible securities	3-1/2% C/Is 8/15/63	2-1/2% Bonds 8/15/63	3-1/8% C/Is 11/15/63	3% Bonds 2/15/64
FOR THE NEW 3-5/8% NOTES OF FEBRUARY 15, 1967				
Payments on account of $100 issue price to subscriber	$0.50	$0.10	$0.30	$0.10
Approximate investment yield from exchange date (3/15/63) to maturity of notes offered in exchange based on price of securities eligible for exchange 1/	3.65%	3.65%	3.64%	3.63%
Approximate minimum reinvestment rate for the extension period 2/	3.80	3.80	3.84	3.87
FOR THE NEW 3-7/8 BONDS OF NOVEMBER 15, 1971				
Payments on account of $100 issue price to subscriber	$1.10	$0.70	$0.90	$0.70
Approximate investment yield from exchange date (3/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange 1/	3.97%	3.97%	3.96%	3.96%
Approximate minimum reinvestment rate for the extension period 2/	4.05	4.06	4.08	4.11

	3-1/2% Notes 11/15/65	3-5/8% Notes 2/15/66	3% Bonds 8/15/66	3-3/8% Bonds 11/15/66
FOR THE NEW 3-7/8% BONDS OF NOVEMBER 15, 1974				
Payments on account of $100 issue price to subscriber:	$1.50	$1.70	$ -	$0.90
Approximate investment yield from exchange date (3/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange 1/	3.98%	3.98%	3.97%	3.97%
Approximate minimum reinvestment rate for the extension period 2/	4.24	4.24	4.33	4.32

Footnotes appear at end of table on next page.

Eligible securities	3-1/2% C/Is 8/15/63	2-1/2% Bonds 8/15/63	3-1/8% C/Is 11/15/63	3% Bonds 2/15/64	3-1/2% Notes 11/15/65	3-5/8% Notes 2/15/66	3% Bonds 8/15/66	3-3/8% Bonds 11/15/66
	FOR THE NEW 4% BONDS OF FEBRUARY 15, 1980							
Payments on account of $100 issue price:								
By subscriber ---------------	$ -	$ -	$ -	$ -	$ -	$ -	$0.50	$ -
To subscriber ---------------	0.90	0.50	0.70	0.50	1.00	1.20	-	0.40
Approximate investment yield from exchange date (3/15/63) to maturity of bonds offered in exchange based on price of securities eligible for exchange 1/ -----------------	4.04%	4.04%	4.04%	4.03%	4.04%	4.04%	4.03%	4.03%
Approximate minimum reinvestment rate for the extension period 2/ -------------------	4.09	4.10	4.11	4.12	4.23	4.24	4.30	4.29

1/ Yield to nontaxable holder or before tax. Based on mean of bid and asked prices (adjusted for payments on account of issue price) at noon on February 19, 1963.

2/ Rate for nontaxable holder or before tax. For explanation see paragraph 12 above.

APPENDIX TO PARAGRAPH NO. 9
NONRECOGNITION OF GAIN OR LOSS FOR FEDERAL INCOME TAX PURPOSES

Where a bond is offered by the Treasury with a payment (other than the accrued interest adjustment) to the investor.

Examples:

1. Assume that:

   (a) The fair market value of the security offered by the Treasury on the date the subscription is submitted is $99.00 (per $100 face value).

   (b) The payment to the subscriber (discount) on account of $100 issue price is $.50.

   (c) The cost basis of the security surrendered by the subscriber is $99.75 (per $100 face value).

   The sum of the fair market value of the security offered by the Treasury and the payment to the subscriber is $99.00 + $.50 or $99.50. This is less than the cost basis of the issue surrendered, therefore, no gain is recognized. The new issue will be entered on the books of the subscriber at a cost basis of $99.25, the cost basis of the issue surrendered less $.50. The gain or loss between this cost basis and the proceeds of a subsequent sale or redemption of the new issue will be a capital gain or loss to all investors, except those to whom the bonds are stock in trade. Under present law, if the combined time that the security surrendered and the new security received in exchange were held exceeds 6 months, the capital gain or loss is long-term, otherwise it is short-term.

2. The assumptions are the same except that the cost basis on the books of the subscriber, of the security surrendered is now $99.25 (per $100 face value) instead of $99.75 in example 1.

   The sum of the fair market value of the new security received in exchange by the subscriber plus the $.50 payment (discount) is again $99.50. This exceeds the cost basis of the security surrendered by $.25. This excess is a recognized gain reportable for the year in which the exchange takes place. The gain is a capital gain except to those to whom the bonds are stock in trade. Under present law, if the time the security surrendered was held exceeds 6 months, the capital gain is long-term, otherwise it is short-term.

   The subscriber will carry the new issue received in exchange at a cost basis equal to the basis of the issue surrendered ($99.25), less the payment ($.50), plus the amount of the recognized gain ($.25), or ($99.25 - $.50 + $.25) $99.00.

3. The assumptions are the same as in example 1, except that the cost basis on the books of the subscriber, of the security surrendered is $98.75 (per $100 face value) instead of $99.75 in example 1.

   The sum of the fair market value of the new issue received in exchange by the subscriber plus the $.50 payment (discount) is still $99.50. This exceeds the $98.75 cost basis by more than $.50. However, the amount of the gain reportable for the year of the exchange is $.50, since the amount of gain recognized cannot exceed the amount of the payment. The nature of the recognized gain and its treatment is the same as in example 2.

   In this case, the subscriber will enter the new security received in exchange on his books at the same cost basis as the security surrendered.

TREASURY DEPARTMENT
Washington

February 20, 1963

A BRIEF DESCRIPTION OF THE TREASURY'S ADVANCE REFUNDING OFFER

In its financing announcement on Wednesday, the Treasury continued its established practice of providing attractive opportunities for holders of Government securities to renew their investments well in advance of the maturity of their specific holdings.

In what is called the "pre-refunding" part of this offering, the Treasury is giving holders of certain securities which mature within the next year an opportunity of exchanging their securities now at attractive interest rates for other securities of approximately 4, 9 and 17 years in maturity. The coupon yield on the securities maturing within the next year which are eligible for this offering vary from 2-1/2% to 3-1/2%. The coupon yields on the new securities being made available in exchange are, respectively, 3-5/8%, 3-7/8%, and 4%.

A second part of the Treasury's offering is extended to holders of certain securities which mature in approximately three years. These holders are being given an opportunity to exchange their holdings now for bonds that mature in approximately twelve years or in seventeen years. The issues eligible for use in this exchange now bear coupons ranging from 3% to 3-5/8%; they will be exchangeable into bonds that bear coupons of 3-7/8% and 4%.

Institutional investors will have an opportunity to subscribe for this exchange from Monday, February 25 through Thursday, February 28; individuals will be permitted to subscribe during a two-week period beginning February 25 and ending Friday, March 8.

Because there are differences in the current market quotations for the various issues which are eligible for these exchanges, the Treasury will, in most cases, make a small adjustment payment to subscribers on the effective date of the exchange, that is, March 15. The supplemental payments which

will be made to most subscribers by the Treasury are summarized in an attached table. At the time of payment, a further adjustment will also be made to give effect to any interest that has accrued on the outstanding bonds and the bonds offered in exchange, and the effect of this upon the final payment is also summarized in the table, which shows the net payment due to or from the subscriber for all possible combinations of issues in this extensive offering.

The result of these various payments to or from the subscribers is to improve somewhat the effective yield obtainable by subscribers over that implied by the simple difference between coupons. The differences in the amounts of payment reflect the need to place all subscribers for a given new offering on a roughly comparable footing.

A second table attached summarizes the approximate yields that investors will wish to take into account in appraising the attractiveness of this offering. These yields may be computed in two different ways, both of which are shown in an accompanying table. One computation indicates the actual investment yield, after giving effect to the supplementary cash payments, from March 15, 1963 to the final maturity date of whichever issue is selected by the investor. For example, holders of the 2-1/2% bonds of August 1963, who take advantage of the "pre-refunding" opportunity to acquire the 4% bonds of February 1980, will have a yield over the 16 years and 11 months to the ultimate maturity of their holding of 4.04%.

An alternative calculation might be to assume that the investor continues to receive his 2-1/2% interest until August 15, 1963, and that the actual increase in yield from holding the 4% bond over the period up to that time is, instead, applied to what is called the extension period; that is, the period from August 15, 1963 out through February 1980. On this alternative basis of computation, the imputed "reinvestment rate" for the extension period would be 4.10%.

In general, as the second table shows, both the investment yields and the imputed reinvestment rates for all possible combinations included in this exchange offering are significantly more attractive than would be suggested by a simple comparison between the two coupons involved in the case of each possible exchange.

Attachments

		Approximate investment yield from 3/15/63 to maturity 1/	Approximate reinvestment rate for extension period 2/
Prerefundings:			
3-1/2% C.I., Aug. 15, 1963.....	3-5/8% Note, Feb. 15, 1967.....	3.65%	3.80%
	3-7/8% Bond, Nov. 15, 1971.....	3.97	4.05
	4% Bond, Feb. 15, 1980.........	4.04	4.09
2-1/2% Bond, Aug. 15, 1963.....	3-5/8% Note, Feb. 15, 1967.....	3.65	3.80
	3-7/8% Bond, Nov. 15, 1971.....	3.97	4.06
	4% Bond, Feb. 15, 1980.........	4.04	4.10
3-1/8% C.I., Nov. 15, 1963.....	3-5/8% Note, Feb. 15, 1967.....	3.64	3.84
	3-7/8% Bond, Nov. 15, 1971.....	3.96	4.08
	4% Bond, Feb. 15, 1980.........	4.04	4.11
3% Bond, Feb. 15, 1964.........	3-5/8% Note, Feb. 15, 1967.....	3.63	3.87
	3-7/8% Bond, Nov. 15, 1971.....	3.96	4.11
	4% Bond, Feb. 15, 1980.........	4.03	4.12
"Junior" Refundings:			
3-1/2% Note, Nov. 15, 1965.....	3-7/8% Bond, Nov. 15, 1974.....	3.98	4.24
	4% Bond, Feb. 15, 1980.........	4.04	4.23
3-5/8% Note, Feb. 15, 1966.....	3-7/8% Bond, Nov. 15, 1974.....	3.98	4.24
	4% Bond, Feb. 15, 1980.........	4.04	4.24
3% Bond, Aug. 15, 1966.........	3-7/8% Bond, Nov. 15, 1974.....	3.97	4.33
	4% Bond, Feb. 15, 1980.........	4.03	4.30
3-3/8% Bond, Nov. 15, 1966.....	3-7/8% Bond, Nov. 15, 1974.....	3.97	4.32
	4% Bond, Feb. 15, 1980.........	4.03	4.29

Office of the Secretary of the Treasury
Office of Debt Analysis

February 20, 1963

1/ Yields to nontaxable holders or before tax on issues offered in exchange based on prices of securities eligible for exchange. Prices are the mean of bid and ask quotations (adjusted for payments on account of issue price) at noon on February 19, 1963.

2/ Rate for nontaxable holders or before tax.

ADVANCE REFUNDING
U.S. TREASURY DEPARTMENT

During the period of February 25 to 28, 1963*

OFFERS TO ISSUE

Securities		With dates of Issue	Maturity
3-5/8% Treasury Notes, Series B-1967		Mar 15, 1963	Feb. 15, 1967
3-7/8% Treasury Bonds of 1971	Additional Issues	May 15, 1962	Nov. 15, 1971
3-7/8% Treasury Bonds of 1974	Additional Issues	Dec. 2, 1957	Nov. 15, 1974
4% Treasury Bonds of 1980	Additional Issues	Jan. 23, 1959	Feb. 15, 1980

IN EXCHANGE FOR

Outstanding Treasury securities as set forth in the following table.

EXCHANGES TO BE MADE ON THE BASIS OF

Par for par in multiples of $1,000 for the new notes and in multiples of $500 for the new bonds with interest adjustments as of March 15, 1963, and cash payments due from (indicated by parentheses) or payable to subscribers per $100 face amount as follows:

SECURITIES TO BE EXCHANGED AND MATURITY DATES		AMOUNTS TO BE PAID TO OR BY SUBSCRIBER			
		ON ACCOUNT OF PURCHASE PRICE OF SECURITIES TO BE ISSUED	ON ACCOUNT OF ACCRUED INTEREST TO 3/15/63: PAYABLE TO SUBSCRIBER ON SECURITIES TO BE EXCHANGED	ON ACCOUNT OF ACCRUED INTEREST TO 3/15/63: PAYABLE BY SUBSCRIBER ON SECURITIES TO BE ISSUED	NET AMOUNT TO BE PAID TO SUBSCRIBER OR BY SUBSCRIBER
FOR 3-5/8% NOTES OF SERIES B-1967					
3-1/2% Ctfs., C-1963	8/15/63	$ 0.50	$0.270718	$ —	$ 0.770718
2-1/2% Bonds 1963	8/15/63	0.10	0.193370	—	0.293370
3-1/8% Ctfs., D-1963	11/15/63	0.30	1.035912	—	1.335912
3% Bonds 1964	2/15/64	0.10	0.232044	—	0.332044
FOR 3-7/8% BONDS OF 1971					
3-1/2% Ctfs., C-1963	8/15/63	$ 1.10	$0.270718	$1.284530	$ 0.086188
2-1/2% Bonds 1963	8/15/63	0.70	0.193370	1.284530	(0.391160)
3-1/8% Ctfs., D-1963	11/15/63	0.90	1.035912	1.284530	0.651382
3% Bonds 1964	2/15/64	0.70	0.232044	1.284530	(0.352486)
FOR 3-7/8% BONDS OF 1974					
3-1/2% Notes, B-1965	11/15/65	$ 1.50	$1.160221	$1.284530	$ 1.375691
3-5/8% Notes, B-1966	2/15/66	1.70	0.280387	1.284530	0.695857
3% Bonds 1966	8/15/66	—	0.232044	1.284530	(1.052486)
3-3/8% Bonds 1966	11/15/66	0.90	1.118785	1.284530	0.734255
FOR 4% BONDS OF 1980					
3-1/2% Ctfs., C-1963	8/15/63	$ 0.90	$0.270718	$0.309392	$ 0.861326
2-1/2% Bonds 1963	8/15/63	0.50	0.193370	0.309392	0.383978
3-1/8% Ctfs., D-1963	11/15/63	0.70	1.035912	0.309392	1.426520
3% Bonds 1964	2/15/64	0.50	0.232044	0.309392	0.422652
3-1/2% Notes, B-1965	11/15/65	1.00	1.160221	0.309392	1.850829
3-5/8% Notes, B-1966	2/15/66	1.20	0.280387	0.309392	1.170995
3% Bonds 1966	8/15/66	(0.50)	0.232044	0.309392	(0.577348)
3-3/8% Bonds 1966	11/15/66	0.40	1.118785	0.309392	1.209393

ALL SUBSCRIPTIONS ACCEPTED WILL BE ALLOTTED IN FULL.

FULL INFORMATION CONCERNING TERMS OF THE EXCHANGE OFFERINGS AND TERMS OF NEW SECURITIES MAY BE OBTAINED FROM MOST COMMERCIAL BANKS, FEDERAL RESERVE BANKS AND BRANCHES, OR THE TREASURER OF THE UNITED STATES, WASHINGTON 25, D. C.

**Subscriptions from ALL classes of subscribers will be received from Monday, February 25, through Thursday, February 28, 1963. In addition, subscriptions may be submitted by individuals through Friday, March 8, 1963. For this purpose, individuals are defined as natural persons in their own right.*

Subscriptions placed in the mail by midnight of the respective closing dates, addressed to any Federal Reserve Bank or Branch, or to the Treasurer of the United States, Washington 25, D. C., will be accepted. The use of registered mail is recommended for the protection of security holders.

Mr. and Mrs. Stewart reside at 9322 E. Parkhill Drive, Bethesda, Maryland. They have a daughter, Betty Jo, 11, and two sons, John Davis, 24, and Walter Mason, 22. The latter is at present stationed in Hawaii with the U. S. Marine Corps.

Mr. Stewart, a member of the American delegation to the Administrative Radio Conference at Geneva in 1959, was primarily responsible for the substance of the International Radio Regulations which subsequently made possible the world-wide expansion of the Loran-C system for both military and civilian use. He has many aided cooperating countries to solve complex and difficult problems concerning the frequency allocations necessary for the success of the program, and has coordinated the efforts of all countries to expand the Loran-C network, thus bringing great credit to the Coast Guard, to the United States, and to himself.

Mr. Stewart has been associated with various other projects of importance to the Coast Guard and has served as a most valuable member of Treasury Telecommunications Advisory Committee.

Mr. Stewart resides at 4322 E Parkhill Dr. with his (1) wife.

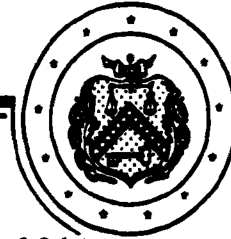
SECRETARY DILLON CONFERS EXCEPTIONAL SERVICE AWARD UPON JOE L. STEWART

Treasury Secretary Douglas Dillon today conferred an Exceptional Service Award upon Chief of the Coast Guards Frequency Management Branch for outstanding achievement during 19 years of service with that ~~bureau~~.

Mr. Stewart is the first civilian/to ~~be honored with~~ th award.

In a tribute to Mr. Stewart, Secretary Dillon said: "His 19-year career in the Coast Guard has been exemplary. He has demonstrated a capacity for outstanding service and has participated in many projects of great importance to the Coast Guard. He is widely recognized as an expert in the field of communication

TREASURY DEPARTMENT



WASHINGTON, D.C.
February 21, 1963

FOR IMMEDIATE RELEASE

SECRETARY DILLON CONFERS EXCEPTIONAL
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Treasury Secretary Douglas Dillon today conferred an Exceptional Service Award upon Joe L. Stewart, Chief of the United States Coast Guard's Frequency Management Branch, for outstanding achievement during 19 years of service with that organization.

In a tribute to Mr. Stewart, Secretary Dillon said: "His 19-year career in the Coast Guard has been exemplary. He has demonstrated a capacity for outstanding service and has participated in many projects of great importance to the Coast Guard. He is widely recognized as an expert in the field of communications."

Mr. Stewart is the first civilian with the Coast Guard to receive this award.

Mr. Stewart, a member of the American delegation to the Administrative Radio Conference at Geneva in 1959, was primarily responsible for the substance of the International Radio Regulations which made possible the world-wide expansion of the Loran-C navigational system for both military and civilian use.

In citing the importance of his work, the Secretary explained that Mr. Stewart has aided countries cooperating with the United States in solving complex and difficult problems concerning the radio frequency allocations necessary for the success of the Loran program, and has coordinated the efforts of all countries to expand the Loran-C network. This has brought great credit to the U.S. Coast Guard, to the United States, and to himself, Secretary Dillon said.

Mr. Stewart has been associated with various other projects of importance to the Coast Guard and has served as a member of Treasury Telecommunications Advisory Committee.

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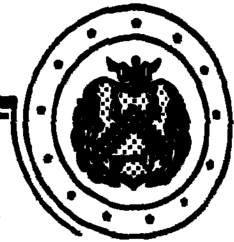
D-764

TREASURY DEPARTMENT



WASHINGTON, D.C.

February 25, 1963

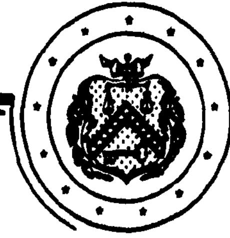
FOR IMMEDIATE RELEASE

TREASURY DECISION ON CASHMERE YARN
UNDER THE ANTIDUMPING ACT

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

The dollar value of imports of the involved merchandise received from July 1, 1961, through June 30, 1962, was approximately $150,000.

TREASURY DEPARTMENT



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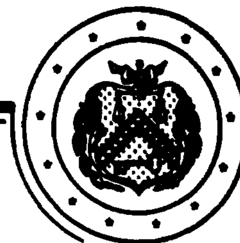

WASHINGTON, D.C.

February 25,1963

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
TITANIUM DIOXIDE

The Treasury Department is instructing customs field officers to withhold appraisement of titanium dioxide from France pending a determination as to whether this merchandise is being sold in the United States at less than fair value. Notice to this effect is being published in the Federal Register.

Under the Antidumping Act, determination of sales in the United States at less than fair value would require reference of the case to the Tariff Commission, which would consider whether American Industry was being injured. Both dumping price and injury must be shown to justify a finding of dumping under the law.

The complaint in this case was received on October 11, 1962. The dollar value of imports received during 1962 was approximately $1,400,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, February 26, 1963.

February 25, 1963

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 November 29, 1962, and the other series to be dated February 28, 1963, which were offered on Febru were opened at the Federal Reserve Banks on February 25. Tenders were invited for $1,300,000,000, or thereabouts, of 92-day bills and for $800,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	92-day Treasury bills maturing May 31, 1963		182-day Treasury bills maturing August 29, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.276	2.833%	98.530	2.908%
Low	99.262	2.888%	98.514	2.939%
Average	99.267	2.870% 1/	98.523	2.922% 1/

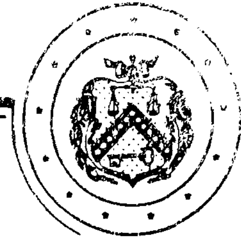
69 percent of the amount of 92-day bills bid for at the low price was accepted
6 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 22,101,000	$ 12,101,000	$ 10,349,000	$ 10,349,000
New York	1,483,711,000	921,411,000	921,983,000	571,943,000
Philadelphia	25,271,000	15,271,000	7,301,000	2,301,000
Cleveland	21,649,000	21,649,000	30,464,000	30,464,000
Richmond	14,662,000	14,662,000	7,812,000	7,812,000
Atlanta	23,536,000	22,036,000	4,168,000	4,168,000
Chicago	184,376,000	127,446,000	115,919,000	67,039,000
St. Louis	34,159,000	29,159,000	5,438,000	3,968,000
Minneapolis	20,561,000	19,075,000	7,135,000	7,135,000
Kansas City	32,121,000	32,121,000	9,638,000	9,538,000
Dallas	27,573,000	20,763,000	8,539,000	7,599,000
San Francisco	66,377,000	64,447,000	78,777,000	77,837,000
TOTALS	$1,956,097,000	$1,300,141,000 a/	$1,207,523,000	$800,153,000

a/ Includes $212,661,000 noncompetitive tenders accepted at the average price of 99.26
b/ Includes $46,200,000 noncompetitive tenders accepted at the average price of 98.523
1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide yields of 2.93%, for the 92-day bills, and 3.01%, for th 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, yiels 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 semiannua compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



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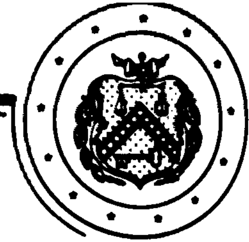
TREASURY DEPARTMENT



WASHINGTON, D.C.

February 25, 1963

FOR IMMEDIATE RELEASE

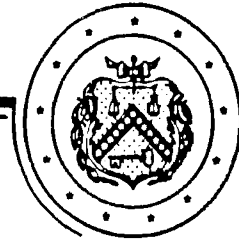
EXTENSION OF SUBSCRIPTION PRIVILEGES FOR TRUSTEES IN TREASURY ADVANCE REFUNDING

Certain banking and other institutions have informed the Treasury that they will not be able to complete all of the detailed requirements necessary to file their subscriptions in the current advance refunding offer by February 28, 1963. They explain that they hold in custody for trustees (or are trustees for, in their own right) large amounts of securities eligible for exchange in the offer. In many cases it is necessary for holders of the issues eligible for exchange to obtain signatures of trustees or to await decisions by meetings of trustees or committees before the exchange can be consummated.

In view of this situation, the Treasury will permit trustees to file with Federal Reserve Banks or Branches, or the Treasurer of the United States, or place in the mail before midnight February 28, 1963, a letter of intent stating that they propose to enter or are considering submission of exchange subscriptions and giving the reasons which account for their inability to complete their subscriptions by that date. In such cases the subscribers will have until the close of business March 8, 1963, to complete their subscriptions.

D-766

TREASURY DEPARTMENT



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D-766

quantitatively in terms of savings in money or manpower, but which materially contributed to Treasury's ability to provide more effective service and better products at lower costs and to furthe improve its internal operations.

"... Management is everybody's business, ... It is hoped that this report will further stimulate thinking and planning, provide material for interchange of ideas, and give recognition to accomplishment."

A number of procedural improvements also produced savings during the 1962 fiscal year. For example, a ~~procedural~~ change to minimize delays in reporting corporation tax remittances will save the Government about $1 million annually in interest payments.

Other matters covered in the report are analyses of Treasury missions, workloads, and organization; records and paperwork simplification; and improvements in financial, ~~personal~~ and property management.

~~Treasury~~ Secretary Douglas Dillon ~~said,~~ "The success of Treasury's management improvement program is largely due to the aggressive leadership and support provided by you and your principal staff members. . ."

A. E. Weatherbee, Administrative Assistant Secretary, who annually makes the report, said in a foreword: "... There were also many additional achievements that cannot be measured

installing electronic typing calculators on a nation-wide basis for use in preparing office audit reports, previously prepared manually, and by updating computer billing equipment in area service centers.

-- Approximately $1 million additional savings will result from updating the electronic system used in the Parkersburg, West Virginia, office to process records of Series E Savings Bonds, and from further extensions of electronic data processing systems and other improvements to check writing operations.

. Many of the year's improvements were designed to improve service to the general public. A new Customs entry office at the Los Angeles International Airport will enable importers to file entry forms, pay duty, and receive delivery of merchandise at the airport without visiting the downtown customhouse. The resulting rescheduling of tours of duty by Customs officers will save

For example, agreements for cooperative exchange of tax informatic were negotiated by the Internal Revenue Service with seven additic states, bringing to 13 the number of states with which agreements of this sort are in effect. These are agreements in the area of tax enforcement which make possible information and assistance contributing to tax enforcement.

A significant part of monetary savings came from continued conversion of Treasury manual processes to machine methods and updating electronic equipment. For example: Instances of this sort in the recent report include:

— An electronic console equipped with an illuminated map show the location of all docked ships and patrols at Customs Enforcement Officer Headquarters in New York. Dispatcher calls are recorded on reusable magnetic tapes which make hand logging unnecessary.

TREASURY MANAGEMENT REPORT CITES
VALUE OF EMPLOYEE SUGGESTIONS

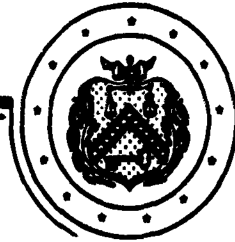
Savings resulting from management improvements within the Treasury Department during the last fiscal year amounted to $12.7 million, according to the Treasury's ~~annual~~ yearly management improvement report made public today.

The improvements consisted principally of better use of manpower and equipment, and in modernization of work techniques.

About $1.7 million of the total savings came as a direct result of employee suggestions, one of which alone accounted for a saving~~s~~ of $667,000. It involved using certain computer and automatic techniques to replace hand processing in the preparation of tax audit reports.

The report, which takes the form of a 27-page pamphlet, entitled "Progress in Management Improvement", emphasized the improvement of coordination and cooperation among Treasury bureaus and with other ~~other~~ Departments and other levels of government.

TREASURY DEPARTMENT



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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE HENRY H. FOWLER,
UNDER SECRETARY OF THE TREASURY, AT THE
FEDERAL TAX CONFERENCE OF THE ARKANSAS
STATE CHAMBER OF COMMERCE AND THE
ASSOCIATED INDUSTRIES OF ARKANSAS, INC.,
HOTEL MARION, LITTLE ROCK, ARKANSAS,
WEDNESDAY, FEBRUARY 27, 1963, 12:15 P.M.
CST

THE PRESIDENT'S TAX AND EXPENDITURE CONTROL PROGRAM -- KEY TO ECONOMIC POLICY IN THE SIXTIES

This Federal Tax Conference of the Arkansas State Chamber of Commerce and the Associated Industries of Arkansas is a particularly appropriate place to discuss the leading issue of the day -- whether the Congress should substantially revise our Federal tax system in 1963.

For the country is fortunate in having a representative of this area as Chairman of the Ways and Means Committee of the House of Representatives, the body given the Constitutional authority to originate revenue legislation. In Wilbur Mills there is a happy conjunction of unexcelled abilities, knowledge, experience in the field of tax legislation with the highest responsibility and dedication to sound principles of public finance.

He and his colleagues are now examining the recent proposals by President Kennedy which may mark a turning point in the State of the Union and provide the key to economic policy in the Sixties.

After at least five years of slow growth, substantial budgetary deficits, idle manpower and capacity, inadequate demand and investment and a serious imbalance in our international payments -- the question presented is are we to stimulate demand and lighten the repressive weight of Federal taxation and high tax rates on our economy or maintain the status quo.

The President's program has two prongs: First, the prompt enactment of a revenue law providing a substantial net reduction of Federal taxes, through a meaningful adjustment downward of tax rates, from top to bottom, on individual and corporate income, and;

Second, the adoption and firm adherence by the Executive and Legislative branches to the new principle of expenditure control that, as the tax cut becomes effective and the economy expands in response, a substantial part of the revenue increases must go toward eliminating budgetary deficits.

The key element in the Administration's fiscal policy for the years immediately ahead is a basic restructuring of our tax system, a restructuring to be achieved mainly through the single most important tax reform -- reduced rates -- and designed to increase incentives to investment, risk-taking, creative effort and initiative and to release private purchasing power. But, there is full recognition that, if the tax program is to attain its objective, it must be carried forward as a part of a sound and consistent overall financial program -- one that recognizes both our internal and external needs -- that protects us against any danger of new inflationary pressures. An important component of such a program now conjoined to the debt management and monetary policies of the Treasury and the Federal Reserve Board, is the clear expenditure policy enunciated by the President -- increases in total Federal expenditures should be held to a rate substantially below the rate of increase in revenues. This policy will require the maintenance of a stringent budgetary climate in an expanding economy.

The tax program, with the related policies of expenditure control, debt management, and monetary affairs, seeks to establish a financial environment suitable for the Sixties, so that we can take full advantage of the gathering forces for economic progress both at home and abroad. And the tax program can be a key to resolving the interlocking goals of domestic growth and external stability that are inseparable from one another in the open, competitive environment in which we and our trading partners now live.

There is very general agreement throughout the country and, even, among foreign observers in central banks and ministries of finance that our economy is in need of a stimulus to demand. There is also very general agreement that the long-term economic health and growth of the nation would be served by a revised tax structure featuring a lower scale of rates. However, many, in the United States particularly, question whether the adoption of any tax reduction program in the year 1963 would be fiscally responsible in the context of the current and projected budgetary deficits.

A great deal of the hue and cry that accompanies any major revenue legislation will not reflect the underlying economic issues; it will be little more than a selfish scramble between classes of taxpayers as to who will receive the lion's share of lower tax liability. But, perhaps, the overriding consideration at this juncture of our national life goes beyond individual equity and is concerned with the design of a tax system and related economic policies that are best for the country and responsive to our current national needs -- full employment and utilization of existing resources, a more rapid rate of economic growth with increased and more efficient capacity and manpower, an equilibrium in our balance of international payments, price stability, a breakaway from a persistent pattern of budget deficits, and a more dynamic economy fully capable of discharging its responsibilities in the Free World and meeting the needs of our citizens.

Those who are concerned with this overriding economic question are beginning to react to the President's proposals and their reaction does not follow any surprising pattern.

There have been loud cries from some that the tax reduction proposed is "too little and too late", and that the increased scale of Federal expenditures projected in the 1964 budget falls far short of meeting national needs both in defense and Federal services at home. This group is little concerned with the magnitude of any ensuing budget deficits or their impact on the financial climate and confidence in our fiscal affairs, at home or abroad.

On the other hand, there are those who would abandon any tax program this year and concentrate all energies on the annual effort to reduce the total spending under the proposed budget.

There are still others who would reduce taxes only after the annual appropriation process is completed and then in amounts roughly equal to the amounts carved out of the President's budget.

I doubt that there are many here who advocate greatly increased deficits. Experience has taught me that those who will accept no tax reduction until the budget is balanced are not open to persuasion. Hence, these comments are addressed to those who would like to see the economy grow faster and believe that reduced taxes and tax rates would contribute to that end but are concerned with the fiscal responsibility of the programs proposed or adopted.

Indeed, the fundamental threshold issue is the fiscal one -- whether the tax revision program if adopted in association with related policies of expenditure control, debt management and monetary affairs, provides a better financial framework to cope with the economic problems of the 1960's than the patterns of the last decade.

Accordingly, I will attempt to review with you the rationale of the President's proposal in terms of fiscal responsibility, omitting any discussion of the detail, form and substance of the specific features of the tax program.

I. The Fiscal Need for the Tax Program.

In recent years it has become increasingly clear that our tax system exerts too heavy a drag on private purchasing power, profits, employment and incentives. This should come as no surprise in view of the fact that the existing structure of high tax rates -- repressive at every level and type of income -- was fastened on the economy to hold back war and postwar inflation. Designed to hold back consumer demand, initiative and investment, it now checks growth. It discourages extra effort and risk. Many of the "loopholes" or "breathing vents", depending upon the user, distort the use of labor and capital, making individual and corporate action unduly responsive to tax considerations rather than market opportunities. The resulting structure invites recurrent recessions, depresses our Federal revenues, and contributes to chronic budget deficits.

Recent recoveries have fallen into a pattern of failing to reach a satisfactory rate of utilization of resources and economic growth, much less sustain the desired pace over appreciable periods. This has not been true of the modern contemporary economies of Western Europe and Japan. Indeed, unlike those economies, before reaching satisfactory levels of growth, our expansions tend to lapse into another recession leaving behind an ever increasing residue of unemployment, lagging growth rates, and mounting national debt.

To be sure our recent moderate economic expansion, which has continued through 1962 contrary to some fears, seems likely to extend through 1963. Still, the fact that output and employment have remained well below our potential for five years poses a perplexing challenge to the American people.

After 60 months of unemployment in excess of five percent, save for one month, the new year finds unemployment running at 5.8 percent. Although unemployment has been significantly reduced from its beginning 1961 rate of 6.7 percent, there are still well in excess of four million people unemployed on a seasonally adjusted basis.

And yet, despite the fact that one and one-half million new jobs have been created in the past two years, a total of 26 million young people aged 14 to 24 will enter the labor force in the decade of the Sixties, a net increase in this age group of 6 million.

Jobs must be found for them in addition to the millions whose current activities became obsolete because of automation or technological progress.

Output is running $30 to $40 billion below its potential, despite the gratifying recovery that has added more than $60 billion to the annual rate of Gross National Product in the last two years. Our economy could easily generate $7 to $8 billion more profits at more adequate rates of capacity use.

Our growth rate of 2.7 percent from early 1955 to the present compares unfavorably with regular rates in Western European countries of 4, 5 and 6 percent, or our own earlier 4 percent trend, even though our rate from 1960 to 1962 has been somewhat higher than the trend since 1955.

These differences in percentages sound insignificant, but their cumulative consequences are tremendous. A sustained rate of growth at 4 percent instead of 3 percent would mean that the economy would produce over the next ten years as a whole, in today's prices, almost $400 billion more of goods and services, with all that this would mean to family incomes, wages, profits, and governmental revenues.

Our unfavorable balance of payments for 1962 remained somewhat in excess of $2 billion. While representing a considerable improvement over the $3-1/2 to $4 billion annual imbalance that characterized the years 1958-1960, this situation is still a challenge that must be met if our shared responsibilities for Free World security, development and a trade and payments system based on a sound dollar are to be adequately discharged.

There have been deficits in the administrative budget in all save one of the last five years, ranging down from the $12.4 billion deficit of 1959, resulting primarily from an unanticipated recession, and the estimated $8.8 billion deficit in fiscal 1963, resulting from a failure of the economy to approach its potential.

In the past sixteen years four recessions have arrested growth in the U. S. economy -- in a period when the economies of other major industrial countries in the West have moved steadily ahead -- with only an occasional pause. Approximately fourteen quarterly periods, or nearly 22 percent of the total, have been periods of recession. The economy has spent a total of seven years (out of the sixteen) regaining previous peaks of industrial production.

These are some of the facts that have joined every major segment of our economy in a consensus that a mild prosperity is less than we require and less than we can accept. The consensus is equally strong that a permanent lowering in tax rates involving a substantial net tax reduction will provide both new incentives and increased purchasing power, thereby opening a potent and appropriate path to an increasing rate of economic activity.

Why was the tax program chosen as the most appropriate tool under the circumstances to meet the problem of slow growth that holds an answer to so many facets of our economic and financial problem?

It was because the President concluded that the most direct and significant kind of government action to aid economic growth is to make possible an increase in private consumption and investment demand by cutting the fetters which hold back private spending.

Growth itself could have been achieved by a massive increase in Federal spending well beyond the limits of the 1964 budget. But the President decided against that course because he felt that "In today's setting private consumers, employers and investors should be given a full opportunity first." He felt that in today's circumstances it is desirable to seek expansion through our free market processes by placing increased spending power in the hands of private consumers and investors and offering more incentive to private investment initiative.

There was another alternative -- the increased use of credit and monetary tools in an attempt to provide still lower interest rates and substantially increased supplies of money and credit. But, as the President pointed out in his address to the Economic Club of New York in December: "Our balance of payments situation today places limits on our use of those tools for expansion."

So it was determined that the most desirable and feasible polic to meet the problem of slow growth was to expand demand and unleash investment incentives through a program whose main thrust is net tax reduction through meaningful tax rate reductions, coupled with t most prudent possible policies of government expenditure.

II. Some Fiscal Aspects of the Tax Program

By now the outlines of the President's tax program are generally familiar to all despite a rather vast amount of confusion on some of its specific details. The main feature of the program is the enactment this year, in a single comprehensive bill, of a "top to bottom" reduction, in stages, of rates of tax on capital gains, individual and corporate income. Several structural changes are designed to rectify special hardships from taxes on the very poor, the elderly, and small business corporations having gross incomes of less than $25,000 per year.

Individual income tax rates would be cut in three stages, from their present range of 20 to 91 percent to a range of 14 to 65 percent. Although these staged cuts would be in three calendar years, they would become effective in the 18-month period beginning July 1, 1963 through January 1, 1965 -- the tenure of the present Congress.

The structural changes in the individual income tax would become effective on January 1, 1964. Contrary to some opinion, the combined effect of structural reform and rate reduction would be to reduce substantially the personal tax liabilities of taxpayers in all income brackets. Well over 99 percent of all taxpayers will get reductions, most of them substantial, through the enactment of the President's program.

For all groups of individual taxpayers combined the overall reduction would be 18 percent. For the few exceptional cases who may experience an increase in tax liability in any one year -- mostly those with tax deductions in excess of 50 percent of their gross income -- it should be remembered that they are not likely to be in such a position year after year. The resulting tax system with its substantially lower rate scale will give more reward for effort. The effect of lower top rates for each taxpayer would be to increase effort and risk-taking; the market, rather than tax consequences, would be the prime determinant of economic decisions; and the door to substantial increases in net disposable income after taxes -- the final test -- will be opened more widely.

The resulting cut in the individual tax load, amounting to over $8 billion, can be expected to add directly to purchasing power in consumer markets and savings for investment, with their multiplier and accelerator effects. Added to this direct effect is a further increment to consumer income to be expected from reductions in corporate taxes. Finally, there are important indirect effects on

demand from increased consumer and investment spending. This is because the rising output and employment to meet new private demands generate new incomes which are in turn available to be spent or saved and invested. The stimulus to consumer expenditures that is engendered by the tax cut thus cumulates throughout a broad range of the economy, setting in motion forces of expansion that otherwise remain inert. Moreover, the release of funds to consumers will generate new incentives also for investment spending, and production of new machines and the building of new factories, offices, stores, and apartments will add further to consumer incomes in the same way as the production of consumer goods.

The second major goal of the tax program is to provide additional direct incentives for productive investment that will increase profit after taxes. The first step, already in effect, is the 7 percent tax credit for business spending on major kinds of equipment, passed last year, and the liberalization in Treasury depreciation rules to reflect present day conditions. The second step is to reduce corporate tax rates from 52 to 47 percent, beginning in 1963, with a drop from 30 to 22 percent in the rate on the first $25,000 of corporate income. The combined effect of these two steps represents reductions in corporate tax liabilities of $4.5 billion a year.

Both the investment tax credit passed last year and the proposed new tax program are especially designed, from a structural standpoint, to aid small business. Under this year's proposal, in the case of corporations, for example, those with taxable incomes of $25,000 or les would receive immediate tax cuts of 26.7 percent. For sole proprietor-ships and partnerships, the proposed cuts in individual tax rates would give similarly advantageous treatment to smaller unincorporated enterprises, thus providing incentive for increased investment both in and by small business.

The resulting increase in return on investment after taxes, as well as lower individual rates on income earned by the millions of self-employed and unincorporated businesses, should bring many hitherto marginal investment opportunities into an attractive range, particularly as increasing demand moves up volume and opportunity. There will be the added incentive to assure maximum profits on increasing volume by modernization of high cost plant or increasing or providing new capacity.

The third part of the President's tax program would revise the tax treatment of capital gains and losses. It is designed to provide a freer and fuller flow of capital by increasing the mobility of investment funds and the liquidity in capital markets, as well as providing a higher net return from increased volume. The percentage of long-term capital gains included in taxable income of individuals would be reduced from the present 50 percent of the gain to 30 percent, resulting in capital gains taxes ranging from 4.2 percent to a maximum of 19.5 percent, compared with an existing range of 10 to 25 percent. The alternative rate for capital gains of corporations would be reduced from the present 22 percent to correspond to the proposed reduced corporate normal tax rate.

In summary, the central thrust of the proposed tax program is the substantial reduction in rates on individual and corporate income and capital gains at all levels -- reversing a trend of over thirty years which has witnessed rates moving upward in war and in peace.

The total revenue loss of these tax losing measures would be approximately $14.4 billion, with the rate reduction costing $13.6 billion per annum when fully effective in 1965, and the hardship rectification approximately $790 million. Other structural changes -- broadening the base of taxation, eliminating or lessening of certain special privileges -- would regain approximately $4.1 billion of the revenue cost of the reduction, leaving a net revenue cost of the entire program at $10.3 billion per year.

Perhaps the best evidence of the fiscal responsibility inherent in this program is the way it is designed to achieve its ultimate objective of net tax reduction and reduced rates from top to bottom with the minimum impact on revenues and resulting deficits in any given year.

There are at least three built-in features to the tax program designed to make it fiscally responsible: first, phasing or spacing out the rate cuts over three calendar years instead of concentrating them in a single year; second, coupling the substantial rate reductions with selected structural changes which will broaden the tax base and offset the revenue loss by $4.1 billion; third, offsetting the loss of revenues at the outset by $1-1/2 billion a year, without any change in tax liabilities, by shifting the tax payments of large corporations to a more current time schedule.

This combined program should increase the rate of economic activity and, in time, result, as in the 1954 tax program, in a feedback of the revenues lost to a position of still higher Federal revenues.

The three stage approach to tax reduction in a single bill in a single Congress has many fiscal advantages. The impact of the reductions on revenue will be minimized and inflationary pressures avoided; yet, business planners in particular may feel the incentive that comes from foreknowledge of lower rates to come. Revenue losses involved in the second and third stages may be replenished somewhat by the increases or feedback resulting from the first stage.

The fiscal advantage of the so-called structural reforms that broaden the tax base and bring in revenue offsetting between one-third and one-quarter of the losses involved in rate reduction is at least as important as their other merits in terms of equity or tax policy.

III. Toward Fiscal Balance -- Coupling Tax Reduction with Expenditure Control

The primary reservation of those who favor tax reduction as a stimulus to the economy or the removal of an impediment to growth, but insist on "fiscal responsibility", is that it would add to an already projected budget deficit in fiscal 1964, following existing deficits in all but one of the last five years.

It is estimated that the President's tax proposals will add $2.7 billion to a projected $9.2 billion deficit for fiscal 1964 without the tax program. This takes into account the feedback in additional revenues resulting from the first phase of tax reduction and the offset of the initial speed-up in corporate tax collection. Estimates for subsequent years depend upon how quickly the tax program and the private expansionary forces bring a more rapid rate of economic growth.

Many of us, and I would certainly include myself in that group, would have greatly preferred to push for a tax program reducing rates involving substantial net tax reduction, with its drain on the budget, against the background of a balanced budget or a surplus, rather than the very substantial budgetary deficit.

So would the President, who stated in December:

> "When I announced in April of 1961 that this kind of comprehensive tax reform would follow the bill enacted this year, I had hoped to present it in the atmosphere of a balanced budget."

But, as he pointed out, it has been necessary -- for our national security -- to augment sharply our nuclear and conventional armed forces, step up our efforts in space, and meet the cost of servicing a national debt that has grown larger as a result of these imperatives. The failure of the economy to approach its full potential has meant that revenues did not keep pace with these increased needs -- defense, space and interest on the debt -- which have accounted for nearly 73 percent of the total expenditure increases which have occurred in this Administration.

Only in the field of defense, space and interest has the current administration increased expenditures substantially beyond the previously established pattern.

The increase in administrative budget expenditures for the three fiscal years 1961-1964 amounts to $17.3 billion, of which $12.6 billion represents increases in defense, space and interest while $4.7 billion represents increases in all the remaining programs. In the three fiscal years preceding (1958-1961), eliminating in fiscal 1961 all increases attributable to this Administration, there was a total increase in administrative budget expenditures of $8.0 billion, of which $4.3 billion went to defense, space and interest and $3.7 billion to remaining programs. Thus, the three-year increase of $4.7 billion in the domestic civilian sector in 1961-64 exceeded that of the 1958-61 increase attributable to the prior administration by less than $1 billion.

The hard fact of life in this era of the cold war and continued threat of Communist aggression -- which, who can minimize after Cuba, India, Vietnam, Laos and Berlin -- is that the price of going forward this year with tax reduction in the context of a balanced budget will be a very substantial reduction in the defense and space programs. Those programs, together with interest, are responsible for $70 billion out of the estimated $98.8 billion in the 1964 budget which has a $11.9 billion deficit.

But if a tax program of substantial rate reduction to spur growth is put off until the nation has a balanced budget or a surplus, it may be a very long time.

At best, if the tax brake on our economy is not released, the chances are the slack will remain, Federal revenues will lag, and budget deficits will persist. Continued slow growth will not generate the revenue needed at current tax rates.

Indeed, to wait for a balanced budget to enact the President's tax proposals might be costly and self-defeating in terms of deficits and fiscal responsibility. A recession in 1963, or 1964, or 1965 could produce a far larger deficit, without a tax cut, than any estimated addition attributable to the tax program. In 1959, for example, a planned surplus became a record deficit of $12.4 billion, largely because of economic recession. As long as the nation has slack markets for goods and services, large numbers of workers without jobs, and idle capacity overhanging and curbing investment, the threat of sliding into an unanticipated recession remains.

A phased tax reduction program, involving net tax reduction and rate cuts over a three-year period, is as good an insurance policy against recession as the nation could take out, entering as we are a period of ever greater cyclical risk with an expansion of nearly two years behind us.

Moreover, given an accompanying policy of expenditure control, the tax program would seem to be the most fiscally responsible course to follow. For, once the tax brake is released, the base of taxable income, wages and profits should grow at an even faster rate than before -- and revenues should soon substantially surpass their pretax cut level, or eventually the level they would have reached on a slow growth pattern, or even sooner, the level they would reach in event of an intervening recession.

Certainly it is not the purpose of the tax program to create a deficit -- but to increase investment, demand, employment, and the prospects for a balanced budget. This is not pure theory, as some assert. In our last major peacetime tax reduction, under the 1954 tax program, taxes were reduced $7.4 billion, but by the fiscal year 1956 budget receipts had attained a level of $3.5 billion more than had been realized in the year prior to the tax reduction.

By advocating a tax revision program, which includes a substantial net tax reduction, the Treasury does not rush out to embrace a continuing series of deficits. We accept the additional slice of deficits that are a consequence of the tax program very reluctantly -- in the conviction that this program is the course best designed to promote a continued, steady, and increased rate of economic advance and the surest route to balanced budgets and surpluses consistent with national security and leadership in space.

Let me tell you why we feel this way.

It is because the President, while refusing to postpone his tax program or cut into essential national security and space programs, has coupled a policy of expenditure control to his tax program, and that policy is feasible, practicable and consistent with the national interest -- and the Director of the Budget and his staff are executing that policy with the cooperation of the appropriate Executive heads. And it appears that the members of Congress are generally willing to cooperate in that endeavor.

Certainly the increased revenues that will flow from a stronger faster, growing economy will not bring balanced budgets or surpluses unless both the Executive and the Congress practice expenditure control.

That is why the President directed that in his 1964 administrative budget the overall total of proposed outlays for programs other than defense, space and interest charges be less than the 1963 levels. This is quite a feat in practicing economy, in view of the fact that this sector of the budget had risen at an average annual rate of 7.5 percent during the last nine years. It is highlighted by the fact that increasing costs and population have caused State and local expenditures to increase at an annual rate of 9 percent in recent years and further increases are projected.

But a one-year effort is not enough.

The need for a continuing, practical approach to expenditure control, consistent with national needs, caused the President, in his Budget Message, to provide a basic policy instruction which will guide the Budget Bureau and the agencies of government in the development of future expenditure plans. He said:

> ". . . the prospect of expanding economic activity and rising Federal revenues in the years ahead does not mean that Federal outlays should rise in proportion to such revenue increases. As the tax cut becomes fully effective and the economy climbs towards full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit."

This policy will require the maintenance of a stringent budgetary climate.

It is not the function of the Treasury Department to propose the government's budget, that being the responsibility of the President himself, with the aid of the Bureau of the Budget. However, the important interlock between the tax program and expenditure control suggests that those concerned with the fiscal responsibility of the tax program will wish to appraise the 1964 budget and the outlook for future expenditures.

They will be properly interested in new obligational authority, the character of the budgeting for defense and space for fiscal 1964 which, together with interest, accounted for $4.5 billion of increase -- the total increase -- in the administrative budget over 1963 levels, and future prospects for a lesser rate of increases in expenditures than that which has characterized recent years.

In the budget process last year reductions of about $6 billion were made in the formal requests of the agencies for new obligational authority. This amounted to an $8 billion reduction from their earlier estimates, which had been made before they took a second look to screen out all but what each agency head thought were the most compelling proposals. In part, it was possible to accomplish these reductions by providing the agencies in June and July with target figures and insisting that they set the relative priorities of their various proposals when such proposals exceeded the targets. The cuts, which in the judgment of experienced analysts were heavy and restrictive, were accomplished through stretch outs, reductions, eliminations and cut-backs in nearly all agencies of the government.

Although proposed defense outlays in fiscal 1964 are some $2.4 billion above outlays in 1963, many billions of dollars in proposed programs were eliminated because the President and the Secretary of Defense were convinced that their benefits in terms of a stronger defense did not warrant their costs. Moreover, additional billions were saved by the searching for economies in existing programs and procurement practices. National security in the modern world cannot be bought cheaply and it is too precious to risk by a bargain basement approach or by an arbitrary budget ceiling. Nevertheless, military spending has no immunity to searching examination as to needs, costs and alternatives. Improvements in the Defense Department supply and logistics program, alone, will result in savings of $3-1/2 billion in 1965, an amount that will pay the entire cost of the President's legislative program to this Congress. Inventory reforms, improvements in maintenance procedures, elimination of unneeded activities and the closing of unnecessary installations yielded a 1964 budget saving of about three quarters of a billion dollars, so that the rise in defense effectiveness is much greater than the increase in expenditures.

Our national commitment to be able to use the space environment at least as well as any other nation has resulted in rapidly rising outlays for space programs in recent years. Even so, space expenditures in 1964 carry the mark of a tight budget, and while sufficient funds were provided to support the schedule of a lunar landing this decade, substantial reductions were made in other proposals advanced by the Space Agency. Moreover, at the President's direction a detailed and coordinated review of the space programs of NASA, the Department of Defense, and AEC has been carried out, laying the basis for coordinating our space effort, eliminating duplications, and achieving economies of operation.

1964 expenditures for programs other than defense, space and interest, have been held slightly below 1963. This result was not achieved by an across-the-board, "standstill" order. Such an order would have been the very negation of the budgetary process. Instead, the 1964 budget responds to the challenge of the unresolved problems of the 1960's and makes room for some new and expanded programs, where the need is most urgent, by providing for reductions elsewhere. This balance emphasizes the President's determination to minimize the impact of his tax proposal on the size of the deficit and at the same time to expand moderately and selectively those activities which are most essential to the progress and well being of the nation. The increases in various programs, which have particular importance for the achievement of a healthy, growing economy -- education, scientific research, and manpower retraining, for example -- together with the tax proposals, form part of the overall program to invigorate our national life and promote economic growth. Other expenditure increases arise from program commitments made in earlier years, such as the urban renewal program. In still other cases, the increases directly result from our rising population and increasing standard of living.

A consideration of the outlook for future expenditures shows the President's policy of holding the rise in total expenditures to a rate substantially below the rate of increase in revenues to be a practical objective consistent with the national interest. While we should expect increases in expenditures for some government programs in the years ahead -- mechanical projections of expenditures are unrealistic since they take no account of some of the specific factors which influence the trend of expenditures. To achieve expenditure control, however, will require a continuing reexamination and justification of all expenditure programs.

Barring an unexpected worsening of the cold war situation, there should be a declining trend in the rate of increase of expenditures for national defense and space which, together with interest, have accounted for nearly 73 percent of the total expenditure increases under this Administration.

There are important reasons to expect that there will be a slow-down in the rise of defense expenditures. We are reaching a new plateau of readiness in both our strategic and limited war capability. While expenditures will continue to rise in some areas, such as research, these increases will be balanced by reduction in other areas and by other savings. The result will be a sharply increased defense effectiveness per dollar of outlay.

While another sharp increase in space expenditures will occur in 1965, this increase will be less than 1964. Interest payments can also be expected to rise somewhat as a result of the transitory deficits on our way to a balanced budget. Foreign economic assistance expenditures are under intensive study. While it would be premature to speculate on the likely trend of these expenditures, several countries have already passed the critical stage in their progression to self-sustaining growth and should soon be able to move ahead without further aid.

Expenditures in other areas -- broadly the "domestic" sector -- will be affected by a large number of pluses and minuses. It will be a clear responsibility to find enough minuses to offset the pluses resulting from the need to carry out, at an effective level, programs essential to the nation's progress and well-being. The funds needed to finance these programs should be found in large part through four major types of savings:

(1) The substitution of private for public credit.

(2) Reduction in expenditure in existing programs whose relative urgency has diminished with changing times and pertinence.

(3) The extension of the principle of user charges.

(4) Intensive emphasis on efficiency and cost reductions throughout the government.

A word should be added concerning the first two types of savings.

The 1964 budget reflects economies in the use of Federal funds through the substitution of private for public credit in the FHA, new rural housing, and Export-Import Bank programs, and further economies of this nature should be realized in the years immediately ahead. All new proposals for Federal credit aids will be examined in the light of the guidelines laid down in the Report of the Committee on Federal Credit Programs, and, as the occasion develops, existing programs will also be reviewed in the light of these same guidelines.

While a program clearly does not become obsolete just because it is old, there are undoubtedly many activities in the budget which are not now contributing as much to the nation's progress as when they were begun. Every program should be reappraised regularly to determine whether its scale of operation, or its existence, can currently be justified by a comparison of costs with present or future benefits. The Federal Government has a compelling responsibility to the nation to assure that the money is being spent where it is most needed, and, in the light of that obligation, there will be an intensified reappraisal of ongoing programs in the years ahead.

With the close cooperation of the President and the Congress in holding down expenditures, barring an unexpected worsening in the cold war, the tax program and the related program of expenditure control are feasible and consistent with the national interest.

IV. The Compatibility of the New Fiscal Program to Other Policies in Our Overall Financial Plan.

A final test of the fiscal responsibility of the new tax program and related expenditure control is its compatibility and coordination with our balance of payments policy, monetary policy and debt management -- each of which forms a vital environmental factor in an overall financial plan.

Throughout the expansion from 1961 to the present, monetary policy has remained easy, in contrast to earlier expansions. However, to avoid conflict with balance of payments objectives, reserves needed for bank credit expansion were provided in ways designed to minimize the direct downward pressure on short-term interest rates. Thus, monetary techniques such as reserve requirement changes and debt management techniques of selling short-term securities have been used extensively.

Yet monetary measures by themselves have not been sufficient in the existing tax climate. The drag of the tax system served as a useful device for restraining inflation in the buoyant early postwar years and the Korean war period, but the margin of unemployed manpower and industrial facilities now available is what promises to allow some easing of the heavy tax bite without great risk of price rises. That is why a broad consensus has emerged among leaders from all sectors of the economy that a tax program seems to offer the best hope of reaching through the difficult transition to sustained and self-reinforcing prosperity without adding further risk of price inflation or worsening the payments balance by stimulus to short-term capital flows.

Faster growth through an expansive tax policy and payments balance need not be incompatible; indeed, they can reinforce one another. For one thing, with the major stimulus to investment and consumer spending being borne by the tax program, monetary policy is left free to deal with the balance of payments -- if that should prove necessary -- with less concern for domestic repercussions. For another, the tax program deals directly with the crucial long-run solution to the payments imbalance, namely, the stimulus to domestic investment, to cost cutting, to modernization, to more industrial research, and to more efficient production and more effective pricing in competition at home and abroad with foreign goods and services. The stimulus to economic growth in the tax program also implies higher profits which make the investment of capital in this country more attractive compared with competitive countries abroad. And, finally, the general movement towards fuller and more effective use of our resources assures a net gain in productive efficiency.

The central problem of debt management in financing the deficit which is a consequence of necessary expenditures, slow growth and the tax program is to structure a debt that will avoid contributing to inflationary pressures as the economy moves closer to full employment. This means continuously achieving a proper balance between, on the one hand, creating excessive amounts of new money and short-term government securities and, on the other, so inadequate a supply of liquidity that expansion is stifled. Given the present underemployment of labor and manufacturing capacity, and given the present price stability, the use of commercial bank financing or of short-term securities is justified in reasonable amounts, because the economy requires more money and liquid assets as it grows. On the other hand, it is equally important to avoid a growth of liquidity that exceeds the ability of the economy to absorb it at stable prices.

The debt management policy indicated above requires that we make further efforts to tap long-term savings, either directly or through the savings institutions. The techniques of advance refunding, together with the promising experiment of competitive bidding for long-term bonds through syndicates, which have been worked out in the recent past, suggest that we can now raise funds in the intermediate and long-term sectors of the market with a minimum of disturbance to other borrowers.

Overall, it is important to remember that the deficit we had to finance over the last calendar year has given a real test of our ability to finance it without inflation. And that deficit, as you know, was placed entirely outside the commercial banks.

Finally, associated as it is with a practical and feasible expenditure control program, the President's tax reduction program will stimulate our economy in an atmosphere of fiscal discipline. This combination is designed to give the central banks and finance ministries the continuing confidence in the dollar that is vital to the maintenance of the Free World trade and payments system.

Conclusion

The President's new program meets every realistic test of fiscal responsibility in that:

-- it provides a fiscal stimulus to demand by substantial net tax reduction and reducing an impediment to long-term growth by meaningful rate reduction;

-- it constitutes the best available insurance against a recession in a period of increasing cyclical risk when a recession might produce a relatively unmanageable deficit;

-- it is designed to keep the budget deficits within manageable proportions by spacing out the rate cuts over three calendar years, broadening the tax base, and offsetting the loss of revenues by accelerated collections from large corporations;

-- it is designed to reduce budget deficits when the economy is advancing by including a policy of expenditure control that is feasible, practical and consistent with the national interest;

-- it is the course of fiscal balance designed to promote a continued, steady, and increased rate of economic advance and the surest route to balanced budgets and surpluses, consistent with national security and space requirements, and

-- it is a fiscal program compatible with balance of payments, debt management and monetary policies.

Meeting these tests of fiscal responsibility, the President's program should be enacted in 1963 for these hard reasons:

-- Unutilized resources of manpower and capacity, resulting in slow economic growth -- our major economic problem -- is the result of a tax drag.

-- Under current balance of payments conditions, tax and fiscal policy can be more effective than monetary policy in providing fresh incentive and continuing stimulus.

-- The most direct and significant Federal action to aid growth is to cut the fetters that hold back private spending and investment, rather than resort to massive increases in Federal expenditures.

-- Debt management and monetary policy can avoid inflation.

-- The effective coordination of these policy instruments on the domestic side is the best contribution to resolving the balance of payments problem.

The President's tax and expenditure control program is the key to economic growth and progress in the Sixties -- it is the course most consistent with fiscal responsibility and the national interest. Its adoption is the most urgent task confronting the Congress in 1963

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STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE
ON THE
DEBT LIMIT
WEDNESDAY, FEBRUARY 27, 1963
10:00 A.M., EST

The President in his Budget Message last January requested legislation which would extend the present $308 billion temporary debt limit through the remainder of the current fiscal year. I am here today to urge approval of this legislation. It is absolutely essential for the sound management of Government finances during the final quarter of the fiscal year.

The existing law provides that the temporary debt limit will drop from the present level of $308 billion to $305 billion beginning April 1, 1963 and from $305 billion to $300 billion beginning June 25, 1963. The debt limit will revert to the permanent level of $285 billion on July 1, 1963.

The graduated reductions scheduled for the debt limit in fiscal 1963 were designed to conform closely to the seasonal borrowing requirements of the Government under

the assumption of a balanced budget. This fact was specifically recognized and clearly set forth in last year's report of this Committee (dated June 7, 1962) on the bill to temporarily increase the public debt limit, which reads as follows: (p.2)

> "Your committee has concluded that the series of debt limitations provided under this bill for the various periods of the year will be adequate to provide for the expected seasonal variation in expenditures and receipts, but would not give sufficient flexibility should a deficit be incurred in the fiscal year 1963. In this latter eventuality, your committee believes that it will be appropriate later in the fiscal year 1963 to again review the statutory debt limitation. Thus this 'step approach' to the debt limitation, with the two reductions in the latter part of the fiscal year, is designed to provide for seasonal needs, without providing so much leeway that it can subsequently be used to cover deficit financing."[1/]

A subsequent section of this same report reads as follows: (p.4)

> "- - - - Your committee concluded, however, that, in any case, it was desirable to base the statutory debt limitation for 1963 upon the assumption that the budget would be balanced in that year. Should this eventuality not occur, it concluded it would be desirable for Congress to have a further opportunity to review the statutory debt limitation when it is apparent that conditions have changed."

1/ Report No. 1789, 87th Congress, 2nd Session.

The position expressed in the Report of this committee with respect to the graduated reductions in the debt limit established for fiscal 1963 coincided precisely with my views as set forth in a statement before the Senate Finance Committee on June 26, 1962, which reads as follows:

> "This graduated debt limit is acceptable to the Treasury, provided that it is understood that the debt ceilings in the House bill were carefully tailored to meet the Treasury's seasonal financial requirements under the assumption of a balanced budget. The graduated reductions established in the House bill would not be adequate if we were to run a deficit of any substantial size in fiscal 1963."[2]

My purpose in relating this background history of the presently scheduled reductions in the temporary debt limit is to emphasize the single, most significant fact in this hearing: that when these graduated reductions from the $308 billion level were originally established, it was universally agreed that they would not be feasible if we were to run a deficit of any substantial size in fiscal 1963.

2/ Hearing before the Committee on Finance, U.S. Senate, 87th Congress, 2nd Session, on H.R. 11990, June 26, 1962.

The balanced budget assumption upon which these debt limit "step-downs" were based has, I regret to say, not been realized. As you all know, we are expecting a sizable deficit in fiscal 1963, an administrative budget deficit which was estimated in the President's Budget Message last month at $8.8 billion. This deficit was largely produced by the failure of the economy to attain the levels of economic activity which had been assumed when the President's Budget Message was presented in January 1962. Instead of the assumed gross national product of $570 billion in 1962, the actual figure came to only $554 billion. As a consequence of this slower-than-expected rate of economic expansion, we now expect fiscal 1963 revenues to be $4.8 billion lower than we had projected in January 1962. Various, partially offsetting refinements in our estimates, resulting from new and more up-to-date data, have reduced the revenue estimate by another $600 million. Finally, administrative changes in the depreciation provisions of the Revenue Code and the effects of the Revenue Act of 1962 have led to a

further reduction of $2.1 billion in our revenue estimate. In sum, revenues are now estimated to be $7.5 billion lower than the January 1962 budget projection upon which the present temporary debt limit provisions were tailored.

Estimates for fiscal year 1963 expenditures have also increased over last year's estimate. The increase is $1.8 billion over the figure in the January 1962 Budget Message. At the time of last year's debt ceiling hearings, additional proposals had been made involving an amount approximately offsetting the small surplus estimated in the January 1962 Budget Document. The largest of these - for the accelerated Public Works Program - was subsequently enacted and is estimated to require expenditures of $300 million in fiscal year 1963. The other expenditure increases, however, were not foreseen at the time of last year's hearings. The largest unexpected increases are: a rise of $895 million in expenditures on agriculture (over $400 million of which is attributable to the fact that the President's agricultural proposals were not enacted), and a $541 million increase in the cost of the postal service

(stemming primarily from the fact that postal rate increases were effective January 7, 1963 rather than July 1, 1962, as proposed). These items, together with smaller increases and decreases in other programs, produced the estimated rise of $1.8 billion in total expenditures over the January 1962 estimates.

In short, the combined effect of a substantial reduction in revenues and a moderate increase in expenditures has led to the current estimate of an $8.8 billion deficit rather than the even balance upon which the present temporary debt limit legislation was based.

Last June, at the time of the debt limit hearings, with much evidence at hand that the rate of economic expansion was slowing down, it was apparent that the gross national product projection upon which we had based our revenue estimates was much less likely to be realized than we had thought in January. However, we did not have, at that time, an adequate basis for revising either the revenue or the expenditure estimates presented in the Budget Message. In the light of all of the uncertainties,

both with respect to the future course of the economy and with respect to the future actions of the Congress, it was judged best to proceed with the request for a fiscal 1963 debt limit based on the assumption of a balanced budget, a judgment with which this committee specifically concurred.

Since it is now abundantly clear that a substantial deficit will be incurred in fiscal 1963, the scheduled reductions in the temporary debt limit cannot be permitted to occur. The bills are coming in; they must be paid.

An attached table clearly demonstrates that a $308 billion debt limit is the absolute, rock-bottom minimum needed to finance the operations of the Federal Government from now through June 30, 1963. This table was constructed on the basis of the same two assumptions used in last year's debt limit hearings: an operating cash balance of $4 billion and an allowance for flexibility and contingencies of $3 billion. The table shows that a $308 billion debt limit will not, in fact, provide us with

anywhere near this margin for flexibility and contingencies during the remainder of fiscal 1963. In mid-June, the margin under a $308 billion debt limit will shrink to an extremely narrow $800 million. However, since we are nearing the end of the fiscal year, both revenues and expenditures are unlikely to vary substantially from current estimates, so we can afford to run the risk of what would otherwise be an unacceptably narrow margin. It is for this very simple and very compelling reason that I earnestly recommend the prompt approval by this committee of legislation extending the present $308 billion temporary debt limit through the remainder of this fiscal year.

FISCAL YEAR 1963

ACTUAL OPERATING CASH BALANCE AND PUBLIC DEBT SUBJECT TO LIMITATION
JUNE 30, 1962 - FEBRUARY 15, 1963

ESTIMATED PUBLIC DEBT BASED ON CONSTANT OPERATING CASH BALANCE OF
$4.0 BILLION (EXCLUDING FREE GOLD)
FEBRUARY 28, 1963 - JUNE 30, 1963

Based on 1964 Budget Document
(In billions)

	Operating Cash Balance (excluding free gold)	Public Debt Subject to Limitation	Allowance to Provide Flexibility in Financing and for Contingencies	Total Public Debt Limitation Required
ACTUAL				
1962				
June 30	$9.4	$298.2		
July 15	6.4	298.3		
July 31	5.5	297.9		
August 15	6.2	299.7		
August 31	7.7	301.9		
September 15	5.3	301.8		
September 30	8.3	299.6		
October 15	7.8	302.9		
October 31	5.7	302.2		
November 15	5.0	304.7		
November 30	6.3	305.5		
December 15	3.5	303.9		
December 31	6.7	303.6		
1963				
January 15	4.4	304.2		
January 31	4.5	303.6		
February 15	4.4	304.1		
ESTIMATED				
February 28	4.0	302.5	$3.0	$305.5
March 15	4.0	305.1	3.0	308.1
March 31	4.0	300.5	3.0	303.5
April 15	4.0	304.2	3.0	307.2
April 30	4.0	303.4	3.0	306.4
May 15	4.0	303.7	3.0	306.7
May 31	4.0	304.4	3.0	307.4
June 15	4.0	307.2	3.0	310.2
June 30	4.0	302.5	3.0	305.5

Actual and estimated monthly budget receipts and expenditures and resulting end-of-month debt levels, based on 1964 Budget Document.
(In millions of dollars)

	Budget receipts and expenditures			Net receipts of trust and clearing accounts and other transactions	Total to be financed	Financing means		Operating cash balances 2/	Debt subject to limitation	Allowance for flexibility and contingencies	Total debt limitation required 3/
	Net receipts 1/	Expenditures 1/	Surplus (+) or deficit (-)			Decrease in operating cash balances 2/	Increase in debt subject to limit				
Balance on June 30, 1962								9.4	298.2		
Actual											
1962 - July	3.6	7.3	-3.7	+.1	3.6	3.9	-.3	5.5	297.9		
August	7.1	8.5	-1.4	-.4	1.8	-2.2	4.0	7.7	301.9		
September	10.0	7.3	+2.7	+.2	-2.9	-.6	-2.3	8.3	299.6		
October	3.0	8.5	-5.5	+.3	5.2	2.6	2.6	5.7	302.2		
November	7.0	8.1	-1.1	-1.6	2.7	-.6	3.3	6.3	305.5		
December	8.4	7.6	+.8	+1.5	-2.3	-.4	-1.9	6.7	303.6		
1963 - January	5.5	8.0	-2.5	+.3	2.2	2.2	-	4.5	303.6		
Estimated											
February	7.5	6.9	+.6	-	-.6	.5	-1.1	4.0	302.5	3.0	305.5
March	9.3	7.7	+1.6	+.4	-2.0	-	-2.0	4.0	300.5	3.0	303.5
April	5.0	7.5	-2.5	-.4	2.9	-	2.9	4.0	303.4	3.0	306.4
May	7.4	7.8	-.4	-.6	1.0	-	1.0	4.0	304.4	3.0	307.4
June	11.7	9.1	+2.6	-.7	-1.9	-	-1.9	4.0	302.5	3.0	305.5
Fiscal year 1963	85.5	94.3	-8.8	-.9	9.7	5.4	4.3				

Office of the Secretary of the Treasury
Office of Debt Analysis

1/ Totals based on 1964 Budget Document. Monthly spread for February through June estimated by Treasury.
2/ Excluding free gold.
3/ At the mid-month points in March and June the requirements are $308.1 billion and $310.2 billion respectively.

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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 6, 1962, (91 days remaining until maturity date on June 6, 1963) 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 7, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 7, 1963. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE February 27, 1963

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TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two seri of Treasury bills to the aggregate amount of $ 2,100,000,000 (2), or thereabouts, f cash and in exchange for Treasury bills maturing March 7, 1963 (3), in the amo of $ 2,100,747,000 (4), as follows:

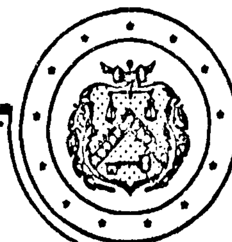
91 (5) -day bills (to maturity date) to be issued March 7, 1963 (6), in the amount of $ 1,300,000,000 (7), or thereabouts, representing an additional amount of bills dated December 6, 1962 (8), and to mature June 6, 1963 (9), originally issued in the amount of $ 800,865,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 800,000,000 (12), or thereabouts, to be dated March 7, 1963 (13), and to mature September 5, 1963 (14).

The bills of both series will be issued on a discount basis under competitiv 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 4, 1963 (15). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders th price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



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 December 6, 1962, (91-days remaining until maturity date on June 6, 1963) 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 7, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 7, 1963. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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this or that person gets in 1963, or in 1964 or in 1965. The total is a revision of our income tax which will enable us to achieve, as far as it lies within the power and effect of the tax system, the strong and growing economy which is vital to the kind of America we all desire.

reduction to 47 percent, and elimination of hardship for the poor and the aged -- thus significantly lessening the effect on the economy and on incentives; or it must be reshaped by increasing the cost and budgetary impact of the program, or by some combination of these approaches. Naturally, it is not necessary to enact all the changes exactly as proposed. But a measure designed to provide the maximum effect on the economy through rate reductions and to do so in a manner most consonant with appropriate fiscal responsibility would involve some structural changes of one sort or another.

These are decisions which must and will be made in Congress. The Committee on Ways and Means has commenced its consideration of the tax program. It will shape a tax bill that takes account of the helpful criticisms and suggestions which the legislative process produces. The Treasury Department will fully cooperate in this process.

In the process of moving forward with a tax program so vitally needed, we must not let all of the detailed bits and pieces inevitable in tax legislation obscure the objectives we are seeking to accomplish. The total is far more than the bits and pieces, far more than how each of our individual pocketbooks is affected, far more than how much tax reduction

into the efforts that commenced with the Revenue Act of 1962 to achieve the tax revision which the earlier studies of the Congress delineated as vitally necessary.

As the President has firmly and consistently stated, the core and central theme of the tax program are the large reductions in all the tax rates -- reductions that remove the restraints now imposed by the tax system on the economy and on incentives for private initiative. The cost of these reductions, plus the elimination of hardships which the rate reductions cannot reach, comes to over $14 billion. The revenue gained from structural changes, important in themselves as contributing to equity and economic growth, and from increased mobility through capital gains revisions, will bring that cost down to $10.3 billion. A further structural change, the acceleration of corporate payments, reduces this figure to a budgetary cost, before feedback, of $8.8 billion. The structural changes thus bring the rate reductions within a budgetary cost that is clearly fiscally responsible. If these structural changes are to be substantially altered, the over-all program would, therefore, have to be reshaped by significantly limiting the rate reductions -- so that we would not achieve an individual rate scale running from 14 percent to 65 percent, a corporate rate

that the alternative course would not be without its set of assumptions and expectations. Indeed, in the light of the history of our business cycles, without tax action the risks become far greater of a ~~recessing~~ recession coming and of its lasting longer and cutting deeper. Such a recession would increase the deficit far more than the program, without affording even any hope of improvement or offset. ~~The tax~~ program has at least a built-in ~~defense, since the tax~~ reductions involved ~~must at the very least generate addi-~~ tional revenue to ~~offset their cost.~~

Conclusion

The tax program is responsive to two main requirements. First, it responds to the imperative need for the large reductions in individual, corporate and capital gain rates required now to enable the economy to reach its full potential for output and growth, while at the same time permitting these rate reductions to be achieved in a fiscally responsible manner compatible with the deficit condition of the Budget. Second, it responds to the long-felt need for a revision of the income tax structure that would scale down the rates, broaden the tax base, eliminate serious hardships, and end unjustifiable abuses and preferences. The program thus fits

permit the economy rapidly to move to new heights. At these higher levels of gross national product, the resulting revenues even under reduced rates will be in excess of our present revenues. The difference, of course, is that the resulting dynamic economy will be able to maintain these higher revenues, whereas our present sluggish economy finds the tax structure an impediment to growth.

But revenues are only one side of the budget. The other requirement is firm control over expenditure policy. The President and the Budget Director have made these matters clear: one, civilian expenditures will be firmly controlled, and in the 1964 Budget have been reduced; two, defense and space expenditures should begin to level off; and third, as the tax reduction becomes fully effective, and the economy moves upward, a part of the revenue increases must go to eliminating the deficit.

Under this combination of revenue increases and a budgetary policy of firm expenditure control, we can move on to a balanced budget and full employment. To be sure, certain assumptions and expectations respecting the economic response to the tax program underlie this belief. But we must remember

accelerate, care must be taken that the costs of tax reduction are handled in a fiscally responsible manner to keep the transitional deficit within prudent bounds. The tax program meets this requirement, one additional to the substantive issues of tax revision, in three ways: one, the rate reductions are staged over three years, commencing in 1963, with the structural changes starting essentially in 1964; two, appropriate structural changes keep the over-all revenue cost of the rate reductions within a prudent figure of $10.3 billion; three, another structural change -- the proposal to accelerate under a five-year transition the payments of estimated tax of the larger corporations -- will improve the budget picture by about $1.5 billion so that the budgetary cost of the program is an over-all $8.8 billion before any feedback.

A third aspect of our present situation is that we must end our unplanneddeficits and move on to a budget balance at a high level of employment. As far as the tax program is concerned, this means an effect on the economy that will produce sufficient revenues for this purpose. It is believed that the large rate reductions and the effects of the entire program on consumer spending and investment incentives will

We believe that when all the changes are considered, and their effects weighed as carefully as possible, the over-all result is a distribution that bears a close relationship to the present pattern except where relief for the extremes of low income hardship or old age are involved.

It is at this point that we must consider the final dimension of the tax program, that of its relationship to the current economic climate. Three aspects stand out: One, we are faced with an economy while sluggish is still moving slowly upward. This means that the program need not be geared to a shot-in-the-arm approach to ward off an immediate recession threat. Instead, the tax program can be responsive to the insistent demands for a basic tax revision that will make a lasting contribution to economic growth and lessen the risk of recurring recessions. It also means that while tax reduction is an imperative, there is legislative time to work out this year, with effective and expeditious action, a properly constructed bill.

Secondly, we are faced with a deficit for fiscal 1964 that, apart from the tax program, would be $9.2 billion. While this deficit is the direct consequence of an economy moving at a slow rate, which the tax program is intended to

These then are the main details of the tax program. We believe the program is a balanced one, treating all levels of income and all types of taxpayers as fairly as possible. It is difficult to obtain any precise measure or index of the distribution of its benefits. Some may point to the percentage change in tax liability at each income level, and show that the highest percentages of reduction are in the bottom and the lowest at the top. Whether one likes or dislikes this result, we must remember it fails to reflect the proportion of total tax liabilities paid at each level. Some may point to the percentage increase in after-tax incomes, and show that the highest percentage is at the top. Whether one likes or dislikes this result, it does fail to reflect the impact of the present rate scales which, under almost any program, would produce such an after-tax effect. Moreover, in any allocation of the benefits, it is necessary to remember that the corporate rate changes and the capital gain changes will yield large benefits to the middle and upper income groups, first through the increase in dividends consequent upon higher corporate after-tax profits and second through lower capital gain rates combined with increased mobility of capital. It is difficult to quantify these benefits.

affect the real estate shelter, sales of oil and other natural resource interests, and certain sales of cattle and farm assets. Three, changes affecting ordinary income items now treated as capital gains, designed to reverse this characterization where appropriate -- these changes affect such items as employee stock options, lump-sum distributions under pension and profit-sharing plans, the sale of patents, the cutting or sale of timber, and the sale of life estates. Some of these provisions either came into or remained in the law as an offset to the high marginal top rates. With a reduction in those rates to 65 percent and lower, for this reason alone these provisions are no longer justifiable.

The direct revenue effect of all the changes is a gain of $100 million, assuming the present character and volume of transactions. However, the increased turnover of assets resulting from the unlocking of asset holdings, together with the net effects on transactions of the other changes, is expected to yield an additional $650 million.

The Tax Program and The Current Economic Climate

The tax program thus represents a significant tax revision in response to the long-acknowledged and now imperative need for improvement in the income tax structure.

The benefits to taxpayers and the economy of the new low rates on capital gains turn also on one other necessary change, that of a re-examination of the definition of capital gains. If something called a capital gain is to be included to the extent of only 30 percent of the gain -- as compared to a 100 percent inclusion for wages, salaries, business profits, interest, dividends, and so on -- it becomes imperative that the present eligibility rules defining capital gains be considerably tightened. It is in this area, even under the present capital gain rates, that the suggestions for reforms to end the special preferences resulting from ordinary income items being classified as capital gain have been perhaps the most insistent. With capital gain rates being reduced by 22 percent to 58 percent, the existing definitional rules would involve intolerable special preferences and inequities. The tax program therefore proposes a number of definitional changes which can be grouped into three categories: One, the proposal that the holding period be extended from six months to a year. Two, changes affecting the interrelationship of ordinary deductions and capital gain, designed to extend the approach of the 1962 Act under which that part of the gain on the sale of an asset that represents prior deductions would be treated as ordinary income -- these changes

under present rules to hold an appreciated asset until death so that the gain will escape tax. The tax program would end this lock-in effect by treating as a taxable capital gain any gain present in assets transferred at death. The advantage in capital mobility, with consequent benefits to increased initiative and risk-taking, would be highly beneficial to economic growth. The revenue gain involved would offset the cost of the lowered capital gain rates and make those rates possible. The result is an integrated treatment of capital gains and losses that should have a large positive effect on increasing investment and capital formation.

Necessarily the proposal to tax gains transferred at death -- which will affect annually only about three percent of decedents -- must be implemented by technical rules designed to permit as fair and as practical an application of this approach as is possible -- such as the exemption of the gain on a residence and on personal or household effects, the exemption of gains passing to a wife along the lines of the present estate tax marital deduction, a blanket $15,000 exemption of gain to eliminate small estates, an exemption of transfers to charity, an averaging device, provisions to ease the time of payment of the tax, a transition period before the new rule is to become fully effective, and so on.

running from 4.2 percent to 19.5 percent. This is far lower than the present range of 10 percent at $2,000 of taxable income to 25 percent at about $32,000 and higher on a joint return. The proposed rate at $32,000 of taxable income would only be 12 percent. The combination of reducing the 50 percent inclusion to 30 percent, and then reducing the basic rate scale, thus involves reductions in capital gains tax ranging from 58 percent for first bracket taxpayers to 52 percent for taxpayers at $32,000, 40 percent at $52,000, 30 percent at $100,000, on down to 22 percent for top bracket taxpayers. The benefits would be concentrated mainly in the middle and upper income groups. Nearly 50 percent of present capital gains are realized by persons with incomes between $10,000 and $100,000, and these gains represent three percent of adjusted gross income at $10,000 and about 20 percent at $100,000. A complementary provision would extend the present five-year carryover of capital losses to an unlimited carryover (revenue cost of $20 million). The corporate capital gain rate would be reduced from 25 percent to 22 percent.

A significant obstacle to the mobility of capital today, and one which "locks in" many an investor, is the inducement

The Nature of the Proposed Revision -- The Capital Gain Changes

The final set of recommendations in the tax program relates to the area of capital gains and losses. This area has always involved complex tax issues, since it is necessary to give proper weight to a number of factors that do not all work in the same direction -- the fact that capital gains accrue over time and arise from a variety of economic causes; the importance of encouraging private risk-taking and initiative; the importance of maintaining the flow and mobility of capital, and the need to maintain on equity grounds an appropriate relationship to the taxation of other types of profit and income. Our present system, for individuals, is to include only 50 percent of capital gains, limit the taxation of the gain to a maximum rate of 25 percent, and permit the gain represented by appreciation accumulated until death to escape income taxation entirely.

The tax program proposes several basic changes, whose primary objective is to achieve increased mobility of capital and encourage private risk-taking. First, it would reduce the present 50 percent inclusion ratio to only 30 percent of the gain. With a proposed basic rate scale running from 14 percent to 65 percent, capital gains would thus be taxed at a scale

These two structural changes are thus ~~inseparably~~ linked to the new corporate rate structure. Of the remaining structural changes, one that costs revenue ($50 million) would permit the current expensing of equipment used in research and development activities, with the objective of encouraging the expansion of private civilian research. A change that would gain revenue (about $250 million, of which $10 million comes from individuals) involves improvements in the taxation of natural resource activities designed to carry out the purposes behind the existing depletion policies.

In sum, these corporate structural changes, few in number, involve revenue costs of $100 million and gains of $360 million. They reduce the $2.63 billion of corporate rate reduction to about $2.3 billion. Here also a balance is preserved, with the changes proposed being either necessitated by the new rate structure or designed to meet particular problems in the corporate area. A further significant structural change -- the acceleration in the current corporate tax payment of larger corporations -- would yield $1.5 billion in annual budget receipts in the next five years but would not increase tax liabilities.

enterprises and activities which are conducted with multiple corporate structures could obtain this "small business" tax benefit many times over if each corporation in the structure were taxed at only 22 percent on its first $25,000 of income. It is obvious that a rational application of a tax policy designed to assist small business requires aggregation of corporations under common ownership before the $25,000 test is applied. This is so whether the multiple corporations serve genuine business purposes or are simply tax motivated. It may be observed that eligibility for the other non-tax small business benefits accorded by the Congress is determined on such a consolidated basis.

The tax program, in order to make possible the reduction of the small business rate to 22 percent, thus proposes only a single surtax exemption for multiple corporation enterprises, the change to be phased over five years. The revenue gain is $120 million. At the same time, in further application of this policy of neutralizing the tax effect of multiple corporate structures, it is proposed that the two percent additional tax on consolidated returns be eliminated and that intercorporate dividends between affiliated corporations not be taxed. The revenue cost is $50 million.

14 percent to 65 percent and the $740 million of changes needed to eliminate hardships that cannot be reached by rate reduction. They represent reforms responsive to the persistent urgings that our tax structure be altered to keep the tax base from constantly narrowing and to eliminate unfair preferences. They involve no departures from basic income tax concepts and no complications of technical implementation. They clearly do not broaden the individual tax base as much as some have urged. At the same time, they represent significant improvements in the tax structure. Together with the changes designed to eliminate hardships, they contribute to a balanced program of revision in the tax structure.

Corporate Structural Changes.--The structural changes in the corporate tax are few in number. Two are associated with the reduction of the normal tax on the first $25,000 of corporate income from 30 percent to 22 percent. The normal tax concept represents a policy designed to assist "small business" and the reduction in this rate -- a 27 percent reduction -- will strengthen that assistance. It is important that this tax benefit -- and the consequent revenue loss -- be confined to what are truly small businesses. However, we find that

"double taxation" by 10 percent for everyone. The other proposal related to the rates is a tightening of the personal holding company rules, to end the escapes from individual taxation now available through the use of these devices to shelter investment income or income from personal efforts.

The other revenue gaining changes would eliminate undesirable or inequitable preferences that now exist and improve existing rules. These involve elimination of the sick-pay exclusion; the taxation to the employee of the value of the economic benefit of employer-provided group term life insurance above a minimum figure, in keeping with the present tax treatment of other forms of employer-provided insurance; the institution of a four percent floor under casualty losses comparable to that under medical expenses, and the elimination of the unlimited charitable deduction.

In sum, the revenue-raising structural changes in the individual area -- seven in number -- involve about $3 billion, of which $2.3 billion is concentrated in the five percent floor and $700 million in the remaining items. They [illegible] possible -- ~~from the standpoint of fiscal prudence --~~ the $11.7 billion revenue involved in a rate scale running from

1960 only five percent of the returns under $5,000 reported dividends, which dividends amounted to one percent of the total adjusted gross income on these returns; these returns accounted for 14 percent of dividends reported. Returns over $20,000 accounted for 60 percent of the dividends, and almost all returns reported some dividends; these dividends represent 10 percent of adjusted gross income at $20,000, 20 percent at $50,000 and 40 percent above $200,000.

It is appropriate to eliminate this special preference for dividends, which has achieved no useful economic purpose, at a time when the individual rate scale is being lowered and the corporate rate also reduced. The incentives for investment and risk-taking which these lower rates provide would be far more significant in their impact on the economy than the dividend credit and exclusion. Moreover, the 5-point proposed reduction in the corporate rate will give more relief from "double taxation" than does the four percent credit for incomes up to $186,000. The credit reduces "double taxation" by amounts ranging from 4.3 percent for taxpayers in the first bracket to 10.4 percent in the top bracket. The five-point reduction in the corporate tax rate would reduce

The five percent floor, while keeping the essential policies underlying the deductions for personal expenses, also contributes to a rate scale more conducive to personal incentives and economic well being. The basic point is to preserve and strengthen all of the incentives that are important -- both those involved in the deductions for personal expenses and those involved in lower marginal tax rates -- and the combination of the five percent floor and the lower rate scale it permits achieves this result.

The remaining individual revenue-raising changes raise about $700 million -- an amount equal to the revenue-losing ~~reforms~~ changes. Two of the changes are associated with reductions in the rates, especially the top rates, and would remove preferences or escapes not justifiable under lowered top rates. The proposal to eliminate the dividend credit and exclusion would alone recover $460 million in tax revenue. Nearly 80 percent of the benefits of these provisions presently goes to taxpayers over $10,000, and over 50 percent to those over $20,000. Even as to the exclusion only 15 percent of its benefits goes to persons under $5,000, with 60 percent of the benefits to those over $10,000. This, of course, is merely a reflection of the concentration of corporate ownership and dividends in middle and upper income groups. In

the level of income -- for years it has been about 2 percent of national personal income despite changes in tax rates and structure. The tax program will not only increase the after-tax incomes of individuals but through its effect on the economy will greatly increase national personal income. A rise in that income from the present $440 billion to $525 billion -- which could be achieved under the tax program -- would alone increase charitable giving from its present $8.8 billion to $10.5 billion.

The five percent floor is thus not only in keeping with the policies behind the standard deduction, but it also expresses those policies in a manner that permits a larger tax rate reduction than would otherwise be possible. The revenue gain from the floor is $2.3 billion. If this $2.3 billion were not thus available, then the rate scale would have to be raised, primarily in the middle and upper brackets if the revenue involved were to be distributed in the same fashion as reflected by the floor. This would mean top bracket marginal tax rates would be scaled to 75 percent and not 65 percent.

could be given to this viewpoint by combining a floor on itemized deductions with some comparable reduction in the standard deduction.

The combination of the five percent floor and rate reduction will leave itemizers with significant tax reductions. Further, the five percent floor will not reduce the incentives that the deductions for personal expenses seek to encourage, such as home ownership or charitable contributions. Itemized expenses today average about 20 percent of adjusted gross income, so that most of present expenses and, of course, all new expenses are above the floor. Those, for example, who have expressed fears over reduced charitable or educational giving should be relieved of their worries when they study the facts. Clearly for most itemizers the present non-discretionary expenses of State taxes, mortgage interest, and medical expenses are obviously above a 5 percent floor. Voluntary charitable contributions, therefore, would be fully deductible. Moreover, despite the forebodings of some of these institutions in 1944 when the standard deduction was adopted -- and 80 percent of taxpayers were shifted to that method -- charitable giving was not adversely affected. Finally, the volume of charitable giving appears to depend primarily on

the objectives can be achieved by continuing the standard deduction of 10 percent and adopting a five percent floor under itemized deductions. This policy would, of course, gain revenue. Since it would be adopted to keep the base from narrowing and thereby keeping or forcing tax rates up, it is appropriate that the revenue gained be devoted to a lowering of the rates.

The policies behind the standard deduction -- simplification and a balanced allowance to all taxpayers of the average of personal expenses -- today in the light of the great increase in personal expenses would thus appear to require either a rise in the standard deduction or a floor under itemized deductions. The expression of that policy through an increase in the standard deduction would contribute to further narrowing of the tax base and would necessitate higher rates. An expression of that policy in the five percent floor will broaden the tax base and permit a far larger reduction in marginal tax rates. Some may feel that the continuation, through the use of a floor, of this policy of achieving some balance in the recognition of personal expenses raises problems, especially in those brackets where the itemizers and non-itemizers are both significantly represented. Expression

27 percent of adjusted gross income.

The standard deduction represents a Congressional policy of eliminating distinctions between itemization and non-itemization of expenses at the level of average expenses for taxpayers with incomes below $10,000. Underlying this policy was a desire for simplification and a willingness to recognize that some of the rental expenses of the renter reflected personal expense akin to those of the home owner. In view of the increase in these personal expenses relative to gross income, it is obvious that if we were today adopting the policy of the standard deduction for the first time, the appropriate figure would be about 15 percent instead of 10 percent, with a limit perhaps of $1,500. But in the meantime we have seen that the narrowing of the tax base represented by the rise in personal expenses is a factor in keeping marginal rates at an excessively high level. A standard deduction at 15 percent would also have a base-narrowing effect and mean a loss of revenue. The intent behind the standard deduction, however, can be as well expressed through a different mechanism, that of placing a floor under itemized deductions. Instead then of a standard deduction of 15 percent,

a considerable growth in the average amount of these personal expenses, as a result of rising income levels, rising costs, and changing habits. In 1944, about 35 million returns used the standard deduction and only 8 million used itemized deductions; in 1962 the figures were 26 million and 25 million respectively. In 1944, the standard deduction represented 63 percent of the total of all deductions for these personal expenses; in 1962 this figure had dropped to 23 percent. In 1944 the itemized and standard deductions combined represented about 10 percent of adjusted gross income; in 1962 they represented about 15 percent. The standard deduction now comes to $12-1/2 billion. The itemized deductions come to $41 billion, used by taxpayers with an adjusted gross income of $217 billion, or about 20 percent. In 1944, the itemized deductions amounted to only $4.6 billion, used by taxpayers with $32.5 billion adjusted gross income, or about 14 percent. This is the key figure, for it indicates the persistent narrowing of the tax base that has occurred in postwar years as a result of the large increase in amount of itemized deductions -- from 14 percent to 20 percent of the adjusted gross income of the returns involved. Parenthetically, by contrast the total of personal exemptions has dropped from about 40 percent to

whose objections are directed to the present rate scales. More-over, these changes have a considerable bearing on the economic scene in terms of labor mobility and allocation of individual skills. This group of reforms or structural changes thus contributes significantly to the insistent urgings for improvement in the tax structure.

Individual Structural Changes that Gain Revenue.--The remaining individual structural changes involve revenue gains. The most significant from a revenue standpoint is the proposed floor on deductions for personal expenses -- interest, charitable contributions, State and local taxes, medical expenses, casualty losses. Under this proposal only the total of those expenses above five percent of adjusted gross income would be deductible. A consideration of this proposal in its proper perspective requires that we go back to the origin and effect of the standard deduction. The Congress in 1944 adopted our present standard deduction of 10 percent of adjusted gross income up to a $1,000 maximum as a device to simplify the tax law. Since the 10 percent figure chosen was somewhat above the average of those expenses then being itemized as deductions, the policy also eliminated any distinctions between itemizers and non-itemizers among taxpayers below or around the average level.

continues to work for the same employer and for a person who changes his employer.

The remaining individual structural changes that lose revenue smooth out or extend existing provisions respecting certain expenditures. One change would expand the benefits of the child care provision (revenue cost $20 billion); another would apply the 30 percent limitation uniformly to all publicly-supported charities, thereby replacing the present distinctions between a 20 percent and a 30 percent limitation for these charities (revenue cost nominal); and a third would clarify and simplify the medical expense deduction (revenue cost nominal).

In sum, this group of reforms, which in total involve a revenue cost of $740 million, will thus meet some of the persistent and well-founded complaints regarding the hardships resulting today, not from the present rate scale but from the operation of the tax structure even under a reasonable rate scale. They deal with specific unfairnesses requiring specific reforms for their cure. It is just as important to the persons affected, in terms of fairness under an income tax, that their problems be met as it is to those

While fluctuating incomes may be more characteristic of people in certain occupations, such as authors, artists, actors, athletes, ranchers, fishermen, farmers, architects, and individual business proprietorships, it obviously may be experienced in many other situations. The combination of graduated tax rates and an irregular pattern of income produces more tax today over a period of years than does a stable income pattern. The tax program meets this hardship by a uniform averaging formula applicable to all, under which income is, in effect, averaged over a five-year period whenever the current year's income is significantly higher than the average of the preceding four years. The revenue cost is about $40 million.

A fourth structural change, involving a revenue cost of $50 million, is aimed at meeting the hardship experienced by persons who must incur moving expenses for themselves and their families as a consequence of a change in employment. The burden can often be severe and its impact, apart from hardship, can be such as to place an undesirable restriction on labor mobility. The tax program proposes a deduction for these moving expenses, both for a transferred person who

depending on source of income, are too great to tolerate -- a tax of zero for a $3,000 income from interest and rent, but a tax of $300 if wages are the only source of income. And again the credit is unneeded in the upper levels.

The tax program proposes to substitute for all this a flat $300 credit against tax for each person over age 65. Recognition of the present social security exclusion is taken account of in the proposal. This is done by reducing the credit by an amount based on one-half of social security benefits times the taxpayer's bracket or marginal tax rate. This procedure reflects the fact that both the employee and employer contribute equally to the benefits. The cost of this change is $320 million, one-half of which goes to persons below the $5,000 income level and the balance to those with incomes between $5,000 and $10,000. This change would thus continue the present policy that age is a factor justifying tax relief, and then provide a mechanism which both grants that relief in a fair and simple way and confines it to the income levels where it is needed most.

A third structural change under the individual income tax also meets a hardship which rate reduction cannot solve -- that faced by the person with fluctuating yearly income.

equivalent of an exemption increase of as much as $233 for a single persons, of as much as $133 for each spouse of the married couple, and of as much as $83 for each member of the family of four. About 1.5 million persons would become nontaxable by this proposal.

In short, the minimum standard deduction proposal uses the deduction factor of the tax computation as a technique to achieve a fair adjustment of the tax burdens at the lowest levels of income, in preference to the more traditional, yet wastefully expensive technique, of raising exemptions.

Another hardship that tax rate reduction alone cannot meet is the present complex and discriminatory treatment of the aged. Present law embodies an extra $600 exemption -- which at higher income levels is unneeded and thus a revenue waste -- and a complicated retirement income credit designed to give pensioners and those receiving investment income a tax reduction somewhat comparable to the exclusion of social security benefits from income. Its effect is to discriminate against all those over 65 who receive earned income -- about three out of every four taxpayers over 65. The consequent unfairnesses among the aged in the income levels below $10,000,

reductions alone obviously cannot meet this problem. Yet the solution of raising exemptions by $100 would mean a revenue loss of $2.5 billion under proposed rates and remove 3 million taxpayers from the rolls; an increase of $200 in exemptions means a revenue loss of almost $5 billion and removal of 6-1/2 million taxpayers. This exemption approach is wasteful of revenue, since its effects reach beyond the lower levels where the particular relief is needed, and is often over-generous where family size is large. Of the $2.5 billion of revenue that would be lost through a $100 increase in exemptions, only 20 percent or $550 million would go to the group below $5,000.

As a more appropriate solution the program proposes a minimum standard deduction of $300 for a single person and an additional $100 for a spouse and for each dependent. As a consequence, single persons below $900, married persons below $1600, and married persons with two dependents below $3000 cease to be taxable -- as compared with the $667, $1333, and $2666 levels of today. The revenue loss is only $310 million, concentrated almost entirely in the group below $5,000. Yet this approach achieves in the lowest income range the

investment incentives to stimulate us to go on to a higher level of capital formation and economic growth. The rate reductions pull back the entire rate structure -- individual and corporate, from top to bottom.

The Nature of the Proposed Revision - The Structural Changes

The major reform in the tax program is thus the large reduct[ion] in tax rates. These reductions are complemented by -- and their revenue cost partially offset by -- a number of proposed structur[al] changes. These structural changes are not all in one direction -- some involve revenue losses and some revenue gains, some affect corporations and some individuals, some are directly associated with changes in the rate structure and some are required by the objectives of eliminating hardships, unfairness, and unjustified preferences.

Individual Structural Changes that Lose Revenue.--On the individual side, a number of structural changes are proposed to remove particular hardships and unfairnesses that rate reduction by itself will not rectify. Thus, at the lower end of the scale, the insistence by many that exemptions be raised has been prompted by the realization that an income tax reaching as low as $667 for single persons and $1,333 for married couples taxes persons in the area of real poverty. Rate

of corporation tax liabilities was removed through the combined effect of the investment credit and administrative revision of the depreciation rules. The resulting total would mean that over-all corporate tax liabilities would be reduced by nearly 20 percent.

These reductions would thus achieve a massive lowering of the individual and corporate rate structures. In terms of increased incentives, of increased private resources available for consumer spending and capital investment, of a significant lessening of the weight of the tax system on all private enterprise and activity, of the impetus given to cost-cutting and improvements in productive efficiency, the new rates represent the most significant of the reforms of the tax system that the program embodies. They are a direct and effective response to the need for loosening the present tax restraints on the economy. They recognize that the achievement of a greater level of economic recovery and more rapid growth cannot rest either on increased consumer spending alone or on increased incentives and savings for investment alone. Both are vitally needed -- consumer demand to press on existing and future capacity to bring us to full employment and lead to a higher level of investment; the

24 percent, of 43 percent for the $25,000 man would be 34 percent. The 50 percent marginal rate now reached at $32,000 would be reached at $52,000. The 60 percent marginal rate now reached at $52,000 would not be reached until $140,000. These large reductions in the marginal tax rates -- the rates on added dollars of income -- show the significant increase in incentives inherent in the program.

The resulting rate scale means a reduction of $11 billion in individual income tax liabilities.

On the corporate side our present rates are 30 percent on the first $25,000 of income and 52 percent on the remainder. The proposed tax rates would be 22 percent on the first $25,000 and 47 percent on the balance. The 22 percent rate for small business -- a rate which would apply to 80 percent of all taxpaying corporations -- is a reduction of 27 percent. It means a significant lift for a large segment of American enterprise. The 47 percent rate is a 10 percent reduction, so that the reduction for the corporations above $25,000 ranges in between -- it is 16 percent for a $50,000 corporation, 12 percent for a $100,000 corporation. The over-all reduction in corporate tax liabilities is $2.6 billion. This reduction is about the same as that obtained in 1962, when over $2 billion

of economic activity. Our task is to secure the full utilization of those resources. The most effective way to achieve that full utilization is to revise the tax system. Tax revision, by removing the present tax restraints on the private sector, will enable it to provide the force and initiative so necessary to economic vitality. Tax revision -- for long acknowledged as a desirable thing to do -- is now of paramount economic importance.

The Nature of the Proposed Revision - The Rate Reductions

In full recognition of the imperative of tax revision, the President's tax program recommends massive reductions in the rate scale and significant structural changes. Combined these mean, in full operation, a reduction of $10.3 billion in tax liabilities -- about 15 percent of our present individual and corporate tax liabilities. Let us start with the major reform of the tax structure, the reduction in tax rates. The present individual rates run from 20 percent in the bottom bracket of $2,000 - $4,000 for a married couple -- to 91 percent at the top. President Kennedy's tax program would start the tax scale at 14 percent on the first $1,000 - $2,000 for a married couple -- and rise to a maximum of 65 percent. The intermediate rates are all pulled down -- the present marginal rate of 30 percent for the $15,000 married man would be

resources in men and capital are capable of producing.

The overwhelming weight of economic analysis indicates that the income tax structure presses too heavily on the economy. Its especially high individual income tax rates, starting at 20 percent, sweep too much out of private hands in relation to our GNP, so that consumer demand is kept throttled down in periods of recovery. The rate structure, rising to 91 percent, means high marginal tax rates that deter incentive, risk-taking, and personal effort, thereby lessening the contribution that private initiative is able to make. The corporate tax rate, at 52 percent, unduly limits the profitability of corporate investment and presents corporate management with the fact that the shareholders are the lesser and the Government the greater partner in the enterprises they guide. Added to all this is the waste arising from the distortions induced by the special preferences -- the uneconomic allocation of resources, the talents and time lost in the pursuit of tax schemes, the resentments created by the gross unfairnesses.

We thus come to these conclusions -- the America we want and the America we must have to meet our international obligations and hazards can be obtained only by a more productive economy. We possess the resources required for a higher level

significant first step in revision of the tax structure was thus accomplished.

1963 - The Case for Tax Revision Becomes Imperative

The year 1963, however, brought a new dimension to the situation. The tax revision that all had agreed was one of our desirable domestic goals came to be recognized as an imperative to our economic health.

We have seen four recessions since the end of World War II. We have seen unplanned deficits resulting from a failure of the economy to achieve levels of operation consistent with its potential in terms of capital, manpower, and productivity. The gap between our potential and our actual performance -- now about $40 billion in terms of lost gross national product per year -- is evident in unused industrial capacity, high unemployment, and a lagging rate of capital formation. As a result we are running the risk of recessions that could cut deeper and last longer, followed by shorter recoveries. Furthermore, the America we all want -- with full employment, with more and better schools, health facilities, and public services, with urban redevelopment on a faster and larger scale, with better living standards for all -- will come about far more quickly through an economy yielding us all that our

It is hardly surprising, then, that criticism of our tax system became moreinsistent as the postwar period lengthened. The Congress took account of such criticism in 1955 and 1959, when, under the leadership of Chairman Wilbur Mills of Arkansas, noteworthy studies of our tax system were made. Considerable testimony from professional experts was compiled in these studies, not merely on the criticisms themselves, but on the possible lines of improvement which might be taken.

That was the situation when President Kennedy took office. He immediately set tax revision as one of the major domestic goals of his Administration. He made his views clear in his first tax message to the Congress, in April of 1961. In that message he urged the adoption of an investment tax credit as a stimulus to spur investment and accelerate growth, proposed a series of specific tax reforms, and ordered a Treasury study of additional, broader changes in the income tax structure.

The Congress responded with the Revenue Act of 1962, containing both the investment tax credit and significant reform provisions in almost all of the areas recommended by the President -- in all nearly a billion dollars of tax reform to roughly match the revenue lost by the investment credit. A

TREASURY DEPARTMENT
Washington

FOR RELEASE A.M. NEWSPAPERS
Friday, March 1, 1963

REMARKS BY STANLEY S. SURREY,
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE JURISTIC SOCIETY OF PHILADELPHIA
PHILADELPHIA, PENNSYLVANIA
FEBRUARY 28, 1963
7:00 pm EST

THE TAX PROGRAM IN PERSPECTIVE

The Background - Widespread Criticism of the Tax Structure

Throughout the postwar period there has been increasing recognition that the Federal income tax structure deserved revision. It has been criticized on the ground that its high rates are a heritage of war and postwar inflationary pressure, and that these rates dull initiative, destroy incentives, and inhibit risk-taking.

There have also been charges that our tax law contains special preferences, which discriminate without justification among taxpayers and contribute to gross unfairness. The many exclusions and deductions have been blamed for unduly narrowing the tax base, contributing to the need for high rates. The tax system has been blamed for showing favoritism to some industries and transactions, and distorting the allocation of resources in the economy as well as interfering with the free play of market forces. As a result of all this, the energies and talents of many people -- including a great number of highly skilled executives and professional people -- have been taken up devising intricate schemes to take maximum advantage of opportunities for tax reduction.

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The Background -- Widespread Criticism of the Tax Structure

Throughout the postwar period there has been increasing recognition that the Federal income tax structure deserved revision. It has been criticized on the ground that its high rates are a heritage of war and postwar inflationary pressure, and that these rates dull initiative, destroy incentives, and inhibit risk-taking.

There have also been charges that our tax law contains special preferences, which discriminate without justification among taxpayers and contribute to gross unfairness. The many exclusions and deductions have been blamed for unduly narrowing the tax base, contributing to the need for high rates. The tax system has been blamed for showing favoritism to some industries and transactions, and distorting the allocation of resources in the economy as well as interfering with the free play of market forces. As a result of all this, the energies and talents of many people -- including a great number of highly skilled executives and professional people -- have been taken up devising intricate schemes to take maximum advantage of opportunities for tax reduction.

It is hardly surprising, then, that criticism of our tax system became more insistent as the postwar period lengthened. The Congress took account of such criticism in 1955 and 1959, when, under the leadership of Chairman Wilbur Mills of Arkansas, noteworthy studies of our tax system were made. Considerable testimony from professional experts was compiled in these studies, not merely on the criticisms themselves, but on the possible lines of improvement which might be taken.

That was the situation when President Kennedy took office. He immediately set tax revision as one of the major domestic goals of his Administration. He made his views clear in his first tax message to the Congress, in April of 1961. In that message he urged the adoption of an investment tax credit as a stimulus to spur investment and accelerate growth, proposed a series of specific tax reforms, and ordered a Treasury study of additional, broader changes in the income tax structure.

The Congress responded with the Revenue Act of 1962, containing both the investment tax credit and significant reform provisions in almost all of the areas recommended by the President -- in all nearly a billion dollars of tax reform to roughly match the revenue lost by the investment credit. A significant first step in revision of the tax structure was thus accomplished.

1963 -- The Case for Tax Revision Becomes Imperative

The year 1963, however, brought a new dimension to the situation. The tax revision that all had agreed was one of our desirable domestic goals came to be recognized as an imperative to our economic health.

We have seen four recessions since the end of World War II. We have seen unplanned deficits resulting from a failure of the economy to achieve levels of operation consistent with its potential in terms of capital, manpower, and productivity. The gap between our potential and our actual performance -- now about $40 billion in terms of lost gross national product per year -- is evident in unused industrial capacity, high unemployment, and a lagging rate of capital formation. As a result we are running the risk of recessions that could cut deeper and last longer, followed by shorter recoveries. Furthermore, the America we all want -- with full employment, with more and better schools, health facilities, and public services, with urban redevelopment on a faster and larger scale, with better living standards for all -- will come about far more quickly through an economy yielding us all that our resources in men and capital are capable of producing.

The overwhelming weight of economic analysis indicates that the income tax structure presses too heavily on the economy. Its especially high individual income tax rates, starting at 20 percent, sweep too much out of private hands in relation to our GNP, so that consumer demand is kept throttled down in periods of recovery.

The rate structure, rising to 91 percent, means high marginal tax rates that deter incentive, risk-taking, and personal effort, thereby lessening the contribution that private initiative is able to make. The corporate tax rate, at 52 percent, unduly limits the profitability of corporate investment and presents corporate management with the fact that the shareholders are the lesser and the Government the greater partner in the enterprises they guide. Added to all this is the waste arising from the distortions induced by the special preferences -- the uneconomic allocation of resources, the talents and time lost in the pursuit of tax schemes, the resentments created by the gross unfairnesses.

We thus come to these conclusions -- the America we want and the America we must have to meet our international obligations and hazards can be obtained only by a more productive economy. We possess the resources required for a higher level of economic activity. Our task is to secure the full utilization of those resources. The most effective way to achieve that full utilization is to revise the tax system. Tax revision, by removing the present tax restraints on the private sector, will enable it to provide the force and initiative so necessary to economic vitality. Tax revision -- for long acknowledged as a desirable thing to do -- is now of paramount economic importance.

The Nature of the Proposed Revision -- The Rate Reductions

In full recognition of the imperative of tax revision, the President's tax program recommends large reductions in the rate scale and significant structural changes. Combined these mean, in full operation, a reduction of $10.3 billion in tax liabilities -- about 15 percent of our present individual and corporate tax liabilities. Let us start with the major reform of the tax structure, the reduction in tax rates. The present individual rates run from 20 percent in the bottom bracket of $2,000 - $4,000 for a married couple -- to 91 percent at the top. President Kennedy's tax program would start the tax scale at 14 percent on the first $1,000 - $2,000 for a married couple -- and rise to a maximum of 65 percent. The intermediate rates are all pulled down -- the present marginal rate of 30 percent for the $15,000 married man would be 24 percent, of 43 percent for the $25,000 man would be 34 percent. The 50 percent marginal rate now reached at $32,000 would be reached at $52,000. The 60 percent marginal rate now reached at $52,000 would not be reached until $140,000. These large reductions in the marginal tax rates -- the rates on added dollars of income -- show the significant increase in incentives inherent in the program.

The resulting rate scale means a reduction of $11 billion in individual income tax liabilities.

On the corporate side our present rates are 30 percent on the first $25,000 of income and 52 percent on the remainder. The proposed tax rates would be 22 percent on the first $25,000 and 47 percent on the balance. The 22 percent rate for small business -- a rate which would apply to 80 percent of all taxpaying corporations -- is a reduction of 27 percent. It means a significant lift for a large segment of American enterprise. The 47 percent rate is a 10 percent reduction, so that the reduction for the corporations above $25,000 ranges in between -- it is 16 percent for a $50,000 corporation, 12 percent for a $100,000 corporation. The over-all reduction in corporate tax liabilities is $2.6 billion. This reduction is about the same as that obtained in 1962, when over $2 billion of corporation tax liabilities was removed through the combined effect of the investment credit and administrative revision of the depreciation rules. The resulting total would mean that over-all corporate tax liabilities would be reduced by nearly 20 percent.

These reductions would thus achieve a sizable lowering of the individual and corporate rate structures. In terms of increased incentives, of increased private resources available for consumer spending and capital investment, of a significant lessening of the weight of the tax system on all private enterprise and activity, of the impetus given to cost-cutting and improvements in productive efficiency, the new rates represent the most significant of the reforms of the tax system that the program embodies. They are a direct and effective response to the need for loosening the present tax restraints on the economy. They recognize that the achievement of a greater level of economic recovery and more rapid growth cannot rest either on increased consumer spending alone or on increased incentives and savings for investment alone. Both are vitally needed -- consumer demand to press on existing and future capacity to bring us to full employment and lead to a higher level of investment; the investment incentives to stimulate us to go on to a higher level of capital formation and economic growth. The rate reductions pull back the entire rate structure -- individual and corporate, from top to bottom.

The Nature of the Proposed Revision -- The Structural Changes

The major reform in the tax program is thus the large reduction in tax rates. These reductions are complemented by -- and their revenue cost partially offset by -- a number of proposed structural changes. These structural changes are not all in one direction --

some involve revenue losses and some revenue gains, some affect corporations and some individuals, some are directly associated with changes in the rate structure and some are required by the objectives of eliminating hardships, unfairness, and unjustified preferences.

Individual Structural Changes that Lose Revenue. -- On the individual side, a number of structural changes are proposed to remove particular hardships and unfairnesses that rate reduction by itself will not rectify. Thus, at the lower end of the scale, the insistence by many that exemptions be raised has been prompted by the realization that an income tax reaching as low as $667 for single persons and $1,333 for married couples taxes persons in the area of real poverty. Rate reductions alone obviously cannot meet this problem. Yet the solution of raising exemptions by $100 would mean a revenue loss of $2.5 billion under proposed rates and remove 3 million taxpayers from the rolls; an increase of $200 in exemptions means a revenue loss of almost $5 billion and removal of 6-1/2 million taxpayers. This exemption approach is wasteful of revenue, since its effects reach beyond the lower levels where the particular relief is needed, and is often over-generous where family size is large. Of the $2.5 billion of revenue that would be lost through a $100 increase in exemptions, only 20 percent or $550 million would go to the group below $5,000.

As a more appropriate solution the program proposes a minimum standard deduction of $300 for a single person and an additional $100 for a spouse and for each dependent. As a consequence single persons below $900, married persons below $1600, and married persons with two dependents below $3000 cease to be taxable -- as compared with $667, $1333, and $2666 levels of today. The revenue loss is only $310 million, concentrated almost entirely in the group below $5,000. Yet this approach achieves in the lowest income range the equivalent of an exemption increase of as much as $233 for a single persons, of as much as $133 for each spouse of the married couple, and of as much as $83 for each member of the family of four. About 1.5 million persons would become non-taxable by this proposal.

In short, the minimum standard deduction proposal uses the deduction factor of the tax computation as a technique to achieve a fair adjustment of the tax burdens at the lowest levels of income, in preference to the more traditional, yet wastefully expensive technique, of raising exemptions.

Another hardship that tax rate reduction alone cannot meet is the present complex and discriminatory treatment of the aged. Present law embodies an extra $600 exemption -- which at higher income levels is unneeded and thus a revenue waste -- and a complicated retirement income credit designed to give pensioners and those receiving investment income a tax reduction somewhat comparable to the exclusion of social security benefits from income. Its effect is to discriminate against all those over 65 who receive earned income -- about three out of every four taxpayers over 65. The consequent unfairnesses among the aged in the income levels below $10,000, depending on source of income, are too great to tolerate -- a tax of zero for a $3,000 income from interest and rent, but a tax of $300 if wages are the only source of income. And again the credit is unneeded in the upper levels.

The tax program proposes to substitute for all this a flat $300 credit against tax for each person over age 65. Recognition of the present social security exclusion is taken account of in the proposal. This is done by reducing the credit by an amount based on one-half of social security benefits times the taxpayer's bracket or marginal tax rate. This procedure reflects the fact that both the employee and employer contribute equally to the benefits. The cost of this change is $320 million, one-half of which goes to persons below the $5,000 income level and most of the balance to those with incomes between $5,000 and $10,000. This change would thus continue the present policy that age is a factor justifying tax relief, and then provide a mechanism which both grants that relief in a fair and simple way and confines it to the income levels where it is needed most.

A third structural change under the individual income tax also meets a hardship which rate reduction cannot solve -- that faced by the person with fluctuating yearly income. While fluctuating incomes may be more characteristic of people in certain occupations, such as authors, artists, actors, athletes, ranchers, fisherman, farmers, architects, and individual business proprietorships, it obviously may be experienced in many other situations. The combination of graduated tax rates and an irregular pattern of income produces more tax today over a period of years than does a stable income pattern. The tax program meets this hardship by a uniform averaging formula applicable to all, under which income is, in effect, averaged over a five-year period whenever the current year's income is significantly higher than the average of the preceding four years. The revenue cost is about $40 million.

A fourth structural change, involving a revenue cost of $50 million, is aimed at meeting the hardship experienced by persons who must incur moving expenses for themselves and their families as a consequence of a change in employment. The burden can often be severe and its impact, apart from hardship, can be such as to place an undesirable restriction on labor mobility. The tax program proposes a deduction for these moving expenses, both for a transferred person who continues to work for the same employer and for a person who changes his employer.

The remaining individual structural changes that lose revenue smooth out or extend existing provisions respecting certain expenditures. One change would expand the benefits of the child care provision (revenue cost $20 billion); another would apply the 30 percent limitation uniformly to all publicly-supported charities, thereby replacing the present distinctions between a 20 percent and a 30 percent limitation for these charities (revenue cost nominal); and a third would clarify and simplify the medical expense deduction (revenue cost nominal).

In sum, this group of reforms, which in total involve a revenue cost of $740 million, will thus meet some of the persistent and well-founded complaints regarding the hardships resulting today, not from the present rate scale but from the operation of the tax structure even under a reasonable rate scale. They deal with specific unfairnesses requiring specific reforms for their cure. It is just as important to the persons affected, in terms of fairness under an income tax, that their problems be met as it is to those whose objections are directed to the present rate scales. Moreover, these changes have a considerable bearing on the economic scene in terms of labor mobility and allocation of individual skills. This group of reforms or structural changes thus contributes significantly to the insistent urgings for improvement in the tax structure.

Individual Structural Changes that Gain Revenue. -- The remaining individual structural changes involve revenue gains. The most significant from a revenue standpoint is the proposed floor on deductions for personal expenses -- interest, charitable contributions, State and local taxes, medical expenses, casualty losses. Under this proposal only the total of those expenses above five percent of adjusted gross income would be deductible. A consideration of this proposal in its proper perspective requires that we go back to the origin and effect of the standard deduction. The Congress in 1944 adopted our present standard deduction of 10 percent of adjusted gross income up to a $1,000 maximum as a device to simplify the tax law. Since the 10 percent figure

chosen was somewhat above the average of those expenses then being itemized as deductions, the policy also eliminated any distinctions between itemizers and non-itemizers among taxpayers below or around the average level.

Since 1944 there has been a considerable growth in the average amount of these personal expenses, as a result of rising income levels, rising costs, and changing habits. In 1944, about 35 million returns used the standard deduction and only 8 million used itemized deductions; in 1962 the figures were 26 million and 25 million respectively. In 1944, the standard deduction represented 63 percent of the total of all deductions for these personal expenses; in 1962 this figure had dropped to 23 percent. In 1944 the itemized and standard deductions combined represented about 10 percent of adjusted gross income; in 1962 they represented about 15 percent. The standard deduction now comes to $12-1/2 billion. The itemized deductions come to $41 billion, used by taxpayers with an adjusted gross income of $217 billion, or about 20 percent. In 1944, the itemized deductions amounted to only $4.6 billion, used by taxpayers with $32.5 billion adjusted gross income, or about 14 percent. This is the key figure, for it indicates the persistent narrowing of the tax base that has occurred in postwar years as a result of the large increase in amount of itemized deductions -- from 14 percent to 20 percent of the adjusted gross income of the returns involved. Parenthetically, by contrast the total of personal exemptions has dropped from about 40 percent to 27 percent of adjusted gross income.

The standard deduction represents a Congressional policy of eliminating distinctions between itemization and non-itemization of expenses at the level of average expenses for taxpayers with incomes below $10,000. Underlying this policy was a desire for simplification and a willingness to recognize that some of the rental expenses of the renter reflected personal expense akin to those of the home owner. In view of the increase in these personal expenses relative to gross income, it is obvious that if we were today adopting the policy of the standard deduction for the first time, the appropriate figure would be about 15 percent instead of 10 percent, with a limit perhaps of $1,500. But in the meantime we have seen that the narrowing of the tax base represented by the rise in personal expenses is a factor in keeping marginal rates at an excessively high level. A standard deduction at 15 percent would also have a base-narrowing effect and mean a loss of revenue. The intent behind the standard deduction, however, can be as well expressed through a different mechanism, that of placing a floor under itemized deductions. Instead then of a

standard deduction of 15 percent, the objectives can be achieved by continuing the standard deduction of 10 percent and adopting a five percent floor under itemized deductions. This policy would, of course, gain revenue. Since it would be adopted to keep the base from narrowing and thereby keeping or forcing tax rates up, it is appropriate that the revenue gained be devoted to a lowering of the rates.

The policies behind the standard deduction -- simplification and a balanced allowance to all taxpayers of the average of personal expenses -- today in the light of the great increase in personal expenses would thus appear to require either a rise in the standard deduction or a floor under itemized deductions. The expression of that policy through an increase in the standard deduction would contribute to further narrowing of the tax base and would necessitate higher rates. An expression of that policy in the five percent floor will broaden the tax base and permit a far larger reduction in marginal tax rates. Some may feel that the continuation, through the use of a floor, of this policy of achieving some balance in the recognition of personal expenses raises problems, especially in those brackets where the itemizers and non-itemizers are both significantly represented. Expression could be given to this viewpoint by combining a floor on itemized deductions with some comparable reduction in the standard deduction.

The combination of the five percent floor and rate reduction will leave itemizers with significant tax reductions. Further, the five percent floor will not reduce the incentives that the deductions for personal expenses seek to encourage, such as home ownership or charitable contributions. Itemized expenses today average about 20 percent of adjusted gross income, so that most of present expenses and, of course, all new expenses are above the floor. Those, for example, who have expressed fears over reduced charitable or educational giving should be relieved of their worries when they study the facts. Clearly for most itemizers the present non-discretionary expenses of State taxes, mortgage interest, and medical expenses are obviously above a 5 percent floor. Voluntary charitable contributions, therefore, would be fully deductible. Moreover, despite the forebodings of some of these institutions in 1944 when the standard deduction was adopted -- and 80 percent of taxpayers were shifted to that method -- charitable giving was not adversely affected. Finally, the volume of charitable giving appears to depend primarily on the level of income -- for years it has been about 2 percent of national personal income despite changes in tax rates and structure. The tax program will not only increase the after-tax incomes of individuals but through its effect on the economy will greatly increase national

personal income. A rise in that income from the present $440 billion to $525 billion -- which could be achieved under the tax program -- would alone increase charitable giving from its present $8.8 billion to $10.5 billion.

The five percent floor is thus not only in keeping with the policies behind the standard deduction, but it also expresses those policies in a manner that permits a larger tax rate reduction than would otherwise be possible. The revenue gain from the floor is $2.3 billion. If this $2.3 billion were not thus available, then the rate scale would have to be raised, primarily in the middle and upper brackets if the revenue involved were to be distributed in the same fashion as reflected by the floor. This would mean top bracket marginal tax rates would be scaled to 75 percent and not 65 percent.

The five percent floor, while keeping the essential policies underlying the deductions for personal expenses, also contributes to a rate scale more conducive to personal incentives and economic well being. The basic point is to preserve and strengthen all of the incentives that are important -- both those involved in the deductions for personal expenses and those involved in lower marginal tax rates -- and the combination of the five percent floor and the lower rate scale it permits achieves this result.

The remaining individual revenue-raising changes raise about $700 million -- an amount equal to the revenue-losing changes. Two of the changes are associated with reductions in the rates, especially the top rates, and would remove preferences or escapes not justifiable under lowered top rates. The proposal to eliminate the dividend credit and exclusion would alone recover $460 million in tax revenue. Nearly 80 percent of the benefits of these provisions presently goes to taxpayers over $10,000, and over 50 percent to those over $20,000. Even as to the exclusion only 15 percent of its benefits goes to persons under $5,000, with 60 percent of the benefits to those over $10,000. This, of course, is merely a reflection of the concentration of corporate ownership and dividends in middle and upper income groups. In 1960 only five percent of the returns under $5,000 reported dividends, which dividends amounted to one percent of the total adjusted gross income on these returns; these returns accounted for 14 percent of dividends reported. Returns over $20,000 accounted for 60 percent of the dividends, and almost all returns reported some dividends; these dividends represent 10 percent of adjusted gross income at $20,000, 20 percent at $50,000 and 40 percent above $200,000.

It is appropriate to eliminate this special preference for dividends, which has achieved no useful economic purpose, at a time when the individual rate scale is being lowered and the corporate rate also reduced. The incentives for investment and risk-taking which these lower rates provide would be far more significant in their impact on the economy than the dividend credit and exclusion. Moreover, the 5-point proposed reduction in the corporate rate will give more relief from "double taxation" than does the four percent credit for incomes up to $186,000. The credit reduces "double taxation" by amounts ranging from 4.3 percent for taxpayers in the first bracket to 10.4 percent in the proposed top bracket. The five-point reduction in the corporate tax rate would reduce "double taxation" by 10 percent for everyone. The other proposal related to the rates is a tightening of the personal holding company rules, to end the escapes from individual taxation now available through the use of these devices to shelter investment income or income from personal efforts.

The other revenue gaining changes would eliminate undesirable or inequitable preferences that now exist and improve existing rules. These involve elimination of the sick-pay exclusion; the taxation to the employee of the value of the economic benefit of employer-provided group term life insurance above a minimum figure, in keeping with the present tax treatment of other forms of employer-provided insurance; the institution of a four percent floor under casualty losses comparable to that under medical expenses, and the elimination of the unlimited charitable deduction.

In sum, the revenue-raising structural changes in the individual area -- seven in number -- involve about $3 billion, of which $2.3 billion is concentrated in the five percent floor and $700 million in the remaining items. They offset to this extent the $11.7 billion revenue loss involved in a rate scale running from 14 percent to 65 percent and the $740 million of changes needed to eliminate hardships that cannot be reached by rate reduction. They represent reforms responsive to the persistent urgings that our tax structure be altered to keep the tax base from constantly narrowing and to eliminate unfair preferences. They involve no departures from basic income tax concepts and no complications of technical implementation. They clearly do not broaden the individual tax base as much as some have urged. At the same time, they represent significant improvements in the tax structure. Together with the changes designed to eliminate hardships, they contribute to a balanced program of revision in the tax structure.

Corporate Structural Changes. -- The structural changes in the corporate tax are few in number. Two are associated with the reduction of the normal tax on the first $25,000 of corporate income from 30 percent to 22 percent. The normal tax concept represents a policy designed to assist "small business" and the reduction in this rate -- a 27 percent reduction -- will strengthen that assistance. It is important that this tax benefit -- and the consequent revenue loss -- be confined to what are truly small businesses. However, we find that enterprises and activities which are conducted with multiple corporate structures could obtain this "small business" tax benefit many times over if each corporation in the structure were taxed at only 22 percent on its first $25,000 of income. It is obvious that a rational application of a tax policy designed to assist small business requires aggregation of corporations under common ownership before the $25,000 test is applied. This is so whether the multiple corporations serve genuine business purposes or are simply tax motivated. It may be observed that eligibility for the other non-tax small business benefits accorded by the Congress is determined on such a consolidated basis.

The tax program, in order to make possible the reduction of the small business rate to 22 percent, thus proposes only a single surtax exemption for multiple corporation enterprises, the change to be phased over five years. The revenue gain is $120 million. At the same time, in further application of this policy of neutralizing the tax effect of multiple corporate structures, it is proposed that the two percent additional tax on consolidated returns be eliminated and that intercorporate dividends between affiliated corporations not be taxes. The revenue cost is $50 million.

These two structural changes are thus directly linked to the new corporate rate structure. Of the remaining structural changes, one that costs revenue ($50 million) would permit the current expensing of equipment used in research and development activities, with the objective of encouraging the expansion of private civilian research. A change that would gain revenue (about $250 million, of which $10 million comes from individuals) involves improvements in the taxation of natural resource activities designed to carry out the purposes behind the existing depletion policies.

In sum, these corporate structural changes, few in number, involve revenue costs of $100 million and gains of $360 million. They reduce the $2.63 billion of corporate rate reduction to about $2.3 billion. Here also a balance is preserved, with the changes proposed being either necessitated by the new rate structure or designed to meet particular problems in the corporate area. A further significant structural change -- the acceleration in the current corporate tax

payment of larger corporations -- would yield $1.5 billion in annual budget receipts in the next five years but would not increase tax liabilities.

The Nature of the Proposed Revision -- The Capital Gain Changes

The final set of recommendations in the tax program relates to the area of capital gains and losses. This area has always involved complex tax issues, since it is necessary to give proper weight to a number of factors that do not all work in the same direction -- the fact that capital gains accrue over time and arise from a variety of economic causes; the importance of encouraging private risk-taking and initiative; the importance of maintaining the flow and mobility of capital, and the need to maintain on equity grounds an appropriate relationship to the taxation of other types of profit and income. Our present system, for individuals, is to include only 50 percent of capital gains, limit the taxation of the gain to a maximum rate of 25 percent, and permit the gain represented by appreciation accumulated until death to escape income taxation entirely.

The tax program proposes several basic changes, whose primary objective is to achieve increased mobility of capital and encourage private risk-taking. First, it would reduce the present 50 percent inclusion ratio to only 30 percent of the gain. With a proposed basic rate scale running from 14 percent to 65 percent, capital gains would thus be taxed at a scale running from 4.2 percent to 19.5 percent. This is far lower than the present range of 10 percent at $2,000 of taxable income to 25 percent at about $32,000 and higher on a joint return. The proposed rate at $32,000 of taxable income would only be 12 percent. The combination of reducing the 50 percent inclusion to 30 percent, and then reducing the basic rate scale, thus involves reductions in capital gains tax ranging from 58 percent for first bracket taxpayers to 52 percent for taxpayers at $32,000, 40 percent at $52,000, 30 percent at $100,000, on down to 22 percent for top bracket taxpayers. The benefits would be concentrated mainly in the middle and upper income groups. Nearly 50 percent of present capital gains are realized by persons with incomes between $10,000 and $100,000, and these gains represent three percent of adjusted gross income at $10,000 and about 20 percent at $100,000. A complementary provision would extend the present five-year carryover of capital losses to an unlimited carryover (revenue cost of $20 million). The corporate capital gain rate would be reduced from 25 percent to 22 percent.

A significant obstacle to the mobility of capital today, and one which "locks in" many an investor, is the inducement under present rules to hold an appreciated asset until death so that the gain will escape tax. The tax program would end this lock-in effect by treating as a taxable capital gain any gain present in assets transferred at death. The advantage in capital mobility,

with consequent benefits to increased initiative and risk-taking, would be highly beneficial to economic growth. The revenue gain involved would offset the cost of the lowered capital gain rates and make those rates possible. The result is an integrated treatment of capital gains and losses that should have a large positive effect on increasing investment and capital formation.

Necessarily the proposal to tax gains transferred at death -- which will affect annually only about three percent of decedents -- must be implemented by technical rules designed to permit as fair and as practical an application of this approach as is possible -- such as the exemption of the gain on a residence and on personal or household effects, the exemption of gains passing to a wife along the lines of the present estate tax marital deduction, a blanket $15,000 exemption of gain to eliminate small estates, an exemption of transfers to charity, an averaging device, provisions to ease the time of payment of the tax, a transition period before the new rule is to become fully effective, and so on.

The benefits to taxpayers and the economy of the new low rates on capital gains turn also on one other necessary change, that of a re-examination of the definition of capital gains. If something called a capital gain is to be included to the extent of only 30 percent of the gain -- as compared to a 100 percent inclusion for wages, salaries, business profits, interest, dividends, and so on -- it becomes imperative that the present eligibility rules defining capital gains be considerably tightened. It is in this area, even under the present capital gain rates, that the suggestions for reforms to end the special preferences resulting from ordinary income items being classified as capital gain have been perhaps the most insistent. With capital gain rates being reduced by 22 percent to 58 percent, the existing definitional rules would involve intolerable special preferences and inequities. The tax program therefore proposes a number of definitional changes which can be grouped into three categories: One, the proposal that the holding period be extended from six months to a year. Two, changes affecting the interrelationship of ordinary deductions and capital gain, designed to extend the approach of the 1962 Act under which that part of the gain on the sale of an asset that represents prior deductions would be treated as ordinary income -- these changes affect the real estate shelter, sales of oil and other natural resource interests, and certain sales of cattle and farm assets. Three, changes affecting ordinary income items now treated as capital gains, designed to reverse this characterization where appropriate -- these changes affect such items as employee stock options, lump-sum distributions under pension and profit-sharing plans, the sale of patents, the cutting or sale of timber,

and the sale of life estates. Some of these provisions either came into or remained in the law as an offset to the high marginal top rates. With a reduction in those rates to 65 percent and lower, for this reason alone these provisions are no longer justifiable.

The direct revenue effect of all the changes is a gain of $100 million, assuming the present character and volume of transactions. However, the increased turnover of assets resulting from the unlocking of asset holdings, together with the net effects on transactions of the other changes, is expected to yield an additional $650 million.

These then are the main details of the tax program. We believe the program is a balanced one, treating all levels of income and all types of taxpayers as fairly as possible. It is difficult to obtain any precise measure or index of the distribution of its benefits. Some may point to the percentage change in tax liability at each income level, and show that the highest percentages of reduction are in the bottom and the lowest at the top. Whether one likes or dislikes this result, we must remember it fails to reflect the proportion of total tax liabilities paid at each level. Some may point to the percentage increase in after-tax incomes, and show that the highest percentage is at the top. Whether one likes or dislikes this result, it does fail to reflect the impact of the present rate scales which, under almost any program, would produce such an after-tax effect. Moreover, in any allocation of the benefits, it is necessary to remember that the corporate rate changes and the capital gain changes will yield large benefits to the middle and upper income groups, first through the increase in dividends consequent upon higher corporate after-tax profits and second through lower capital gain rates combined with increased mobility of capital. It is difficult to quantify these benefits.

We believe that when all the changes are considered, and their effects weighed as carefully as possible, the over-all result is a distribution that bears a close relationship to the present pattern except where relief for the extremes of low income hardship or old age are involved.

It is at this point that we must consider the final dimension of the tax program, that of its relationship to the current economic climate. Three aspects stand out: One, we are faced with an economy which while sluggish is still moving slowly upward. This means that the program need not be geared to a shot-in-the-arm approach to ward off an immediate recession threat. Instead, the

tax program can be responsive to the insistent demands for a basic tax revision that will make a lasting contribution to economic growth and lessen the risk of recurring recessions. It also means that while tax reduction is an imperative, there is legislative time to work out this year, with effective and expeditious action, a properly constructed bill.

Secondly, we are faced with a deficit for fiscal 1964 that, apart from the tax program, would be $9.2 billion. While this deficit is the direct consequence of an economy moving at a slow rate, which the tax program is intended to accelerate, care must be taken that the costs of tax reduction are handled in a fiscally responsible manner to keep the transitional deficit within prudent bounds. The tax program meets this requirement, one additional to the substantive issues of tax revision, in three ways: one, the rate reductions are staged over three years, commencing in 1963, with the structural changes starting essentially in 1964; two, appropriate structural changes keep the over-all revenue cost of the rate reductions within a prudent figure of $10.3 billion; three, another structural change -- the proposal to accelerate under a five-year transition the payments of estimate tax of the larger corporations -- will improve the budget picture by about $1.5 billion so that the budgetary cost of the program is an over-all $8.8 billion before any feedback.

A third aspect of our present situation is that we must end our unplanned deficits and move on to a budget balance at a high level of employment. As far as the tax program is concerned, this means an effect on the economy that will produce sufficient revenues for this purpose. It is believed that the large rate reductions and the effects of the entire program on consumer spending and investment incentives will permit the economy rapidly to move to new heights. At these higher levels of gross national product, the resulting revenues even under reduced rates will be in excess of our present revenues. The difference, of course, is that the resulting dynamic economy will be able to maintain these higher revenues, whereas our present sluggish economy finds the tax structure an impediment to growth.

But revenues are only one side of the budget. The other requirement is firm control over expenditure policy. The President and the Budget Director have made these matters clear: one, civilian expenditures will be firmly controlled, and in the 1964 Budget have been reduced; two, defense and space expenditures should begin to level off; and third, as the tax reduction becomes

fully effective, and the economy moves upward, a part of the revenue increases must go to eliminating the deficit.

Under this combination of revenue increases and a budgetary policy of firm expenditure control, we can move on to a balanced budget and full employment. To be sure, certain assumptions and expectations respecting the economic response to the tax program underlie this belief. But we must remember that the alternative course would not be without its set of assumptions and expectations. Indeed, in the light of the history of our business cycles, without tax action the risks become far greater of a recession coming and of its lasting longer and cutting deeper. Such a recession would increase the deficit far more than the program, without affording even any hope of improvement or offset.

Conclusion

The tax program is responsive to two main requirements. First, it responds to the imperative need for the large reductions in individual, corporate and capital gain rates required now to enable the economy to reach its full potential for output and growth, while at the same time permitting these rate reductions to be achieved in a fiscally responsible manner compatible with the deficit condition of the Budget. Second, it responds to the long-felt need for a revision of the income tax structure that would scale down the rates, broaden the tax base, eliminate serious hardships, and end unjustifiable abuses and preferences. The program thus fits into the efforts that commenced with the Revenue Act of 1962 to achieve the tax revision which the earlier studies of the Congress delineated as vitally necessary.

As the President has firmly and consistently stated, the core and central theme of the tax program are the large reductions in all the tax rates -- reductions that remove the restraints now imposed by the tax system on the economy and on incentives for private initiative. The cost of these reductions, plus the elimination of hardships which the rate reductions cannot reach comes to over $14 billion. The revenue gained from structural changes, important in themselves as contributing to equity and economic growth, and from increased mobility through capital gains revisions, will bring that cost down to $10.3 billion. A further structural change, the acceleration of corporate payments, reduces this figure to a budgetary cost, before feedback, of $8.8 billion. The structural changes thus bring the rate reductions within a budgetary cost that is clearly fiscally responsible. If these structural changes are to be substantially altered, the over-all program

would, therefore, have to be reshaped by significantly limiting the rate reductions -- so that we would not achieve an individual rate scale running from 14 percent to 65 percent, a corporate rate reduction to 47 percent, and elimination of hardship for the poor and the aged -- thus significantly lessening the effect on the economy and on incentives; or it must be reshaped by increasing the cost and budgetary impact of the program, or by some combination of these approaches. Naturally, it is not necessary to enact all the changes exactly as proposed. But a measure designed to provide the maximum effect on the economy through rate reductions and to do so in a manner most consonant with appropriate fiscal responsibility would involve some structural changes of one sort or another.

These are decisions which must and will be made in Congress. The Committee on Ways and Means has commenced its consideration of the tax program. It will shape a tax bill that takes account of the helpful criticisms and suggestions which the legislative process produces. The Treasury Department will fully cooperate in this process.

In the process of moving forward with a tax program so vitally needed, we must not let all of the detailed bits and pieces inevitable in tax legislation obscure the objectives we are seeking to accomplish. The total is far more than the bits and pieces, far more than how each of our individual pocketbooks is affected, far more than how much tax reduction this or that person gets in 1963, or in 1964 or in 1965. The total is a revision of our income tax which will enable us to achieve, as far as it lies within the power and effect of the tax system, the strong and growing economy which is vital to the kind of America we all desire.

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United States Savings Bonds Issued and Redeemed Through February 28, 196

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

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outst of Amt.
MATURED				
Series A-1935 - D-1941	$ 5,003	$ 4,989	$ 14	.2
Series F & G-1941 - 1950	28,512	28,311	201	.7
UNMATURED 3/				
Series E:				
1941	1,822	1,526	296	16.2
1942	8,046	6,758	1,288	16.0
1943	12,947	10,855	2,092	16.1
1944	15,081	12,539	2,542	16.8
1945	11,802	9,605	2,198	18.6
1946	5,300	4,085	1,215	22.9
1947	4,989	3,659	1,331	26.6
1948	5,138	3,657	1,481	28.8
1949	5,052	3,504	1,548	30.6
1950	4,402	2,962	1,440	32.7
1951	3,812	2,543	1,269	33.2
1952	3,991	2,575	1,415	35.4
1953	4,527	2,707	1,819	40.1
1954	4,563	2,665	1,898	41.6
1955	4,728	2,720	2,008	42.4
1956	4,544	2,619	1,925	42.3
1957	4,264	2,350	1,914	44.8
1958	4,117	2,116	2,001	48.6
1959	3,845	1,905	1,940	50.4
1960	3,822	1,720	2,101	54.9
1961	3,827	1,461	2,365	61.8
1962	3,483	851	2,632	75.5
1963	10	-	10	100.0
Unclassified	601	519	82	-
Total Series E	124,714	85,902	38,812	31.1
Series H (1952 - 1963) 3/	8,897	1,849	7,048	79.2
Total Series E and H	133,611	87,751	45,859	34.3
Series F and G (1951 - 1952).....	1,006	710	4/ 296	29.4
Series J and K (1952 - 1957)	3,692	1,955	1,737	47.0
Total Series F, G, J and K	4,699	2,665	2,033	43.2
All Series: Total matured	33,515	33,300	215	.6
All Series: Total unmatured	138,309	90,416	47,893	34.6
All Series: Grand Total	171,825	123,716	48,108	28.0

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 SECRET

341-13

United States Savings Bonds Issued and Redeemed Through February 28, 1963

(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	$ 4,989	$ 14	.28%
Series F & G-1941 - 1950	28,512	28,311	201	.70
UNMATURED 3/				
Series E:				
1941	1,822	1,526	296	16.25
1942	8,046	6,758	1,288	16.01
1943	12,947	10,855	2,092	16.16
1944	15,081	12,539	2,542	16.86
1945	11,802	9,605	2,198	18.62
1946	5,300	4,085	1,215	22.92
1947	4,989	3,659	1,331	26.68
1948	5,138	3,657	1,481	28.82
1949	5,052	3,504	1,548	30.64
1950	4,402	2,962	1,440	32.71
1951	3,812	2,543	1,269	33.29
1952	3,991	2,575	1,415	35.45
1953	4,527	2,707	1,819	40.18
1954	4,563	2,665	1,898	41.60
1955	4,728	2,720	2,008	42.47
1956	4,544	2,619	1,925	42.36
1957	4,264	2,350	1,914	44.89
1958	4,117	2,116	2,001	48.60
1959	3,845	1,905	1,940	50.46
1960	3,822	1,720	2,101	54.97
1961	3,827	1,461	2,365	61.80
1962	3,483	851	2,632	75.57
1963	10	-	10	100.00
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OFFICE OF FISCAL ASSISTANT SECRETARY

balance between rate reduction through net tax reduction and accompanying structural base broadening reforms; it balances incentives to investment with stimulus to demand.

Whatever the variants in degree and emphasis, I would hope that all those with responsibilities in this area, public or private, would never lose sight of the common objective -- a modification in the calendar year 1963 of our tax laws along the general lines proposed.

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a combination of net tax reduction and base broadening reforms.

Those who believe that only incentives to investment are needed and that increased consumer demand to utilize idle capacity and manpower is unimportant will contend with those to whom a single sharp stimulus of consumer demand through tax reduction for the lower brackets is all that is necessary to solve our problem of slow growth. The President's program falls between these two extremes being designed to combine both incentives to investment with the stimulus to consumer demand.

In conclusion, may I suggest that the President's program is a balanced program on all of these issues where there are differences of degree and emphasis: It is balanced in its timing; it has fiscal balance; it has

Those who wish a substantially increased scale of Federal domestic expenditures in the 1964 fiscal year will contend with those who would abandon any tax program until the budget is balanced. The President's program falls between these two extremes to move forward on the priority job of tax revision -- within the bounds of fiscal discipline -- against the background of a budget in which government spending on all but defense, space and interest in the fiscal year 1964 is reduced and a policy of allocating a substantial part of revenue increases towards eliminating budgetary deficits.

Those who would confine tax revision to rate reduction made possible by base broadening will contend with those who would limit rate reduction to the amount that can be bought by net revenue losses. The President's program would seek the maximum rate reduction available through

April 1961. Those most knowledgeable about our tax system and its role in our economy -- in the Congress, in business management and finance, in labor leadership, in the law and accounting, and in the academic world -- have urged the enactment of a program which, in the words of the President Tax Message of April 1961, would be: "Aimed at providing a broader and more uniform tax base, together with an appropriate rate structure. . ." which would put us "toward the goal of a higher rate of economic growth, a more equitable tax structure, and a simpler tax law."

Now the moment of truth is here and proposals generally responsive to these objectives have been submitted by the President to the Congress.

As is always the case with tax legislation, the season of hearings before the committee charged by the lower House

Conclusion

During the past five years it has become increasingly clear that our present tax structure -- characterized by high levels of rates of income -- repressive at every level and type of income -- fastened on the economy to restrain war and postwar inflation -- designed to hold back consumer demand, initiative and investment -- now checks growth, invites recurrent recessions, depresses our Federal revenues and contributes to chronic budget deficits.

At the year's beginning there was a clear consensus -- which had crystalized during the preceding seven months following the slackening of expansion in early 1962 -- that the nation required major tax revision in 1963 -- a conclusion implicit in the studies of the House Ways and Means Committee incorporated in the Tax Revision Compendium of 1959 and adopted in the President's first Tax Message in

evidence that stimulating of consumer demand will not result in inflation and is evidence that stimulating consumer demand is entirely in order.

But the estimates of excess capacity obtained from interviews with businessmen or from a careful analysis of historical developments are not without meaning. We have evidence that excess capacity is widespread throughout the manufacturing sector of the economy, so that this sector was operating at only 83 percent of capacity in September, 1962. When compared with the average preferred operating rate for all manufacturing industries -- which is variously said to be 90 and 94 percent -- this 83 percent operating rate indicates a considerable amount of excess capacity -- enough so that errors of measurement cannot be made to disappear.

The fact that we have this excess capacity -- last September only three of fifteen manufacturing industries were within five points of their preferred rates -- is

for old projects or new capacity for new products more inviting. For a tax cut which only adds to saving will not produce the early intensification of investment that is so vitally needed if an economy is to grow.

There are some who argue we are in a full employment situation and have been since roughly the beginning of 1962. This argument is based on a contention that there is no unemployment of capital, no excess capacity in manufacturing and other industries.

What is being argued is that the economic recovery of 1961-62 slowed down so dramatically in 1962 because the economy exhausted its industrial capacity -- ran out of capital -- and so could increase output only slowly.

The diagnosis is incorrect. There is excess capacity today. How much no one really knows for who can say down to the last machine how much there might be in the entire economy?

consumer must be increased to utilize present productive capacity fully so that additions to productive capacity will be worthwhile.

Of course, if the economic situation were different -- if all of our economy's resources were fully employed -- strengthening of consumer demand would not be important to investment.

But we do not have a full employment economy, and those who argue on the assumption that we have are mistaken. There is room for a two-fold attack on the problem of getting higher levels of investment. Corporate and individual income tax laws can and should be changed to make investment more profitable. And individual income tax laws should be changed in such a way that consumer demand is strengthened, thereby making utilization of existing capacity more profitable and additional capacity

assure maximum profits or increasing volume by modernization of high cost plant or increasing new capacity will be felt.

The effect of a lower scale of corporate and individual tax rates plus lower rates on capital gains will be increasing incentive and initiative to earn the marginal dollar by increasing investment and risk-taking. The market rather than tax consequences will tend to become more of a prime determining factor of economic decision.

The Administration realized that if the United States is to grow more rapidly in the future as it surely must, investment will have to proceed at a faster pace. And the Administration also recognizes that if investment is to grow, the tax environment in which investors live will have to be more favorable. That is what we are striving for.

But to encourage investment, strengthening of consumer demand also is required. The purchasing power of the

rate.) This reduction of fifteen points is a reduction of about thirty percent relative to the present tax rate of 52 percent.

Another way to look at the effect of the 1962 program coupled with this year's proposals is to note that the improvement in profitability of new investment resulting from the 1962 program is estimated at 20 percent. The five point reduction proposed by the President adds an additional ten percent subject to the reservation expressed above, to bring the total improvement in after-tax profitability to close to thirty percent.

The resulting increase in return on business investment after taxes from the 1962 action and the proposed program should bring many hitherto marginal investment opportunities into an attractive range, particularly as increasing demand moves up volume and opportunity. Also, the pressure to

benefits in the lower individual rate scales affecting upwards of four million self-employed and unincorporated businesses.

George Terborgh pointed out in his study "New Investment Incentives", published by MAPI, that last year's depreciation reform and investment credit together provided the equivalent of a tax rate reduction on income from new investment of ten percentage points. Adding the five percentage point reduction in the corporate tax rate contained in the President's tax program brings the total reduction with respect to income from new investment in machinery and equipment to approximately fifteen percentage points.

(It is approximately fifteen percent because with the lower tax rate the more liberal depreciation provides a somewhat smaller tax saving than was true under a 52 percent

The cut in the individual tax load amounts to about $8.7 billion, with $5.5 billion going to the taxpayers earning under $10,000 a year. These are the bulk of the consumers, and almost all of their tax cut can be expected to directly enter the spending stream with its multiplier and accelerator effects. American consumers traditionally spend a large percentage (92 to 94 percent) of their after-tax or disposable income.

Corporations will benefit from rate reduction by $2.4 billion at current levels of profit. Add this to the $2.1 billion reduction in tax liabilities that corporations received last year as a result of depreciation reform and the investment tax credit, and you get a total tax relief for corporations of nearly $4.5 billion. This would amount to a reduction in corporate tax liabilities of nearly eighteen percent. In addition there are business

It is estimated that the speed-up when fully effective, will cost corporations about $10 to $15 million annually. Many companies now set aside funds to pay their taxes as they earn the income on which the taxes are due; and typically corporations then invest these funds in interest-bearing securities or in bank accounts that pay interest. What these corporations will lose by the speed-up in tax payments is just the interest on the funds they now set aside for tax payments.

If all the tax proposals are adopted there obviously will be less need for individuals to seek capital gains treatment of ordinary income, primarily because of the across-the-board reduction in individual rates to a 14-65 percent range, a reduction of 29 percent in the highest bracket, accompanied by appropriate reductions in the middle and low income ranges.

result in greater efficiency, an increased flow of new and improved products and an improvement in our balance of payments position.

So that some of the revenue losses implicit in the provisions I have outlined can be offset, while the proposed level of tax liability is unaffected, the President also has proposed a speeding up of corporate tax payments. There is provision, though, for a gradual transition from present arrangements to an arrangement under which corporations will be on a fully current tax basis, just as individual taxpayers are right now. This speeding up of corporate tax payments will impose only a small tax burden on corporations, although it will mean a great deal to the fiscal feasibility of the corporate program.

3. There is a proposal to eliminate the present two percent tax on consolidated net income of affiliated corporate groups filing consolidated returns plus a plan to repeal the present tax on intercorporate dividends -- of dividends which do not go outside particular families of corporations.

4. A significant provision would allow corporations to treat expenditures for machinery and equipment used directly and specifically for research and development as current expenses. Such a change from present treatment should provide a measure of greatly needed encouragement to civilian research and development which is badly needed in many sectors of the economy and should

2. The program contains a provision providing immediate and substantial benefit to the 450,000 small corporations in the United States with earnings of less than $25,000 per year. For 1963, the present normal tax of 30 percent, applicable to the first $25,000 of taxable corporate income, would drop to 22 percent. Thus, an immediate tax reduction of almost 27 percent would be provided small corporations -- those corporations that generally have least ready access to capital markets and are consequently most dependent on internally generated funds for the financing of their investment projects.

Finally, and of signal importance is the balance in the tax program between demand and investment at all levels of effort and output. The tax program offers additional direct incentives to investors and makes it possible for consumers to buy more of the goods and services produced by American businessmen.

It ignores neither buyer nor investor, and that is as it should be.

But before going into further discussion of the investor-demand factor, I would like to summarize some of the main features in the program applying to business:

1. The program reduces corporate income tax rates from the present 52 percent to 47 percent, a $2.4 billion cut which amounts to an increase in after-tax earnings of corporations of just over 10 percent.

To limit the tax program to the scale of rate reduction achievable through net tax reduction (approximately $9 billion) and forego the opportunity to achieve an additional $4.6 billion in deeper rate reductions is to accept a second best result in the most important tax reform -- a lower rate structure.

To forego the opportunity provided by rate reduction to achieve other structural reforms to promote equity, eliminate special preference no longer compatiable with rate reduction, and make the market rather than the tax system the allocator of resources and effort is to lose the most practicable opportunity of a decade for achieving the other reforms. These are some of the reasons why a balanced tax revision program of reduction and reform is worth the extra effort involved.

reduce special privileges, thereby broadening the base of taxable income and increasing revenue. The net result of all these changes will be an increase in revenues of approximately $3.3 billion. These increased revenues will offset a portion of the $13.6 billion cost of the rate reforms, and it is our conviction that the $10.3 billion balance is the maximum revenue cost that can safely be accepted. Therefore, failure to raise revenue through structural reform will necessarily require an upward revision of the recommended rate structure.

Such high rates would be unfortunate since there seems to be a broad measure of agreement that the individual rate structure that we have proposed is what is required to spur economic growth. Higher marginal rates decrease incentives for effort and risk-taking, and thus would not be as effective in solving the overall probl

The President's program attacks this problem using two approaches. We recommend lowering the rates, and because that will eliminate or minimize the need for the special tax preferences, we seek to remove some of them. The ultimate goal of a sound tax policy in the economic environment of the Sixties should be to reach the lowest scale of rates feasible and to divest the tax system of provisions that misallocate resources, result in unnecessary hardship, give unfair advantage to a particular group or groups and unnecessarily complicate an already complicated situation.

A number of changes -- minimum standard deduction -- child care -- aged provisions -- are designed specifically to rectify hardship. They will result in revenue losses totaling $790 million. Other reforms will eliminate or

balanced budgets and surpluses consistent with national security and leadership in space.

Third in the list of balancing features is tax reduction and reform. There is general agreement among those who study our tax system that the level of rates is too high, up and down the scale from "top to bottom," individual and corporate. It is because of the onerous 91 percent individual top and the 52 percent corporate maximum that loopholes, tax preferences and special privileges were written into law or pre-existing provisions increasingly utilized to evade the tax base.

soon substantially surpass their pre-tax cut level, or eventually the level they would have reached on a slow growth pattern, or even sooner, the level they would reach in event of an intervening recession.

If, for example, we should slide into another recession, pulling annual GNP down by as little as three percent, the deficit would increase twice as much. In other words, the deficit, without a tax cut would then be far higher than the projected deficit we face with a tax cut. We accept the additional slice of deficits that are a consequence of the tax program very reluctantly - in the conviction that this program is the course best designed to promote a continued, steady and increased rate of economic advance and the surest route to

This choice of a phased rate reduction program along with recommending reforms designed to offset about a quarter of the cost of rate reductions, should serve clearly to rebut any assumption that the tax reduction program was aimed at enlarging the budget or prolonging deficit financing.

The fiscal advantage of including the so-called structural reforms is at least as important as their other merits in terms of equity and tax policy.

Given the accompanying policy of expenditure control described, and the features of fiscal balance incorporated in the tax program itself, the enactment of the tax program this year would seem to be the most fiscally balanced course to follow. For, once the tax brake is released, the base of taxable income, wages and profits should grow at an even faster rate than before -- and revenues should

(3) The extension of the principle of user charges.

(4) Intensive emphasis on efficiency and cost reductions throughout the government.

With the close cooperation of the President and the Congress in holding down expenditures, barring an unexpected worsening in the cold war, the tax program and the related program of expenditure control are feasible and consistent with the national interest.

To effect additional fiscal balance, apart from expenditure control, the tax program itself is designed to minimize the budgetary impact of revenue losses. A three-year approach was mapped out to avoid an overly sharp drop in budgetary receipts for fiscal 1964-65 and to keep the temporary increase in the deficit at a level which is manageable and compatible with stability.

are under intensive study. While it would be premature to speculate on the likely trend of these expenditures, several countries already have passed the critical stage in their progression to self-sustaining growth and should soon be able to move ahead without further aid.

Expenditures in other areas -- broadly the "domestic" sector -- will be affected by a large number of pluses and minuses. It will be a clear responsibility to find enough minuses to offset the pluses resulting from the need to carry out, at an effective level, programs essential to the nation's progress and well-being. The funds needed to finance these programs should be found in large part through four major types of savings:

(1) The substitution of private for public credit.

(2) Reduction in expenditure in existing programs whose relative urgency has diminished with changing times and pertinence.

expenditures to a rate substantially below the rate of increase in revenues to be a practical objective consistent with the national interest.

There are important reasons to expect there will be a slow-down in the rise of defense expenditures. We are reaching a new plateau of readiness in both our strategic and limited war capability. While expenditures will continue to rise in some areas, such as research, these increases will be balanced by reduction in other areas and by other savings. The result will be a sharply increased defense effectiveness per dollar of outlay.

While another sharp increase in space expenditures will occur in 1965, this increase will be less than 1964. Interest payments can also be expected to rise somewhat as a result of the transitory deficits on our way to a balanced budget. Foreign economic assistance expenditures

basement approach or by an arbitrary budget ceiling. Nevertheless, military spending has no immunity to searching examination as to needs, costs and alternatives. Improvements in the Defense Department supply and logistics program, alone, will result in savings of $3-1/2 billion in 1965, an amount that will pay the entire cost of the President's legislative program in Congress. Inventory reforms, improvements in maintenance procedures, elimination of unneeded activities and the closing of unnecessary installations yielded a 1964 budget saving of about three-quarters of a billion dollars, so that the rise in defense effectiveness is much greater than the increase in expenditures.

A consideration of the outlook for future expenditures shows the President's policy of holding the rise in total

Expenditures for programs other than defense, space and interest have been held slightly below last year by taking what was most urgent and reducing or eliminating what was not -- the fourth time this has occurred in fifteen years -- against a background in which the average increase in this sector of the budget has been 7.5 percent per annum for the last nine years.

Although proposed defense outlays in fiscal 1964 are some $2.4 billion above outlays for 1963, many billions of dollars in proposed programs were eliminated because the President and the Secretary of Defense were convinced that their benefits in terms of a stronger defense did not warrant their costs.

National security in the modern world cannot be bought cheaply, and it is too precious to risk by a bargain

continue, and indeed intensify our effort
to include in our fiscal program only those
expenditures which meet strict criteria of
fulfilling important national needs."

This Administration had hoped to seek a tax reduction in the atmosphere of a balanced budget. But it was necessary, because of national security, to augment sharply our nuclear and armed forces, step up our efforts in space, and meet the costs of servicing a national debt that has grown larger as a result of those imperatives. This budgets big three accounts for $70 billion of the $98.8 billion budget and their increased needs have accounted for nearly 73 percent of the total expenditure increases occurring in this Administration.

In answering a question last Monday, he reaffirmed his judgment that "what we need is the bill this year" and that "the best bill that can be gotten is the one we recommended."

As for fiscal balance, the President has made it perfectly clear that the prospect of expanding economic activity and rising Federal revenues in the future does not mean that Federal outlays should rise in proportion to such revenue increases. He said in his Budget Message:

> "As the tax cut becomes fully effective and the economy climbs toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit. Although it will be necessary to increase certain expenditures, we shall

recession, and effects of such a recession would be far more severe if no tax program is enacted this year.

We do not want a hasty, unbalanced tax cut because what is required is to make a real beginning on a permanent restructuring of our tax system to lighten the repressive weight of Federal taxation and high tax rates on our economy. A "quickie" tax cut would not give us this permanent restructuring.

The President in his State of the Union Message gave a full first priority to tax reduction and reform this year. In his Tax Message he recommended not a "quickie" tax cut but a program for a full scale and permanent restructuring of our income tax system, featuring rate reduction through net tax reduction and base broadening reforms. The President said then, "this program is designed to achieve broad acceptance and prompt enactment."

Fourth, it balances incentives to investment with stimulus to demand.

Timing is essential. To delay, to do nothing, would lead at best to continued slow growth, to continued high unemployment, to a continued underemployment of both men and machines, to inadequate demand and investment and to continued substantial budgetary deficits or unmet national needs. At worst, to delay or do nothing might increase the risk of recession.

This Administration is not saying a recession is imminent, but we cannot overlook the fact that we are in a period of cyclical danger.

Secretary Dillon declared last week he did not see a recession in 1963 or any time in the future. But the Secretary added, "chances would be greater" for future

as the President himself has said, "to expand demand among both investors and consumers, to boost the economy, in both the short-run and the long-run, and to achieve in time both a balanced full-employment economy and a balanced Federal Budget."

The program is balanced in at least four major respects:

First, it is balanced in its timing: It is not a "quickie" or one-shot tax cut and it does not delay until the indefinite future necessary repairs of the tax system.

Second, it has fiscal balance: This Administration has proposed adding $2.7 billion for the tax cut -- within the bounds of safe budgeting -- to a budget in which government spending on all but defense, space and interest on the debt is curtailed.

Third, it is balanced between across-the-board rate reduction for individuals and corporations on the one hand, and necessary structural reform on the other.

The President's program is designed to deal positively with this problem. It is concerned with creating a tax system that is responsive to our current national requirements, that utilizes all existing resources, that leads to full employment and increased growth, that provides revenues for balanced budgets and surpluses, and an equilibrium in our balance of international payments in an atmosphere of greater incentive, equity between taxpayers, with market allocation being the governor rather than tax considerations.

The role of this tax proposal is to unleash the expansionary forces that render the economy fully capable of discharging its responsibilities at home and throughout the Free World.

This is the principle on which the President's tax program was formulated. It is a balanced program, designed

REMARKS OF THE HONORABLE HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, BEFORE THE 13TH ANNUAL MIDYEAR CONFERENCE, TAX EXECUTIVES INSTITUTE, INC., MAYFLOWER HOTEL, WASHINGTON, D.C., SUNDAY, MARCH 3, 1963, 7:30 P.M. (EST)

The President has proposed a comprehensive program of rate reduction and reform to improve the tax system and make it an integral part of a sound and consistent fiscal program that recognizes both our internal and external needs.

As tax executives, you know our present tax structure is full of discouragements, distortions, complexities, and inequities. It is not doing the job required of it.

The American economy since 1957 has been sluggish because total demand has been sluggish and capital investment inadequate. We are not producing each year at least 30 billions of dollars of wealth that we have the labor and resources to produce.

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, BEFORE THE 13TH ANNUAL MIDYEAR CONFERENCE, TAX EXECUTIVES INSTITUTE, INC., MAYFLOWER HOTEL, WASHINGTON, D. C., SUNDAY, MARCH 3, 1963, 7:30 P.M. (EST)

The President has proposed a comprehensive program of rate reduction and reform to improve the tax system and make it an integral part of a sound and consistent fiscal program that recognizes both our internal and external needs.

As tax executives, you know our present tax structure is full of discouragements, distortions, complexities, and inequities. It is not doing the job required of it.

The American economy since 1957 has been sluggish because total demand has been sluggish and capital investment inadequate. We are not producing each year at least 30 billions of dollars of wealth that we have the labor and resources to produce.

The President's program is designed to deal positively with this problem. It is concerned with creating a tax system that is responsive to our current national requirements, that utilizes all existing resources, that leads to full employment and increased growth, that provides revenues for balanced budgets and surpluses, and an equilibrium in our balance of international payments in an atmosphere of greater incentive, equity between taxpayers, with market allocation being the governor rather than tax considerations.

The role of this tax proposal is to unleash the expansionary forces that render the economy fully capable of discharging its responsibilities at home and throughout the Free World.

This is the principle on which the President's tax program was formulated. It is a balanced program, designed as the President himself has said, "to expand demand among both investors and consumers, to boost the economy, in both the short-run and the long-run, and to achieve in time both a balanced full-employment economy and a balanced Federal Budget."

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The program is balanced in at least four major respects:

First, it is balanced in its timing: It is not a "quickie" or one-shot tax cut and it does not delay until the indefinite future necessary repairs of the tax system.

Second, it has fiscal balance: This Administration has proposed adding $2.7 billion for the tax cut -- within the bounds of safe budgeting -- to a budget in which government spending on all but defense, space and interest on the debt is curtailed.

Third, it is balanced between across-the-board rate reduction for individuals and corporations on the one hand, and necessary structural reform on the other.

Fourth, it balances incentives to investment with stimulus to demand.

Timing is essential. To delay, to do nothing, would lead at best to continued slow growth, to continued high unemployment, to a continued underemployment of both men and machines, to inadequate demand and investment and to continued substantial budgetary deficits or unmet national needs. At worst, to delay or do nothing might increase the risk of recession.

This Administration is <u>not</u> saying a recession is imminent, but we cannot overlook the fact that we are in a period of cyclical danger.

Secretary Dillon declared last week he did not see a recession in 1963 or any time in the future. But the Secretary added, "chances would be greater" for future recession, and effects of such a recession would be far more severe if no tax program is enacted this year.

We do not want a hasty, unbalanced tax cut because what is required is to make a real beginning on a permanent restructuring of our tax system to lighten the repressive weight of Federal taxation and high tax rates on our economy. A "quickie" tax cut would not give us this permanent restructuring.

The President in his State of the Union Message gave a full first priority to tax reduction and reform this year. In his Tax Message he recommended not a "quickie" tax cut but a program for a full scale and permanent restructuring of our income tax system, featuring rate reduction through net tax reduction and base broadening reforms. The President said then, "this program is designed to achieve broad acceptance and prompt enactment."

In answering a question last Monday, he reaffirmed his judgment that "what we need is the bill this year" and that "the best bill that can be gotten is the one we recommended."

As for fiscal balance, the President has made it perfectly clear that the prospect of expanding economic activity and rising Federal revenues in the future does not mean that Federal outlays should rise in proportion to such revenue increases. He said in his Budget Message:

> "As the tax cut becomes fully effective and the economy climbs toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit. Although it will be necessary to increase certain expenditures, we shall continue, and indeed intensify our effort to include in our fiscal program only those expenditures which meet strict criteria of fulfilling important national needs."

This Administration had hoped to seek a tax reduction in the atmosphere of a balanced budget. But it was necessary, because of national security, to augment sharply our nuclear and armed forces, step up our efforts in space, and meet the costs of servicing a national debt that has grown larger as a result of those imperatives. This budgetary big three accounts for $70 billion of the $98.8 billion budget and their increased needs have accounted for nearly 73 percent of the total expenditure increases occurring in this Administration.

Expenditures for programs other than defense, space and interest have been held slightly below last year by taking what was most urgent and reducing or eliminating what was not -- the fourth time this has occurred in fifteen years -- against a background in which the average increase in this sector of the budget has been 7.5 percent per annum for the last nine years.

Although proposed defense outlays in fiscal 1964 are some $2.4 billion above outlays for 1963, many billions of dollars in proposed programs were eliminated because the President and the Secretary of Defense were convinced that their benefits in terms of a stronger defense did not warrant their costs.

National security in the modern world cannot be bought cheaply, and it is too precious to risk by a bargain basement approach or by an arbitrary budget ceiling. Nevertheless, military spending has no immunity to searching examination as to needs, costs and alternatives. Improvements in the Defense Department supply and

logistics program, alone, will result in savings of $3-1/2 billion in 1965, an amount that will pay the entire cost of the President's legislative program in Congress. Inventory reforms, improvements in maintenance procedures, elimination of unneeded activities and the closing of unnecessary installations yielded a 1964 budget saving of about three-quarters of a billion dollars, so that the rise in defense effectiveness is much greater than the increase in expenditures.

A consideration of the outlook for future expenditures shows the President's policy of holding the rise in total expenditures to a rate substantially below the rate of increase in revenues to be a practical objective consistent with the national interest.

There are important reasons to expect there will be a slowdown in the rise of defense expenditures. We are reaching a new plateau of readiness in both our strategic and limited war capability. While expenditures will continue to rise in some areas, such as research, these increases will be balanced by reduction in other areas and by other savings. The result will be a sharply increased defense effectiveness per dollar of outlay.

While another sharp increase in space expenditures will occur in 1965, this increase will be less than 1964. Interest payments can also be expected to rise somewhat as a result of the transitory deficits on our way to a balanced budget. Foreign economic assistance expenditures are under intensive study. While it would be premature to speculate on the likely trend of these expenditures, several countries already have passed the critical stage in their progression to self-sustaining growth and should soon be able to move ahead without further aid.

Expenditures in other areas -- broadly the "domestic" sector -- will be affected by a large number of pluses and minuses. It will be a clear responsibility to find enough minuses to offset the pluses resulting from the need to carry out, at an effective level, programs essential to the nation's progress and well-being. The funds needed to finance these programs should be found in large part through four major types of savings:

(1) The substitution of private for public credit.

(2) Reduction in expenditure in existing programs whose relative urgency has diminished with changing times and pertinence.

(3) The extension of the principle of user charges.

(4) Intensive emphasis on efficiency and cost reductions throughout the government.

With the close cooperation of the President and the Congress in holding down expenditures, barring an unexpected worsening in the cold war, the tax program and the related program of expenditure control are feasible and consistent with the national interest.

To effect additional fiscal balance, apart from expenditure control, the tax program itself is designed to minimize the budgetary impact of revenue losses. A three-year approach was mapped out to avoid an overly sharp drop in budgetary receipts for fiscal 1964-65 and to keep the temporary increase in the deficit at a level which is manageable and compatible with stability.

This choice of a phased rate reduction program along with recommending reforms designed to offset about a quarter of the cost of rate reductions, should serve clearly to rebut any assumption that the tax reduction program was aimed at enlarging the budget or prolonging deficit financing.

The fiscal advantage of including the so-called structural reforms is at least as important as their other merits in terms of equity and tax policy.

Given the accompanying policy of expenditure control described, and the features of fiscal balance incorporated in the tax program itself, the enactment of the tax program this year would seem to be the most fiscally balanced course to follow. For, once the tax brake is released, the base of taxable income, wages and profits should grow at an even faster rate than before -- and revenues should soon substantially surpass their pre-tax cut level, or eventually the level they would have reached on a slow growth pattern, or even sooner, the level they would reach in event of an intervening recession.

If, for example, we should slide into another recession, pulling annual GNP down by as little as three percent, the deficit would increase twice as much. In other words, the deficit, without a tax cut would then be far higher than the projected deficit we face with a tax cut. We accept the additional slice of deficits that are a consequence of the tax program very reluctantly -- in the conviction that this program is the course

best designed to promote a continued, steady and increased rate of economic advance and the surest route to balanced budgets and surpluses consistent with national security and leadership in space.

Third in the list of balancing features is tax reduction and reform. There is general agreement among those who study our tax system that the level of rates is too high, up and down the scale from "top to bottom," individual and corporate. It is because of the onerous 91 percent individual top and the 52 percent corporate maximum that loopholes, tax preferences and special privileges were written into law or pre-existing provisions increasingly utilized to evade the tax base.

The President's program attacks this problem using two approaches. We recommend lowering the rates, and because that will eliminate or minimize the need for the special tax preferences, we seek to remove some of them. The ultimate goal of a sound tax policy in the economic environment of the Sixties should be to reach the lowest scale of rates feasible and to divest the tax system of provisions that misallocate resources, result in unnecessary hardship, give unfair advantage to a particular group or groups and unnecessarily complicate an already complicated situation.

A number of changes -- minimum standard deduction -- child care -- aged provisions -- are designed specifically to rectify hardship. They will result in revenue losses totaling $790 million. Other reforms will eliminate or reduce special privileges, thereby broadening the base of taxable income and increasing revenue. The net result of all these changes will be an increase in revenues of approximately $3.3 billion. These increased revenues will offset a portion of the $13.6 billion cost of the rate reforms, and it is our conviction that the $10.3 billion balance is the maximum revenue cost that can safely be accepted. Therefore, failure to raise revenue through structural reform will necessarily require an upward revision of the recommended rate structure.

Such high rates would be unfortunate since there seems to be a broad measure of agreement that the individual rate structure that we have proposed is what is required to spur economic growth. Higher marginal rates decrease incentives for effort and risk-taking, and thus would not be as effective in solving the overall problem.

To limit the tax program to the scale of rate reduction achievable through net tax reduction (approximately $9 billion) and forego the opportunity to achieve an additional $4.6 billion in deeper rate reductions is to accept a second best result in the most important tax reform -- a lower rate structure.

To forego the opportunity provided by rate reduction to achieve other structural reforms to promote equity, eliminate special preference no longer compatiable with rate reduction, and make the market rather than the tax system the allocator of resources and effort is to lose the most practicable opportunity of a decade for achieving the other reforms. These are some of the reasons why a balanced tax revision program of reduction and reform is worth the extra effort involved.

Finally, and of signal importance is the balance in the tax program between demand and investment at all levels of effort and output. The tax program offers additional direct incentives to investors and makes it possible for consumers to buy more of the goods and services produced by American businessmen.

It ignores neither buyer nor investor, and that is as it should be.

But before going into further discussion of the investor-demand factor, I would like to summarize some of the main features in the program applying to business:

1. The program reduces corporate income tax rates from the present 52 percent to 47 percent, a $2.4 billion cut which amounts to an increase in after-tax earnings of corporations of just over 10 percent.

2. The program contains a provision providing immediate and substantial benefit to the 450,000 small corporations in the United States with earnings of less than $25,000 per year. For 1963, the present normal tax of 30 percent, applicable to the first $25,000 of taxable corporate income, would drop to 22 percent. Thus, an immediate tax reduction of almost 27 percent would be provided small corporations -- those corporations that generally have least ready access to capital markets and are consequently most dependent on internally generated funds for the financing of their investment projects.

3. There is a proposal to eliminate the present two percent tax on consolidated net income of affiliated corporate groups filing consolidated returns plus a plan to repeal the present tax on intercorporate dividends -- of dividends which do not go outside particular families of corporations.

4. A significant provision would allow corporations to treat expenditures for machinery and equipment used directly and specifically for research and development as current expenses. Such a change from present treatment should provide a measure of greatly needed encouragement to civilian research and development which is badly needed in many sectors of the economy and should result in greater efficiency, an increased flow of new and improved products and an improvement in our balance of payments position.

So that some of the revenue losses implicit in the provisions I have outlined can be offset, while the proposed level of tax liability is unaffected, the President also has proposed a speeding up of corporate tax payments. There is provision, though, for a gradual transition from present arrangements to an arrangement under which corporations will be on a fully current tax basis, just as individual taxpayers are right now. This speeding up of corporate tax payments will impose only a small tax burden on corporations, although it will mean a great deal to the fiscal feasibility of the corporate program.

It is estimated that the speed-up when fully effective, will cost corporations about $10 to $15 million annually. Many companies now set aside funds to pay their taxes as they earn the income on which the taxes are due; and typically corporations then invest these funds in interest-bearing securities or in bank accounts that pay interest. What these corporations will lose by the speed-up in tax payments is just the interest on the funds they now set aside for tax payments.

If all the tax proposals are adopted there obviously will be less need for individuals to seek capital gains treatment of ordinary income, primarily because of the across-the-board reduction in individual rates to a 14-65 percent range, a reduction of 29 percent in the highest bracket, accompanied by appropriate reductions in the middle and low income ranges.

The cut in the individual tax load amounts to about $8.7 billion, with $5.5 billion going to the taxpayers earning under $10,000 a year. These are the bulk of the consumers, and almost all of their tax cut can be expected to directly enter the spending stream with its multiplier and accelerator effects. American consumers traditionally spend a large percentage (92 to 94 percent) of their after-tax or disposable income.

Corporations will benefit from rate reduction by $2.4 billion at current levels of profit. Add this to the $2.1 billion reduction in tax liabilities that corporations received last year as a result of depreciation reform and the investment tax credit, and you get a total tax relief for corporations of nearly $4.5 billion. This would amount to a reduction in corporate tax liabilities of nearly eighteen percent. In addition there are business benefits in the lower individual rate scales affecting upwards of four million self-employed and unincorporated businesses.

George Terborgh pointed out in his study "New Investment Incentives", published by MAPI, that last year's depreciation reform and investment credit together provided the equivalent of a tax rate reduction on income from new investment of ten percentage points. Adding the five percentage point reduction in the corporate tax rate contained in the President's tax program brings the total reduction with respect to income from new investment in machinery and equipment to approximately fifteen percentage points.

(It is approximately fifteen percent because with the lower tax rate the more liberal depreciation provides a somewhat smaller tax saving than was true under a 52 percent rate.) This reduction of fifteen points is a reduction of about thirty percent relative to the present tax rate of 52 percent.

Another way to look at the effect of the 1962 program coupled with this year's proposals is to note that the improvement in profitability of new investment resulting from the 1962 program is estimated at 20 percent. The five point reduction proposed by the President adds an additional ten percent subject to the reservation expressed above, to bring the total improvement in after-tax profitability to close to thirty percent.

The resulting increase in return on business investment after taxes from the 1962 action and the proposed program should bring many hitherto marginal investment opportunities into an attractive range, particularly as increasing demand moves up volume and

opportunity. Also, the pressure to assure maximum profits or increasing volume by modernization of high cost plant or increasing new capacity will be felt.

The effect of a lower scale of corporate and individual tax rates plus lower rates on capital gains will be increasing incentive and initiative to earn the marginal dollar by increasing investment and risk-taking. The market rather than tax consequences will tend to become more of a prime determining factor of economic decision.

The Administration realized that if the United States is to grow more rapidly in the future as it surely must, investment will have to proceed at a faster pace. And the Administration also recognizes that if investment is to grow, the tax environment in which investors live will have to be more favorable. That is what we are striving for.

But to encourage investment, strengthening of consumer demand also is required. The purchasing power of the consumer must be increased to utilize present productive capacity fully so that additions to productive capacity will be worthwhile.

Of course, if the economic situation were different -- if all of our economy's resources were fully employed -- strengthening of consumer demand would not be important to investment.

But we do not have a full employment economy, and those who argue on the assumption that we have are mistaken. There is room for a two-fold attack on the problem of getting higher levels of investment. Corporate and individual income tax laws can and should be changed to make investment more profitable. And individual income tax laws should be changed in such a way that consumer demand is strengthened, thereby making utilization of existing capacity more profitable and additional capacity for old projects or new capacity for new products more inviting. For a tax cut which only adds to saving will not produce the early intensification of investment that is so vitally needed if an economy is to grow.

There are some who argue we are in a full employment situation and have been since roughly the beginning of 1962. This argument is based on a contention that there is no unemployment of capital, no excess capacity in manufacturing and other industries.

What is being argued is that the economic recovery of 1961-62 slowed down so dramatically in 1962 because the economy exhausted its industrial capacity -- ran out of capital -- and so could increase output only slowly.

The diagnosis is incorrect. There is excess capacity today. How much no one really knows for who can say down to the last machine how much there might be in the entire economy?

But the estimates of excess capacity obtained from interviews with businessmen or from a careful analysis of historical developments are not without meaning. We have evidence that excess capacity is widespread throughout the manufacturing sector of the economy, so that this sector was operating at only 83 percent of capacity in September, 1962. When compared with the average preferred operating rate for all manufacturing industries -- which is variously said to be 90 and 94 percent -- this 83 percent operating rate indicates a considerable amount of excess capacity -- enough so that errors of measurement cannot be made to disappear.

The fact that we have this excess capacity -- last September only three of fifteen manufacturing industries were within five points of their preferred rates -- is evidence that stimulating of consumer demand will not result in inflation and is evidence that stimulating consumer demand is entirely in order.

Conclusion

During the past five years it has become increasingly clear that our present tax structure -- characterized by high levels of rates of income -- repressive at every level and type of income -- fastened on the economy to restrain war and postwar inflation -- designed to hold back consumer demand, initiative and investment -- now checks growth, invites recurrent recessions, depresses our Federal revenues and contributes to chronic budget deficits.

At the year's beginning there was a clear consensus -- which had crystalized during the preceding seven months following the slackening of expansion in early 1962 -- that the nation required major tax revision in 1963 -- a conclusion implicit in the studies of the House Ways and Means Committee incorporated in the Tax Revision Compendium of 1959 and adopted in the President's first Tax Message in April 1961. Those most knowledgeable about our tax system and its role in our economy -- in the Congress, in business management and finance, in labor leadership, in the law and accounting, and in the academic world -- have urged the enactment of a program which, in the words of the President's Tax Message of April 1961, would be: "Aimed at providing a broader and more uniform tax base, together with an appropriate rate structure . . ." which would put us "toward the goal of a higher rate of economic growth, a more equitable tax structure, and a simpler tax law."

Now the moment of truth is here and proposals generally responsive to these objectives have been submitted by the President to the Congress.

As is always the case with tax legislation, the season of hearings before the committee charged by the lower House, which is the body with Constitutional authority to originate revenue legislation, is hearing the anticipated differences of those in the private sector with the President's proposals. I submit these differences are and will be largely differences in degree and emphasis.

Those who wish a "quickie" or "one-shot" tax cut enacted immediately with permanent restructuring put off will contend with those who feel that an attempt should be made to solve all tax problems at once by the substitution of new systems of taxation or even more sweeping structural changes than those proposed. The President's program falls between these two extremes, being designed to achieve the best bill of tax reduction and reform that can be enacted this year.

Those who wish a substantially increased scale of Federal domestic expenditures in the 1964 fiscal year will contend with those who would abandon any tax program until the budget is balanced. The President's program falls between these two extremes to move forward on the priority job of tax revision -- within the bounds of fiscal discipline -- against the background of a budget in which government spending on all but defense, space and interest in the fiscal year 1964 is reduced and a policy of allocating a substantial part of revenue increases towards eliminating budgetary deficits.

Those who would confine tax revision to rate reduction made possible by base broadening will contend with those who would limit rate reduction to the amount that can be bought by net revenue losses. The President's program would seek the maximum rate reduction available through a combination of net tax reduction and base broadening reforms.

Those who believe that only incentives to investment are needed and that increased consumer demand to utilize idle capacity and manpower is unimportant will contend with those to whom a single sharp stimulus of consumer demand through tax reduction for the lower brackets is all that is necessary to solve our problem of slow growth. The President's program falls between these two extremes being designed to combine both incentives to investment with the stimulus to consumer demand.

In conclusion, may I suggest that the President's program is a balanced program on all of these issues where there are differences of degree and emphasis: It is balanced in its timing; it has fiscal balance, it has balance between rate reduction through net tax reduction and accompanying structural base broadening reforms; it balances incentives to investment with stimulus to demand.

Whatever the variants in degree and emphasis, I would hope that all those with responsibilities in this area, public or private, would never lose sight of the common objective -- a modification in the calendar year 1963 of our tax laws along the general lines proposed.

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For richer or poorer, the performance of the construction industry -- as of all our industry and all our people -- is indissolubly wedded to the performance of our economy. And how well our economy performs in the years ahead depends on how far we today can look beyond our parochial and conflicting self-interests to the larger self-interest common to us all that the President's tax program is well designed to serve.

beyond what the program would put in their pocketbook this year, next year, or 1965. If there is one thought I would like to leave with you today it is that you and, indeed, anyone seriously concerned with the economic welfare of this Nation should look very carefully at the tax program in the light of that welfare.

This program was not devised as a quick shot in the arm for a lagging economy. It was not devised as mere adrenalin to help us cope more readily with any difficulties in the immediate road ahead. It was designed for one purpose and one purpose alone -- to lift our economy onto another plane -- a plane on which it can move forward more consistently and more rapidly in the future than it has been able to in the past. This is the kind of economy that would give us more jobs, more sales, more income -- and more construction -- not only for next year or for the next two years, but for many years and perhaps for even decades to come.

some fashion. If one takes part of that $5 billion offset away, one must run the risk of a greater budgetary impact with the consequent fears of inflation that this may well raise in some quarters. Or one has another alternative -- one can whittle away at the rates themselves, thus blunting the overall thrust of the program by weakening its most essential part.

My point is, in short, that the reforms are an essential and integrated part of the entire program. Any effort to remove them -- in part or entirely -- is bound to have a price of its own. Those who oppose the reforms, whether they do so on ground of principle or because those reforms would interfere with the benefits they would otherwise receive from the rate reductions, should reflect upon the alternatives before they commit themselves irreparably. They should look beyond what the program means in terms of dollars and cents tax cuts. They should look

largest possible rate cuts within the limits of fiscal responsibility is to combine them with base-broadening tax reforms.

I do not mean to suggest that the Congress must accept the reforms in exactly the size and shape proposed by President Kennedy. As the President himself has noted, this is a matter for the Congress to decide. What I do mean is that every measure which whittles away at those reforms must be compensated for in

assure you, are an essential part of the overall program.

Everyone agrees that the tax program must include, as its most important element, substantial tax reduction and rate reduction. But not everyone realizes that the proposed reforms are vital -- not only in terms of equity, hardship relief and economic growth -- but to the very achievement of larger rate reductions than would be fiscally responsible without them. With the reforms it is possible to obtain rate cuts of $13.6 billion, together with additional help for the poor and aged which bring this figure well over $14 billion, at an overall cost of only $8.8 billion. The reforms -- including the gradual transition to a more current tax payment basis for corporations -- will, in other words, offset more than $5 billion -- well over a third -- of the budgetary impact of the most important part of the program, the rate reductions and hardship relief. The only way, therefore, to achieve the

prosperity and lower employment, would lessen the pressure on local and state budgets from welfare and relief costs, leaving more money available for other needs.

The point, I think, is abundantly clear: In the expanded economy which the President's tax program is fully capable of generating, the construction industry cannot help but thrive. But let me make it equally clear that the proposed tax program that can provide this stimulus is a program of tax reform as well as rate reduction. Nor should anyone deceive himself into believing that, without any of the proposed reforms, the tax program would be as effective as I have described it. The President himself has emphasized that of all the reforms the largest and the most important is rate reduction itself. This, however, should not be interpreted to suggest that the reforms are merely something added to the program as an after-thought with no importance in and of themselves. The reforms, I can

rates. This must be of more than passing importance to you in view of the increasing resistance to rises in state and local tax rates and bond issues for construction purposes.

Within a few years, the proposed tax program will lift our Gross National Product substantially over what it would otherwise be. Assuming that this additional growth would amount to $50 billion per annum, then this would mean an increase of 8 percent, or $3.5 billion, in tax revenues collected by states and local units at present effective rates. The State of Michigan, for instance, would realize $2.5 billion as its proportionate share of the GNP increase. Or should the induced increase in GNP reach only a range of $30 billion, then this would mean an increase of over 5 percent, or $2 billion, in state and local tax revenue. Michigan's proportionate share would be $1.5 billion. And throughout the country the reduction in Federal taxes, along with greater

Industry is, of course, not the only or even the largest market for the construction industry. But I think it is quite clear that in your other markets as well a similar process would occur. In 1962, for example, state and local governments financed $11.3 billion, or almost one-fifth, of all construction activity. Yet many state and local government units have found it increasingly difficult to finance, not only many new and needed projects, but needed expansions of present projects. New schools, new urban renewal developments, greater matching funds for highways, new roads, and many other programs suffer because state and local governments simply cannot find the revenues necessary to support them.

The economic expansion we anticipate as a result of the President's tax program offers a genuine opportunity for a healthy increase in state and local revenues to finance needed public construction without raising state and local tax

ditures, should they do no more than retain their present percentage of total output, to rise by roughly around $2-3 billion over the present $21.2 billion. But should a new and more brisk investment atmosphere restore to business construction the proportion of total output it held in the late Fifties, then we might expect expenditures to rise by more than twice that amount.

Certainly in a period of accelerated economic growth, which the tax program is designed to foster, industry will not find it sufficient to concentrate its investment in new equipment alone. For increased demand for present products, and the increased profitability of expanding present capital investment for existing goods and processes, would create a highly favorable atmosphere for new products and processes and the new plants needed to produce them.

investment demand can multiply throughout the economy, setting in motion forces of expansion that would otherwise remain inert. In this process, the incentives for productive investment would be heightened through enlarged demand and through reduced corporate tax rates which will increase after-tax profits. And the production of new machines and the building of new factories, offices, stores and apartments would further increase consumer incomes in the same way as would the expanded production of consumer goods.

No industry as large as the construction industry, as vital and as closely linked to the country's economic well-being, can afford to ignore these very real implications of the President's tax program. In the four quarters ending in the last quarter of 1962, our rate of economic growth was only 2.7 percent -- compare with our entire postwar average of 3.4 percent. If in 1964 we were merely to return to this postwar average -- and we fully expect to do better than that -- then by the end of that year we could expect business construction expenditures,

<u>Second</u>, the President's tax program offers, as a result, to virtually every American, and to every segment of our economy, heightened incentives and new opportunities -- the promise of expanding markets and the reality of higher profits -- the prospect of additional rewards for hard work and for intelligent risk taking -- all the benefits, in short, of an economy that is free to move and thrive on its own inherent power.

<u>Third</u>, the more than $8 billion reduction in the individual tax burden and the $2.3 billion reduction in the corporate tax burden would immediately boost both purchasing power in consumer markets and the savings and incentives for investment. These increases, in turn, have readily discernable implications. For as output and employment rise to meet new private demand they generate new incomes which, in turn, can be consumed or saved and invested. Thus the stimulus of a tax cut to both consumer and

of economic decisions -- and would open more widely the door to substantial increases in net disposable income after taxes. As the President has well said in his Tax Message:

"This will restore an idea that has helped make our country great -- that a person who devotes his efforts to increasing his income, thereby adding to the Nation's income and wealth, should be able to retain a reasonable share of the results."

The President's program will also, of course, reduce actual taxes paid. If the program were enacted exactly as it is today -- with both the proposed rate reductions and the reforms -- well over 99 percent of all taxpayers would enjoy a reduction, most of them a substantial reduction, in taxes.

as in the human sense, no man is an island -- and there is obviously not one of us personally and not one of our industries that will not prosper from an expanding economy.

Let me touch here briefly upon just three salient facts about the President's tax program that have too often been either obscured or ignored in the many and rather massive misunderstandings of various details in the program.

First, even more important than the actual tax savings for a given individual in a given year from the President's tax proposals is the substantial overall effect of the lowering of tax rates. More than simply reducing tax liabilities, the substantially lower rate scale offered by the tax program has the larger effect of greatly increasing the rewards for effort. The sizeable reductions of 20-30 percent in the top rates in every income bracket would increase effort and risk-taking -- would make the market, rather than tax consequences, the prime determinant

to economic growth that have hindered us in the past, and, if we do nothing, will hinder us with even greater consequence in the future. The President's proposed tax program offers us such an opportunity to remove what every major segment of our economy will agree has been one of our most formidable obstacles to growt a repressive tax structure which restricts much too tightly the rewards for investment and weighs heavily on every income level and in every area of our economy.

Let us not lose or diminish the very real opportunity which the President's program presents by creating obstacles of our own -- by focusing on one or two details which offend us and losing sight of the soundness and substantial promise of the program as a whole, or by forgetting that, in its major dimensio and in the stimulus it offers to the economy, the President's ta program will greatly benefit all of us. In the economic as well

These are some areas in which our slow economic growth rate has meant either diminished opportunities for the construction industry or opportunities that have failed to materialize. But had our economy over the past five of six years been operating at closer to capacity levels -- had it not been handicapped by war-time tax rates that were expressly designed to hold back consumer demand, initiative and investment -- had it been able, instead, to enjoy greater incentives for growth, had consumer disposable income and investment funds been greater, had economic decisions depended less on tax consequences and more on market factors -- then would more factories have been built, and more hospitals and more schools, and more roads, and more dams.

We cannot recover lost opportunities. But we can -- and we must -- seize every present opportunity to remove the obstacles

residential construction declined from 4.2 percent of total output in the late Fifties to 3.8 percent in 1962 -- when you note these and similar figures, it becomes unmistakably clear that the construction industry has in fact suffered a loss of potential growth in one of its prime markets. In the area of manufacture - to pin-point one specific construction market -- the average growth per year in our stock of business structures declined from 1.7 percent in the 1947-57 period to .4 percent in the 1957- period. As a major goods-producing segment of the economy, manufacture is of course highly sensitive to changes in consumer demand. And the constrained growth in consumer demand which we have witnessed in very recent years has caused, not only lagging investment in plants for goods and processes already in the mark but an even greater lag in plant investment for new products and processes.

Our stunted growth over the past five years has affected the construction industry directly and substantially -- depriving it of many potential opportunities, and reducing many of its actual sources, of growth -- even though the construction industry has resisted recessions better than some other industries.

Some of your choice markets, both actual and potential have suffered from the general slowdown in economic growth. Take business and construction as one example. When you note that total business fixed investment declined from an average of 10.3 percent of our total output in the late Fifties to only 8.6 percent in 1962; and that private non- residential

most other segments of our economy, you have done well. But as much as you have done, we need much more; and as well as you have done, you have not done as well as you might have had our rate of economic growth been greater and had we been spared the recessions that have visited us with increasing frequency in recent years.

Our growth rate of 2.7 percent from early 1955 to the present compares unfavorably with regular rates in Western European countries of 4, 5 and 6 percent, or our own earlier 4 percent trend even though our rate from 1960 to 1962 has been somewhat higher than the trend since 1955.

These differences in percentages sound insignificant, but their cumulative consequences are tremendous. A sustained rate of growth at 4 percent instead of 3 percent would mean that the economy would produce over the next ten years as a whole, in today's prices, almost $400 billion more of goods and services, with all that this would mean to family incomes, wages, profits, and governmental revenues.

amount was in private construction and nearly $18 billion in public construction. Equally striking is the fact that contract construction last year involved roughly 5 percent of the total employment in all non-farm establishments -- which was two-thirds greater employment, for example, than in the automobile and other transportation equipment industries.

But even these figures -- remarkable as they are -- are no adequate measure of how much you have done to help meet so many of our most crucial economic and human needs. You build the roads we travel on, our apartment buildings, our hospitals, the schools our children learn in, the plants that house our manufacturing might, the broad range of public works that are essential to a modern society. These you build -- and upon them all America builds.

No one can deny that in the past five years of retarded economic growth you have done much and that, in comparison with

REMARKS OF THE HONORABLE HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, AT THE ANNUAL CONVENTION OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, THE AMERICANA HOTEL, NEW YORK CITY, NEW YORK, MONDAY, MARCH 4, 1963, 3:45 P.M., EST

I welcome this opportunity to speak to you -- the leaders of one of America's largest and most vital industries -- about a subject which concerns all of you as deeply as it concerns all America -- the President's tax program as a stimulus to the growth of the economy in general and of the construction industry in particular.

The bald statistics alone describe eloquently and cogently not only how large a share of America's economic strength resides in the construction industry, but how inseparably linked as well is the growth of the construction industry with the overall growth of the economy. Last year, for example, total construction accounted for more than $61 billion, or more than 10 percent, of our Gross National Product. More than $43 billion of this

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

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No one can deny that in the past five years of retarded economic growth you have done much and that, in comparison with most other segments of our economy, you have done well. But as much as you have done, we need much more; and as well as you have done, you have not done as well as you might have had our rate of

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These are some areas in which our slow economic growth rate has meant either diminished opportunities for the construction industry or opportunities that have failed to materialize. But had our economy over the past five or six years been operating at

closer to capacity levels -- had it not been handicapped by wartime tax rates that were expressly designed to hold back consumer demand, initiative and investment -- had it been able, instead, to enjoy greater incentives for growth, had consumer disposable income and investment funds been greater, had economic decisions depended less on tax consequences and more on market factors -- then would more factories have been built, and more hospitals and more schools, and more roads, and more dams.

We cannot recover lost opportunities. But we can -- and we must -- seize every present opportunity to remove the obstacles to economic growth that have hindered us in the past, and, if we do nothing, will hinder us with even greater consequence in the future. The President's proposed tax program offers us such an opportunity to remove what every major segment of our economy will agree has been one of our most formidable obstacles to growth -- a repressive tax structure which restricts much too tightly the rewards for investment and weighs heavily on every income level and in every area of our economy.

Let us not lose or diminish the very real opportunity which the President's program presents by creating obstacles of our own -- by focusing on one or two details which offend us and losing sight of the soundness and substantial promise of the program as a whole, or by forgetting that, in its major dimensions and in the stimulus it offers to the economy, the President's tax program will greatly benefit all of us. In the economic as well as in the human sense, no man is an island -- and there is obviously not one of us personally and not one of our industries that will not prosper from an expanding economy.

Let me touch here briefly upon just three salient facts about the President's tax program that have too often been either obscured or ignored in the many and rather massive misunderstandings of various details in the program.

First, even more important than the actual tax savings for a given individual is a given year from the President's tax proposals is the substantial overall effect of the lowering of tax rates. More than simply reducing tax liabilities, the substantially lower rate scale offered by the tax program has the larger effect of greatly increasing the rewards for effort. The sizable reduction of 20-30 percent in the top rates in every income bracket would increase effort and risk-taking -- would make the market, rather than tax consequences, the prime determinant of economic decisions --

and would open more widely the door to substantial increases in net disposable income after taxes. As the President has well said in his Tax Message:

> "This will restore an idea that has helped make our country great -- that a person who devotes his efforts to increasing his income, thereby adding to the Nation's income and wealth, should be able to retain a reasonable share of the results."

The President's program will also, of course, reduce actual taxes paid. If the program were enacted exactly as it is today -- with both the proposed rate reductions and the reforms -- well over 99 percent of all taxpayers would enjoy a reduction, most of them a substantial reduction, in taxes.

Second, the President's tax program offers, as a result, to virtually every American, and to every segment of our economy, heightened incentives and new opportunities -- the promise of expanding markets and the reality of higher profits -- the prospect of additional rewards for hard work and for intelligent risk-taking -- all the benefits, in short, of an economy that is free to move and thrive on its own inherent power.

Third, the more than $8 billion reduction in the individual tax burden and the $2.3 billion reduction in the corporate tax burden would immediately boost both purchasing power in consumer markets and the savings and incentives for investment. These increases, in turn, have readily discernable implications. For as output and employment rise to meet new private demand they generate new incomes which, in turn, can be consumed or saved and invested. Thus the stimulus of a tax cut to both consumer and investment demand can multiply throughout the economy, setting in motion forces of expansion that would otherwise remain inert. In this process, the incentives for productive investment would be heightened through enlarged demand and through reduced corporate tax rates which will increase after-tax profits. And the production of new machines and the building of new factories, offices, stores and apartments would further increase consumer incomes in the same way as would the expanded production of consumer goods.

No industry as large as the construction industry, as vital and as closely linked to the country's economic well-being, can afford to ignore these very real implications of the President's tax program. In the four quarters ending in the last quarter of 1962, our rate of economic growth was only 2.7 percent -- compared with our entire postwar average of 3.4 percent. If in 1964 we were merely to return to this postwar average -- and we fully expect to do better than that -- then by the end of that year we could expect business construction expenditures, should they do no more than retain their present percentage of total output, to rise by roughly around $2-3 billion over the present $21.2 billion. But should a new and more brisk investment atmosphere restore to business construction the proportion of total output it held in the late Fifties, then we might expect expenditures to rise by more than twice that amount.

Certainly in a period of accelerated economic growth, which the tax program is designed to foster, industry will not find it sufficient to concentrate its investment in new equipment alone. For increased demand for present products, and the increased profitability of expanding present capital investment for existing goods and processes, would create a highly favorable atmosphere for new products and processes and the new plants needed to produce them.

Industry is, of course, not the only or even the largest market for the construction industry. But I think it is quite clear that in your other markets as well a similar process would occur. In 1962, for example, state and local governments financed $11.3 billion, or almost one-fifth, of all construction activity. Yet many state and local government units have found it increasingly difficult to finance, not only many new and needed projects, but needed expansions of present projects. New schools, new urban renewal developments, greater matching funds for highways, new roads, and many other programs suffer because state and local governments simply cannot find the revenues necessary to support them.

The economic expansion we anticipate as a result of the President's tax program offers a genuine opportunity for a healthy increase in state and local revenues to finance needed public construction without raising state and local tax rates. This must be of more than passing importance to you in view of the increasing resistance to rises in state and local tax rates and bond issues for construction purposes.

Within a few years, the proposed tax program will lift our Gross National Product substantially over what it would otherwise be. Assuming that this additional growth would amount to $50 billion per annum, then this would mean an increase of 8 percent, or $3.5 billion, in tax revenues collected by states and local units at present effective rates. The State of Michigan, for instance, would realize $2.5 billion as its proportionat share of the GNP increase. Or should the induced increase in GNP reach only a range of $30 billion, then this would mean an increase of over 5 percent, or $2 billion, in state and local tax revenue. Michigan's proportionate share would be $1.5 billion. And throughout the country the reduction in Federal taxes, along with greater prosperity and lower unemployment, would lessen the pressure on local and state budgets from welfare and relief costs, leaving more money available for other needs.

The point, I think, is abundantly clear: In the expanded economy which the President's tax program is fully capable of generating, the construction industry cannot help but thrive. But let me make it equally clear that the proposed tax program that can provide this stimulus is a program of tax reform as well as rate reduction. Nor should anyone deceive himself into believing that, without any of the proposed reforms, the tax program would be as effective as I have described it. The President himself has emphasized that of all the reforms the largest and the most important is rate reduction itself. This, however, should not be interpreted to suggest that the reforms are merely something added to the program as an after-thought with no importance in and of themselves. The reforms, I can assure you, are an essential part of the overall program.

Everyone agrees that the tax program must include, as its most important element, substantial tax reduction and rate reduction. But not everyone realizes that the proposed reforms are vital -- not only in terms of equity, hardship relief and economic growth -- but to the very achievement of larger rate reductions than would be fiscally responsible without them. With the reforms it is possible to obtain rate cuts of $13.6 billion, together with additional help for the poor and aged which bring this figure well over $14 billion, at an overall cost of only $8.8 billion. The reforms -- including the gradual transition to a more current tax payment basis for corporations -- will, in other words, offset more than $5 billion -- well over a third -- of the budgetary impact of the most important part of the program, the rate reductions and hardship relief. The only way, therefore, to achieve the largest possible rate cuts within the limits of fiscal responsibility is to combine them with base-broadening tax reforms.

I do not mean to suggest that the Congress must accept the reforms in exactly the size and shape proposed by President Kennedy. As the President himself has noted, this is a matter for the Congress to decide. What I do mean is that every measure which whittles away at those reforms must be compensated for in some fashion. If one takes part of that $5 billion offset away, one must run the risk of a greater budgetary impact with the consequent fears of inflation that this may well raise in some quarters. Or one has another alternative -- one can whittle away at the rates themselves, thus blunting the overall thrust of the program by weakening its most essential part.

My point is, in short, that the reforms are an essential and integrated part of the entire program. Any effort to remove them -- in part or entirely -- is bound to have a price of its own. Those who oppose the reforms, whether they do so on grounds of principle or because those reforms would interfere with the benefits they would otherwise receive from the rate reductions, should reflect upon the alternatives before they commit themselves irreparably. They would look beyond what the program means in terms of dollars and cents tax cuts. They should look beyond what the program would put in their pocketbook this year, next year, or 1965. If there is one thought I would like to leave with you today it is that you and, indeed, anyone seriously concerned with the economic welfare of this Nation should look very carefully at the tax program in the light of that welfare.

This program was not devised as a quick shot in the arm for a lagging economy. It was not devised as mere adrenalin to help us cope more readily with any difficulties in the immediate road ahead. It was designed for one purpose and one purpose alone -- to lift our economy onto another plane -- a plane on which it can move forward more consistently and more rapidly in the future than it has been able to in the past. This is the only kind of economy that would give us more jobs, more sales, more income -- and more construction -- not only for next year or for the next two years, but for many years and perhaps for even decades to come.

For richer or poorer, the performance of the construction industry -- as of all our industry and all our people -- is indissolubly wedded to the performance of our economy. And how well our economy performs in the years ahead depends on how far we today can look beyond our parochial and conflicting self-interests to the larger self-interest common to us all that the President's tax program is well designed to serve.

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, March 5, 1963.

March 4, 1963

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 6, 19[illegible] and the other series to be dated March 7, 1963, which were offered on February 27, were opened at the Federal Reserve Banks on March 4. Tenders were invited for $1,300,000,0[illegible] or thereabouts, of 91-day bills and for $800,000,000, 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 6, 1963		182-day Treasury bills maturing September 5, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv Annual Rate
High	99.274 a/	2.872%	98.522	2.924%
Low	99.264	2.912%	98.510	2.947%
Average	99.268	2.897% 1/	98.515	2.938% 1/

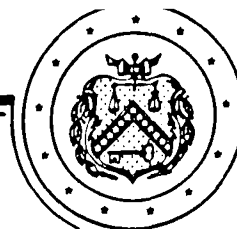
a/ Excepting one tender of $1,050,000
42 percent of the amount of 91-day bills bid for at the low price was accepted
77 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 25,203,000	$ 15,000,000	$ 16,040,000	$ 6,040,000
New York	1,428,949,000	890,709,000	1,147,342,000	648,270,000
Philadelphia	37,810,000	22,810,000	9,681,000	4,681,000
Cleveland	23,771,000	23,771,000	7,208,000	7,208,000
Richmond	13,784,000	11,784,000	2,008,000	2,008,000
Atlanta	21,896,000	20,796,000	5,579,000	5,579,000
Chicago	243,776,000	156,916,000	135,134,000	63,674,000
St. Louis	28,932,000	21,572,000	7,722,000	5,722,000
Minneapolis	19,209,000	17,839,000	6,675,000	4,560,000
Kansas City	38,583,000	34,263,000	18,143,000	11,949,000
Dallas	30,434,000	22,854,000	8,713,000	5,483,000
San Francisco	67,571,000	61,991,000	42,350,000	35,130,000
TOTALS	$1,979,918,000	$1,300,305,000 b/	$1,406,595,000	$800,304,000

b/ Includes $230,341,000 noncompetitive tenders accepted at the average price of 99.[illegible]
c/ Includes $49,184,000 noncompetitive tenders accepted at the average price of 98.5[illegible]
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 2.96%, for the 91-day bills, and 3.02%, 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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TREASURY DEPARTMENT

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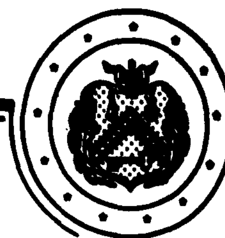

WASHINGTON, D.C.

March 4, 1963

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON 12-OUNCE LUNCHEON MEAT

The Treasury Department is instructing customs field officers to withhold appraisement of 12-ounce luncheon meat produced by Horsens Bacon and Canning Factory and by Hafnia Konserves A/S from Denmark pending a determination as to whether this merchandise is being sold in the United States at less than fair value. Notice to this effect is being published in the Federal Register.

Under the Antidumping Act, determination of sales in the United States at less than fair value would require reference of the case to the Tariff Commission, which would consider whether American industry was being injured. Both dumping price and injury must be shown to justify a finding of dumping under the law.

The complaint in this case was received on July 19, 1962. The dollar value of imports of all 12-ounce luncheon meat from Denmark received during 1962 was approximately $1,548,000.

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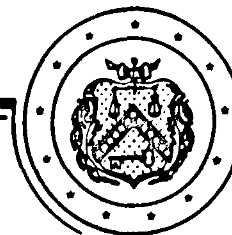

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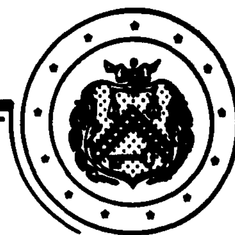

WASHINGTON, D.C.

March 4, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON TRACTOR PARTS
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that undercarriage parts and integral parts thereof, for crawler-type tractors from Italy 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.

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

The dollar value of imports of the involved merchandise received during 1962 was approximately $421,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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As part of this regional move, Internal Revenue will maintain seven Automatic Data Processing Service Centers instead of nine as originally contemplated.

Secretary Dillon said most of the changes will be affected gradually and will be timed in the various districts according to local circumstances. Internal Revenue expects, by this means, to handle most of the personnel cut-backs through normal attrition and transfers.

-END-

These districts will receive expert assistance in field operations from specialists in nearby larger offices. The offices affected by this revision in operating procedures are: Aberdeen, S. D.; Fargo, N. D.; Helena, Mont.; Boise, Idaho; Cheyenne, Wyo.; Anchorage, Alaska; Reno, Nev.; Wilmington, Del.; Burlington, Vt.; Augusta, Maine; Portsmouth, N. H., and Providence, R. I.

Next January 1, operations of four other districts, located in states with more than one Internal Revenue district, will be merged with nearby districts in the same state. Large field offices, however, will be maintained in cities affected by this change. These four districts are: Syracuse, N.Y., merged into the Buffalo, N.Y. district; Camden, N. J., into Newark, N. J.; Kansas City into St. Louis, Mo., and Scranton, Pa., to be divided between Pittsburgh and Philadelphia.

Secretary Dillon explained that these changes in 16 District Offices in turn will make it possible for Internal Revenue to reduce its present nine Regional Offices to seven. The New York City and Boston Regions will be merged with the new headquarters at Boston. The present Omaha region will be merged with the Chicago Region, with headquarters in Chicago. As a result of these mergers, certain regional boundaries will be adjusted.

FOR RELEASE

12 Noon Tuesday,
March 5, 1963

Treasury Secretary Douglas Dillon today announced a series of administrative changes in the field organization of the Internal Revenue Service designed to save an estimated $5 million a year.

Mr. Dillon emphasized that taxpayers will not in any way be inconvenienced by these changes in the organizational structure of the Service. Taxpayers will continue to file their tax returns with their local district directors and receive all services now provided by Internal Revenue.

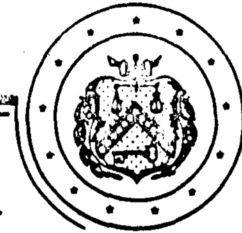
The changes were proposed by Commissioner of Internal Revenue Mortimer M. Caplin in response to President Kennedy's call upon all federal agencies to achieve "lean, fit, efficient" organizations.

They are part of Internal Revenue's continuing program to improve its organization and its operations so as to provide maximum service at the least possible cost. Last fall the Service effected savings of nearly $2 million as an initial step in this program.

Plans for administrative changes announced today involve modifying the organization of 12 districts by eliminating certain overhead activities.

(More)

TREASURY DEPARTMENT



WASHINGTON, D.C.

March 5, 1963

FOR RELEASE AT 12 NOON
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D-774

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As part of this regional move, Internal Revenue will maintain seven Automatic Data Processing Service Centers instead of nine as originally contemplated.

Secretary Dillon said most of the changes will be affected gradually and will be timed in the various districts according to local circumstances. Internal Revenue expects, by this means, to handle most of the personnel cut-backs through normal attrition and transfers.

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FOR IMMEDIATE RELEASE March 5, 1963

PRELIMINARY RESULTS OF TREASURY'S ADVANCE REFUNDING

Treasury Secretary Dillon said today that he is highly gratified with the results of the Treasury's latest advance refunding, which will give much greater flexibility for debt management during the coming year.

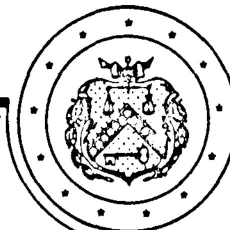
Reports received from the Federal Reserve Banks show that about $7,850 million of subscriptions have been received to date for the four issues included in the refunding. The exchanges amount to 27% of the $29.0 billion eligible for exchange and 37% of the $20.3 billion publicly-held. As a result, the debt was lengthened considerably; the average maturity of the marketable public debt was increased by approximately three months to a level of five years and one month, the highest since September 1958. The debt maturing within one year has been reduced by about $6 billion by this operation.

Subscriptions (in millions of dollars) are as follows:

Subscriber	3-5/8% Notes 2/15/67	3-7/8% Bonds 1971	3-7/8% Bonds 1974	4% Bonds 1980	Total
Govt. Accounts	$ 19.8	$ 29.6	$ 151.9	$ 123.9	$ 325.2
Others	4,227.7	1,459.0	863.5	974.2	7,524.4
Totals	$4,247.5	$1,488.6	$1,015.4	$1,098.1	$7,849.6

The books remain open until Friday, March 8, for the receipt of subscriptions from individuals, and from trustees who entered by February 28 letters of intent, to subscribe to the new issues.

TREASURY DEPARTMENT



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D-775

Immediate Release

March 5, 1963
2:00 pm

FACT SHEET ON DEUTSCHE MARK BORROWINGS

~~(For Release March 5, 1963)~~

479

The Treasury Daily Statement for February 28, 1963 shows that the Treasury ~~was~~ issued two bonds on February 14 denominated in Deutsche marks of 21- and 24-month maturities, respectively, in the amount of 200 million Deutsche marks each--the equivalent of about $50 million each. These borrowings were handled as public debt operations, authorized under the Second Liberty Bond Act, as amended, as were earlier borrowings from Germany and Switzerland and Italy.

The transactions in February, together with similar borrowings of Deutsche marks effected in January, bring total borrowings from Germany to 800 million Deutsche marks. The bonds issued in January were described in the Treasury Fact Sheet of February 5, 1963.

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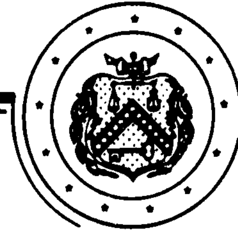
TREASURY DEPARTMENT



WASHINGTON, D.C.

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D-776

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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 December 13, 1962, (91 days remaining until maturity date on June 13, 1963) 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 14, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 14, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, March 6, 1963

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 $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing March 14, 1963, in the amount of $2,101,425,000, as follows:

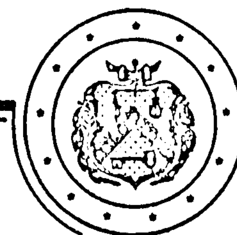
91-day bills (to maturity date) to be issued March 14, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated December 13, 1962, and to mature June 13, 1963, originally issued in the amount of $800,996,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated March 14, 1963, and to mature September 12, 1963.

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 11, 1963. 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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D-777

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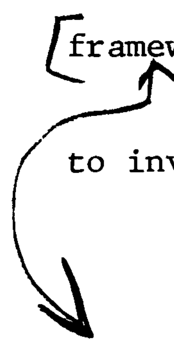
TO P. 23

An environment of monetary stability, and responsible budgetary and debt management policies. The special responsibility of business is to make extra efforts -- consistent with its own long-run interest -- to develop foreign markets and sources of foreign finance, to exercise appropriate restraint in wage bargaining and pricing decisions, and -- not least -- to contribute to the process of serious discussion and debate upon which intelligent public policy must rest. Over the past 10 years these monetary conferences sponsored by the American Bankers Association have provided a forum for just such discussion, and I am especially grateful to have had this opportunity to explain our thinking to you today.

ourselves to do just that. But to defer the tax program to some indefinite point into the future in the hope that budgetary balance can somehow be achieved with present tax rates -- when it is these very rates that stifle the growth we need -- seems to me to be self-defeating, and to carry grave risks both for domestic expansion and the balance of payments.

There are simply no easy solutions to our multiple problems at home and abroad. The challenge, for both Government and business, is to appraise them realistically, and to seek together in a spirit of partnership the kinds of solutions fully consistent with our traditions of free markets and free enterprise. The special role of Government, beyond intensive efforts to economize in its own overseas spending, must be to provide a framework in which private enterprise can find heightened incentives to invest at home and to seek out export markets, within an



FROM P.24

Our defense establishment is now approaching the new level of readiness set by the Administration, and Secretary McNamara has expressed his confidence that the upward spending trend will taper off after fiscal 1964. If our moon timetable is to be met, one further sizable -- but probably smaller -- increase in spending for space will be necessary in fiscal 1965, but the prospect here also is for a levelling trend thereafter. This will substantially ease our budgetary task, but we recognize that it will not relieve us from the need for continuous rigorous screening of domestic civilian programs. A compelling case can be made for increased spending for certain programs, some of them new, that are vital to the national interest, but it is our job to find the savings in other areas that will make these programs possible within the confines of our target of budgetary balance. In undertaking our program of tax reduction we have committed

Nevertheless, a realistic appraisal of the facts of life in this era of cold war has compelled a further increase in spending for defense. And our program to put a man on the moon in this decade required an increase of $1.8 billion in space expenditures. These items, together with interest costs, account for over 70 percent of our entire budget, and for all of the increase in fiscal 1964. Spending for civilian programs, on balance, is scheduled to decline. In a longer perspective, it is worth noting that, of the total increase of $17.3 billion in administrative budget expenditures over the three fiscal years ~~1962-~~1964, ~~inclusive, only about~~ a quarter, or $4.7 billion, ~~will~~ ~~be~~ for civilian programs. In the three preceding fiscal years -- excluding temporary unemployment compensation and all the other anti-recession expenditures ~~initiated~~ by this Administration during the closing months of fiscal 1961 -- the rise in civilian spending was billion, or almost as large.

balance and surplus, thereby releasing savings for productive use by other sectors of the economy.

The President has repeatedly pledged that, with the enactment of the tax program a substantial portion of the increased revenues that can be expected in the years ahead will be devoted to reducing and eliminating the budgetary deficit. This policy is an integral and essential part of our financial and tax program. In recognition of the need to accompany tax reduction with rigorous expenditure control, several billions of dollars were cut from estimates developed only a few months ago. Programs that in other circumstances might have been expanded were cut back or deferred, efforts to achieve economies -- including those within the Defense Department -- were intensified. We are proceeding vigorously with efforts to substitute private for public credit wherever feasible.

As I look ahead, I see no reason to believe that we cannot continue over the coming years to finance our deficit from savings, without any strong upward pressures on market rates, for there is today a vast flow of funds through our financial institutions seeking longer-term commitments. Of course, as investment activity increases in response to the stimulus of tax reductions, private credit demands will also expand, the available supply of savings will be more fully absorbed, and interest rates may rise in response to market forces -- even though savings, too, can be expected to rise with incomes. But, with the economy approaching more closely the limits of its capacity, we will need to guard carefully against potential inflationary pressures.

I can assure you we have no intention of retreating at that point to excessive monetization of debt to meet our financing needs. Even more to the point, the higher revenues generated by economic expansion would be directed toward achieving budgetary

debt will be 5 years and 1 month, 11 % longer than at the end of 1960, and the longest since the fall of 1958.

Admittedly, some observers have felt that we have been overzealous in our desire to maintain a debt structure that will avoid the danger of excessive liquidity and a future inflationary problem. But this view, in my judgment, underrates the continued availability of new savings in amounts more than adequate to meet the current borrowing requirements of business, individuals, and state and local governments, as well as the essential need to forestall any rebirth of inflation as the stimulus from the tax program takes hold. Moreover, the techniques available to us -- and especially the device of advance refundings -- have enabled us to attract longer-term funds with a minimum of market disturbance. ~~I am hopeful, too, that over time opportunities to sell bonds at competitive bidding will be equally helpful in raising new cash in the long-term sector of the market although the amounts involved cannot, of course, approach the volume of advance refundings.~~

finance this deficit in a way that will not give rise to renewed inflationary pressures [in the years ahead], as we move closer to full employment and reasonably full capacity operations. This is what we have done in financing the deficits of the past two years -- and what we mean to do in the future.

Our latest figures on the distribution of the public debt, those for January 31st, show that the entire increase ~~in the public debt~~ over the preceding 12 months, was financed outside the banking system -- an increase of $1.8 billion in Federal Reserve holdings being fully offset by an equivalent decrease in commercial bank holdings. Furthermore, the increase in the outstanding marketable debt maturing in five years or more was larger than the total deficit. This policy of working persistently toward a [desirable] balanced ~~long-run~~ debt structure can be symbolized in a short-hand way by the fact that on March 15, after taking into account the results of our current advance refunding, the average maturity of the marketable

tax reduction. Our unsatisfactory growth of recent years, the sluggishness of our investment, the pressures on profits, our idle capacity and manpower -- and the failure of revenues to expand with more vigor -- can all be traced in good part to the restraining effects of a tax structure more suited to an era of war and inflation than to today's needs. I am firmly convinced -- along with a broad cross-section of the business community -- that to continue any longer with the present tax structure would not be the course of true fiscal responsibility.

We have arranged the phasing of the proposed tax reductions over three fiscal years -- consistent with earlier proposals by business groups -- in a manner that will minimize the transitional budgetary deficit. In fiscal 1964, of course, the great bulk of the anticipated $12 billion deficit is ~~not due to~~ the tax program, ~~at all, but~~ would face us in any event. The critical need is to

As many of our European friends have urged upon us, and has been reiterated by many of our own financial people, it is precisely the balance of payments situation that faces us over the years ahead that offers one of the most telling arguments in favor of a tax policy designed to stimulate the economy and so to give greater freedom to those who bear the heavy responsibility of administering monetary policy.

I do not pretend that the tax program alone can meet all of our problems at home or abroad, or that it entails no risks. That would be nonsense, fiscal policy is not a tool to be used with abandon. We would much prefer to have presented our tax program within the context of a balanced budget, and we had hoped to do so. But it has become apparent that we cannot afford to wait -- and that the prospect of budgetary balance in the years ahead will be enhanced rather than reduced by soundly conceived

the usefulness of these arrangements in meeting potential or actual pressures on the dollar and on other currencies has now been repeatedly demonstrated -- at the time of the stock market break, the Canadian crisis, and last fall's Cuban situation.

But we also need in ready reserve during this critical period, the sort of assurance that can be provided by flexible monetary policies, alert to possible strains on the dollar and free to respond promptly in time of need. The difficulty today of course is that in the absence of expansionary fiscal or tax policy a sharp and substantial tightening of credit could present real risks to the domestic economy. But as the President has emphasized on several occasions, and specifically in his Tax Message, "a nation operating closer to capacity will be freer to use monetary tools to protect its international accounts, should events so require."

maintain sound defenses for the dollar. That is why we have worked so steadily, in full cooperation with our friends abroad, to test and develop a wide variety of techniques designed to head off speculative disturbances in the gold and exchange markets and to absorb temporarily excessive supplies of dollars passing into the hands of foreigners.

We fully recognize that these devices are not substitutes for balance of payments equilibrium; indeed, their success ultimately depends upon confidence in our ability and willingness to deal with our fundamental payments problem. But they are an important bulwark for the international payments system upon which all free nations depend, and which ultimately rests upon the free interchange of gold and dollars. Moreover,

and development to be charged off as a current expense will directly support this objective. But far more important is the basic encouragement of tax rate reductions to investment and growth, so that our industry can be better equipped to pour out in ever-increasing volume the new products the world wants.

Thus, there are sound reasons for belief that the tax program will, as it becomes fully effective, reinforce these fundamental longer-run factors that are moving our payments position toward equilibrium. But I would not want to lull anyone into a false sense of confidence over the immediate outlook -- the sound medicines of more profitable investment at home, stable prices, and a dynamic industry penetrating new export markets can work their cure only over time.

The immediate prospect, as nearly as anyone can judge, is for another year of deficit in 1963, and for further gold losses.

To meet our immediate problems, we need to--

The more rapid growth fostered by tax reduction will, to be sure, generate further increases in our import bill. To the extent this results in higher foreign exchange earnings for the lesser developed countries, we can expect a response in terms of higher demands for our exports as well. But more directly, the tax program can also help to sharpen the competitive position of our industries in world markets The dynamic cutting edge of our export effort must be concentrated in new and sophisticated manufactured goods, for it is here that our competitive advantage lies and here that export markets are strongest but it is also here that our foreign competitors have made their greatest strides. We have no choice but to redouble our efforts to remain in the very forefront of technological progress -- to explore the frontiers of knowledge, to apply our scientific abilities to industrial products and processes, and to incorporate our new technolo in new investment. The proposal to permit equipment used in research

analysis, it is the American businessman who must make the sale - and I should add that alert banks can play a critical role as catalysts.

Our program of tax reduction and reform was designed to help reinforce and support these various developments that are contributing to longer-run balance of payments improvement. It will provide new in centives for investment and intelligent risk-taking - increasing profi directly through lower tax rates, and indirectly through enlarged dome tic markets and the establishment of a better atmosphere for growth. This is the best way - and ultimately the only way consistent with our free market system - to encourage the productive employment of Ame capital at home, and to attract more foreign investment to our shores.

The potential benefits for our balance of payments in terms of dir investment flows, which are influenced much more by anticipated profi ability than by interest rates, are clear cut. But it is also clear enlarged domestic spending for plant and equipment will help to employ the current supply of savings aggressively seeking longer-run investme in their country - and seeping out in excessive volume abroad. An att to dry up those savings through credit contraction would run the risk impeding domestic expansion. The far more constructive route toward t same objective is to bring about the sort of conditions in which these savings can be fully and productively utilized at home and in which in creases in interest rates are a reflection of an improved profitabilit of investment opportunities.

this country ~~during much of the 1950's.~~

A few years ago, there was much talk of a deterioration of the international competitive position of the United States. Today, that talk is disappearing -- and for good reason. ~~The ominous decline in~~ our share of world exports of manufactured goods ~~that marked the 1950's~~ ~~has come to an end, and the figure~~ has been essentially stable ~~at 21 percent over~~ since 1959. At the same time, however, we must recognize -- as our alert competitors learned long ago -- that our competitive position depends on more than price alone. Knowledge of markets and willingness to reach them out, product design, sales and servicing facilities, and export credit facilities are all vitally important ~~but far too many American manufacturers have not yet made the extra bit of effort required~~. Recognizing the key role of commercial exports, the government has placed stress on improving and strengthening the facilities of the Export-Import Bank, as well as on the export programs of the Department of Commerce. But, in the last

period of time, but over the years ahead the result will be a healthy freedom from dependence on the New York market, with a consequent lightening of one burden on our balance of payments.

Other factors of basic, long-run strenth became more clearly apparent during 1962. For instance, the flow of earnings from our $60 billion of private foreign investment rose by almost 10% to a new record of $3.5 billion -- a figure that will continue mounting in the years ahead. Even more important, for it underlies our whole international trading position, has been the sustained stability in the prices of our industrial goods and materials. Unit wage costs have not risen since 1961, and the index of wholesale prices has now been virtually unchanged for five years. In contrast, pronounced upward cost pressures have developed in most industrialized countries in Europe, squeezing profits and bringing price pressures of the sort that became all too familiar in

It has been gratifying to us that during the past year a number of European countries have begun to re-examine their capital market mechanisms, recognizing their own internal need to develope more efficient means for mobilizing and distributing savings to support further rapid growth. Italy has made particular progress in developing and strengthening its capital markets and has also found it possib to open them to a few international institutions as well as to permit freer portfolio investment abroad by its own residents. I have been interested, too, to see signs of greater interest on the part of American commercial and investment bankers in participating in this process of strengthening European capital markets. This is an area where your efforts to provide better service to your customers operating abroad by assisting them in raising local capital and credit can also have important benefits both from the host country and the United States. Dramatic results cannot be expected within a limited

high and clearly indicated an area where further progress is required.

Outflows of longer-term private capital, approximating $2-1/2 billion, continued in undiminished volume, although the composition shifted somewhat as direct investment fell off moderately while the total of new foreign bond issues on the New York market rose. In discussing this problem at Rome last year -- when the anomalous pattern of borrowers in Western European countries in strong payments position seeking large amounts of long-term funds in the United States was already becoming clear -- I suggested that much of the difficulty stemmed from the absence in Europe of an efficient, fully effective capital market mechanism, freely open to potential foreign borrowers and capable of absorbing new issues in the required volume. The fact that roughly 25% of the European flotations in New York last year were taken up by foreign buyers -- in many instances located in the same country as the borrower -- provides further confirmation of this analysis.

a new agreement for the purchase of American equipment, and the net outflow of dollars for defense purposes will be further reduced during the course of the current year.

Reduced outflows of short-term capital also contributed to the overall improvement last year. However, the outflow remained larger than we had expected and much of it was submerged among the unrecorded transactions in the balance of payments accounts. The precise cause and the source of these outflows is therefore difficult to pinpoint. Certainly, our effort to maintain a structure of short-term rates in the American market that would reduce the incentive to shift funds abroad in search of higher interest returns -- an effort that was greatly facilitated by downward rate adjustments in some important European markets -- appeared to be reasonably successful, and the upward trend of trade financing and foreign bank loans tapered off. However, the total of short-term and unrecorded outflows, placed at over $1-1/2 billion in preliminary reports, remained uncomfortably

of American military goods and services, while simultaneously strengt

our mutual defenses.

The vigorous efforts of the Defense Department to economize in it

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amount in excess of the foreign exchange costs of maintaining our fo

in that country this year.

Exports also rose substantially during the first part of the year, but then tapered off, reflecting the slower growth of our export markets in Europe and Japan. The Canadian tariff surcharges, together with ~~the~~ adjustments in ~~its~~ exchange rate, also had a measurable adverse effect during the latter part of the year ~~on what is~~ our largest ~~single foreign~~ market. As a result, our commercial trade surplus (which excludes aid-financed shipments) declined by about $1.2 billior from the exceptionally favorable 1961 figure. While this surplus was still larger, at $2 billion, than that of any other nation, its declin last year offset almost all of the improvement in our other accounts.

A major source of improvement during 1962 reflected our persistent efforts to curtail the outflow of dollars stemming from our commitment for defense and aid. Taken together, the net balance of payments dra from these two programs was reduced by more than $700 million. Much of this improvement stemmed from implementation of the cooperative logistics agreements with West Germany, providing for increased purc

control, will contribute to the achievement of balance of payments equilibrium. It will also free the hands of the monetary authorities to deal more vigorously with any contingencies that may arise thus reinforcing our already strong defenses against pressures on the dollar during the difficult period until balance is fully restored.

~~At first glance, the over-all results for 1962 seem to mark a slowing in the process of improvement so evident in 1961. We ended 1962 with a~~ balance of payments deficit of $2.2 billion ~~That was~~ - the smallest annual deficit since 1957 and only a little more than half the total two years ago. But, measured against the $2.4 billion deficit of 1961, progress was limited, and the gold outflow continued at close to $900 million.

However, it must be remembered that during 1962 we absorbed the full impact of the rebound of imports from the abnormally low, recession-induced levels of 1961. In a fully expected response to business recovery at home imports increased by $1.7 billion or 12%.

DRAFT

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE TENTH ANNUAL MONETARY CONFERENCE OF THE
AMERICAN BANKERS ASSOCIATION
PRINCETON, N.J., THURSDAY, MARCH 7,1963

OUR UNFINISHED TASK OF IMPROVING THE U.S. BALANCE
OF PAYMENTS

A year ago, in Rome, I reviewed with you our balance of payments problem and the measures we are taking to deal with it. Today, I shall appraise the record of the past twelve months in the perspective of the hard tasks still before us, and discuss the contributions which can be made to equilibrium in our international accounts by the President's tax proposals.

While last year's progress toward our goal of over-all balance was disappointing, we did continue to move ahead, and the groundwork for future improvements was laid. I am convinced that tax reduction, prudently financed and accompanied by persistent and firm expenditure

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
THURSDAY, MARCH 7, 1963

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SECRETARY OF THE TREASURY
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THURSDAY, MARCH 7, 1963, 12:30 P.M., EST

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While last year's progress toward our goal of over-all balance was disappointing, we continued to move ahead, and the groundwork for further improvement was laid. I am convinced that tax reduction, prudently financed and accompanied by persistent and firm expenditure control, can play a major role in that improvement. It will also free the hands of American monetary authorities to deal more vigorously with any contingencies that may arise -- thus reinforcing our already strong defenses against pressures on the dollar during the difficult period until balance is fully restored.

Last year's overall balance of payments deficit amounted to $2.2 billion -- the smallest annual deficit since 1957, and only a little more than half the total two years ago. But, measured against the $2.4 billion deficit of 1961, progress was limited, and the gold outflow continued at close to $900 million.

However, it must be remembered that during 1962 we absorbed the full impact of the rebound of imports from the abnormally low, recession-induced levels of 1961. As business recovered at home, imports increased by $1.7 billion, or 12 percent. Exports also rose substantially during the first part of the year, but then tapered off, reflecting the slower growth of our export markets in Europe and Japan. The Canadian tariff surcharges, together with adjustments in the Canadian exchange rate, also had a measurable

adverse effect on exports during the latter part of the year since Canada is our single, largest foreign market. As a result, our commercial trade surplus (which excludes aid-financed shipments) declined by about $1.2 billion from the exceptionally favorable 1961 figure. While this surplus, at $2 billion, was still larger than that of any other nation, its decline last year offset almost all of the improvement in our other accounts.

A major source of improvement during 1962 reflected our persistent efforts to curtail the outflow of dollars stemming from our commitments for defense and aid. Taken together, the net balance of payments drain from these two programs was reduced by more than $700 million. Much of this improvement stemmed from implementation of the cooperative logistics agreements with West Germany, providing for increased purchases of American military goods and services, while simultaneously strengthening the defense capabilities of both countries.

The vigorous efforts of the Department of Defense to economize in its own foreign exchange outlays were unfortunately offset by rising local costs and the full year impact of the "Berlin buildup" on the size of our forces based in Europe. Moreover, the usual long interval between foreign aid commitments and actual spending obscured the progress that has been made in supplying a larger share of American assistance to the developing countries in the form of American goods and services.

However, on the basis of current policies and directives, there is a clear prospect of further savings in these two areas in the years ahead. For example, more than three quarters of AID commitments during this fiscal year will be directly reflected in purchases in this country, and that percentage is being raised still higher. A new agreement with Italy provides for the purchase of American-produced military equipment in an amount in excess of the foreign exchange costs of maintaining our forces in that country during 1963. And the Defense Department is continuing to reduce its foreign exchange outlays.

Smaller outflows of short-term capital also contributed to last year's improvement. However, the outflow was larger than we had expected. Much of it was submerged among unrecorded transactions making it difficult to pinpoint the precise cause and the source of these outflows. Certainly, our effort to maintain a structure of short-term rates in the American market that would reduce the incentive to shift funds abroad in search of higher interest returns -- an effort that was greatly facilitated by downward rate adjustments in some important European markets -- appeared to be reasonably successful, and the upward trend of

trade financing and foreign bank loans tapered off. However, the total of short-term and unrecorded outflows, placed at more than $1-1/2 billion in preliminary reports, remained uncomfortably high and clearly indicated an area where much further progress is required.

Outflows of longer-term private capital, approximating $2-1/2 billion, continued in undiminished volume, although the composition shifted somewhat as direct investment fell off moderately while the total of new foreign bond issues on the New York market rose. In discussing this problem at Rome last year -- when the anomalous pattern of borrowers in Western European countries with strong payments positions seeking large amounts of long-term funds in the United States was already becoming clear -- I suggested that much of the difficulty stemmed from the absence in Europe of an efficient, fully effective capital market mechanism, freely open to potential foreign borrowers and capable of absorbing new issues in the required volume. The fact that roughly 45 percent of the total official European, Australian, and New Zealand flotations in New York last year were taken up by foreign buyers -- in some instances located in the same country as the borrower -- provides further confirmation of this analysis.

It has been gratifying to us that during the past year a number of European countries have begun to re-examine their capital market mechanisms, recognizing their own internal need for more efficient means of mobilizing and distributing savings to support further rapid growth. Italy has made particular progress in developing and strengthening its capital markets and has also found it possible to open them to a few international institutions, as well as to initiate measures to free portfolio investment abroad by its own residents. I have also been glad to see signs of greater interest on the part of American commercial and investment bankers in participating in this process of strengthening European capital markets. That is an area where efforts to provide better service to your customers operating abroad by assisting them to raise local capital and credit can also have important benefits, both for the host country and the United States. Dramatic results cannot be expected within a limited period of time, but over the years ahead, the result will be a healthy freedom from dependence on the New York market, with a consequent lessening of one drain on our balance of payments.

Other factors of basic, long-run strength became more apparent during 1962. For instance, the flow of earnings from our $60 billion of private foreign investment rose by almost 10 percent to a new record of more than $3.5 billion -- a figure that will

continue mounting in the years ahead. Even more important, for it underlies our whole international trading position, has been the sustained stability in the prices of our industrial goods and materials. Unit wage costs have not risen since 1961, and the index of wholesale prices has now been virtually unchanged for five years. In contrast, pronounced upward cost pressures have developed in most industrialized countries in Europe, squeezing profits and bringing price pressures of the sort that have been all too familiar in this country.

A few years ago, there was much talk of a deterioration of the international competitive position of the United States. Today, that talk is diminishing -- and for good reason. Our share of world exports of manufactured goods, after decling substantially during the fifties, has been essentially stable since 1959.

At the same time, however, we must recognize -- as our alert competitors did long ago -- that our competitive position depends on more than price alone. Knowledge of markets and willingness to search them out, product design, sales and servicing facilities, and export credit facilities are all vitally important. Recognizing the key role of commercial exports, the government is improving and strengthening the facilities of the Export-Import Bank, as well as the export programs of the Department of Commerce. But, in the last analysis, it is the American businessman who must make the sale -- and I should add that alert banks can play an important role as catalysts.

Now let us see how our program of tax rate reduction and reform can help to reinforce and support these various developments that are contributing to longer-run balance of payments improvement. First of all it will provide new incentives for investment and intelligent risk-taking -- increasing profits directly through lower tax rates, and indirectly through enlarged domestic markets and the establishment of a better atmosphere for growth. This is the best way -- and ultimately the only way consistent with our free market system -- to encourage the productive employment of American capital at home, and to attract more foreign investment to our shores.

It is clear that enlarged domestic spending for plant and equipment will help to employ the abundant supply of savings that today is aggressively seeking longer-run investment -- and at times seeping out in excessive volume abroad. An attempt to dry

up those savings through severe credit contraction would run a serious risk of impeding domestic expansion. The far more constructive route toward the same objective is to bring about the sort of conditions in which these savings can be fully and productively utilized at home -- and in which increases in interest rates are a reflection of the improved profitability of investment opportunities.

The more rapid growth fostered by tax reduction will, to be sure, generate further increases in our imports. To the extent that this results in higher foreign exchange earnings by the developing countries, we can expect larger demands for our exports as well. But more directly, the tax program can also help to sharpen the competitive position of our industries in world markets. Our export effort must be concentrated on new and sophisticated manufactured goods, for it is there that export markets are strongest, and there that the needed expansion in our foreign sales must be centered -- but it is also there that our foreign competitors have made their greatest strides. We must redouble our efforts to remain at the very forefront of technological progress by applying our scientific abilities to industrial products and processes, and incorporating our new technology in new investment. The President's proposal to permit equipment used in research and development to be charged off as a current expense will directly support this objective. But far more important is the basic encouragement tax rate reductions can give to investment and growth, so that our industry can be better equipped to pour out in ever-increasing volume the new products the world wants.

Thus, there are sound reasons for believing that the tax program will, as it becomes fully effective, reinforce the fundamental longer-run factors that are moving our payments position toward equilibrium. But I would not want to lull anyone into a false sense of confidence over the immediate outlook. The sound medicines of more profitable investment at home, stable prices, and a dynamic industry penetrating new export markets can work their cure only with time.

The immediate prospect, as nearly as anyone can judge, is for another year of deficit in 1963, and for further gold losses. Faced with this prospect, it is vitally important that we redouble our efforts to reduce further the drains related to our government programs overseas, and to achieve the kind of performance of our market economy that will bring higher exports and move attractive investment opportunities at home. At the same time, to meet our immediate problems, we need to maintain sound defenses for the

dollar. That is why we have worked so steadily, in full cooperation with our friends abroad, to test and develop a wide variety of techniques designed to head off speculative distrubances in the gold and exchange markets and to absorb temporarily excessive supplies of dollars passing into the hands of foreigners.

We fully recognize that these devices are not substitutes for balance of payments equilibrium. Indeed, their success ultimately depends upon confidence in our ability and willingness to deal with our fundamental payments problem. But they are an important bulwark for the international payments system upon which all free nations depend, and which ultimately rests upon the free interchange of gold and dollars. Moreover, the usefulness of these arrangements in meeting potential or actual pressures on the dollar and on other currencies has now been amply demonstrated -- for example, at the time of the stock market break, the Canadian crisis, and last fall's Cuban showdown.

But, during this critical period, we also need flexible monetary policies, alert to possible strains on the dollar and free to respond promptly in time of need. The difficulty today is that in the absence of expansionary fiscal or tax policy, a sharp and substantial tightening of credit could present real risks to the domestic economy. But, as the President has emphasized on several occasions, and specifically in his Tax Message, "a nation operating closer to capacity will be freer to use monetary tools to protect its international accounts, should events so require." In short our immediate balance of payments situation offers one of the most telling arguments in favor of a tax policy designed to stimulate the economy and thus give greater freedom to those who bear the heavy responsibility of administering monetary policy.

I do not pretend that the tax program alone can meet all of our problems at home or abroad, or that it entails no risks. That would be nonsense. Fiscal policy is not a tool to be used with abandon. We would much prefer to have been able to present our tax program within the context of a balanced budget, and we had hoped to do so. But we cannot afford to wait -- and the prospect of budgetary balance in the years ahead will be enhanced, rather than reduced, by soundly conceived tax reduction. Our unsatisfactory growth of recent years, the sluggishness of our investment, the pressures on profits, our idle capacity and manpower, and the failure of revenues to expand with more vigor, can all be traced in good part to the restraining effects of a tax structure unsuited to today's needs. I am firmly convinced -- along with a broad

cross-section of the business community -- that to continue operating with the present tax structure would not be consistent with true fiscal responsibility.

We have arranged the phasing of the proposed tax reductions over three fiscal years in a manner, consistent with earlier proposals by business groups, that will minimize the transitional budgetary deficits. In fiscal 1964, the great bulk of the anticipated $12 billion deficit would face us in any event, and has no connection with the tax program. The critical need is to finance this deficit in a way that will not give rise to renewed inflationary pressures as we move closer to full employment and reasonably full capacity operations. This is what we have done in financing the deficits of the past two years -- and what we mean to do in the future.

Our latest figures on the distribution of the public debt, those for January 31st, show that the entire increase over the preceding 12 months was financed outside the banking system -- an increase of $1.8 billion in Federal Reserve holdings being fully offset by an equivalent decrease in commercial bank holdings. Furthermore, the increase in the outstanding marketable debt maturing in five years or more was larger than the total deficit. This policy of working persistently toward a balanced debt structure can be symbolized in a short-hand way by the fact that on March 15, after taking into account the results of our current advance refunding, the average maturity of the marketable debt will be 5 years and 1 month, 11 percent longer than at the end of 1960, and the longest since the fall of 1958.

Some observers have felt that we have been over-zealous in our desire to maintain a debt structure that will avoid the danger of excessive liquidity and a future inflationary problem. But this view, in my judgment, underrates the continued availability of new savings in amounts more than adequate to meet the current borrowing requirements of business, individuals, and state and local governments, as well as the essential need to forestall any rebirth of inflation as the stimulus from the tax program takes hold. Moreover, the techniques available to us -- and especially the device of advance refundings -- have enabled us to attract longer-term funds with a minimum of market disturbance.

As I look ahead, I see no reason to believe that we cannot continue for some time to finance the deficit largely from savings, without bringing strong upward pressures on market rates, for there is today a vast flow of funds through our financial institutions seeking longer-term commitments. Of course, as investment

activity increases in response to the stimulus of tax reductions, private credit demands will also expand, and the available supply of savings will be more fully absorbed. As I have suggested, this is one of the primary reasons why the tax program can be helpful to our balance of payments. We must also recognize that under these conditions, interest rates may rise in response to market forces -- even though savings, too, can be expected to rise with incomes.

I can assure you that we have no intention of retreating at that point to excessive monetization of debt to meet our financing needs. When the economy approaches more closely the limits of its capacity, we will need to redouble our guard against potential inflationary pressures. Even more to the point, the higher revenues generated by economic expansion would be directed toward achieving budgetary balance and surplus, thereby releasing savings for productive use by other sectors of the economy.

The President has repeatedly stated that, after enactment of the tax program, a substantial portion of the increased revenues that can be expected in the years ahead will be devoted to reducing and eliminating the budgetary deficit. This policy is an integral and essential part of our financial and tax program. In recognition of the need to accompany tax reduction with rigorous expenditure control, several billions of dollars were cut from estimates developed only a few months ago. Programs that in other circumstances might have been expanded were cut back or deferred. Efforts to achieve economies -- including those within the Defense Department -- were intensified. And we are proceeding vigorously with efforts to substitute private for public credit wherever feasible.

Nevertheless, a realistic appraisal of the international situation has compelled a further increase in our spending for defense. And our program to put a man on the moon in this decade required an increase of $1.8 billion in space expenditures. These items, together with interest costs, account for more than 70 percent of our entire budget, and for all of the increase in fiscal 1964. Total spending for civilian programs is scheduled to decline. In a longer perspective, it is worth noting that, of the total increase of $17.3 billion in administrative budget expenditures over the three fiscal years from 1961 to 1964, $12.6 billion is for defense, space and interest on the public debt, while not much more than a quarter, or $4.7 billion, is for civilian programs. In the three preceding fiscal years -- excluding

temporary unemployment compensation and all the other anti-recession expenditures incurred by this Administration during the closing months of fiscal 1961 -- the rise in civilian spending was over $4 billion, or almost as large.

Our defense establishment is now approaching the new level of readiness set by the Administration, and Secretary McNamara has expressed his confidence that the upward spending trend will taper off after fiscal 1964. If our lunar exploration timetable is to be met, another sizable -- but probably smaller -- increase in spending for space will be necessary in fiscal 1965, but the prospect here also is for a levelling trend thereafter. This will substantially ease our budgetary task, but we recognize that it will not relieve us from the need for continuous rigorous screening of domestic civilian programs.

A compelling case can be made for increased spending for certain of these civilian programs, some of them new, that are vital to the national interest, but it is our job to find the savings in other areas that will make these programs possible within the confines set by our target of budgetary balance. In undertaking our program of tax reduction we have committed ourselves to do just that. But to defer the tax program to some indefinite future point in the hope that budgetary balance can somehow be achieved with present tax rates -- when it is those very rates that stifle the growth we need -- seems to me to be self-defeating, and to carry grave risks both for domestic expansion and the balance of payments.

There are simply no easy solutions to our multiple problems at home and abroad. The challenge, for both Government and business, is to appraise these problems realistically, and to seek together in a spirit of partnership the kinds of answers that are fully consistent with our traditions of free markets and free enterprise. The special role of Government, beyond intensive efforts to economize in its own overseas spending, must be to provide an environment of monetary stability, responsible budgetary and debt management policies and freedom from oppressive taxation in which private enterprise can find renewed incentives to invest at home and to seek out profitable export markets. The special responsibility of business is to make extra efforts -- consistent with its own long-run interest -- to develop foreign markets and sources of foreign finance, to exercise appropriate restraint in wage and pricing decisions, and -- by no means least -- to contribute to a process of serious discussion and debate from which intelligent public policy can emerge. Over the past 10 years these monetary conferences sponsored by the American Bankers Association have provided a forum for just such discussion, and I am especially grateful to have had this opportunity to discuss our thinking with you today.

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MANAGEMENT SURVEY OF THE BUREAU OF CUSTOMS
TO BE MADE BY THE TREASURY DEPARTMENT

FOR IMMEDIATE RELEASE March 6, 1963

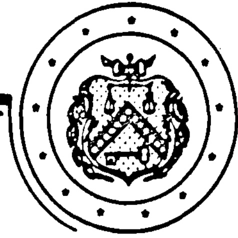
Assistant Secretary of the Treasury James A. Reed and Commissioner of Customs Philip Nichols, Jr., today announced the designation of a study group, composed of seven Treasury and Customs officials, to make a management survey of the Bureau of Customs. The group will review and evaluate the authorities, missions, organization, activities, and management practices and problems of the Bureau. This is the first over-all survey of customs operations since the comprehensive study made by McKinsey and Company in 1948.

All significant customs activities both at headquarters in Washington and in the field, including relationships with the Treasury Department and other Governmental agencies, will be studied.

The Study Group will be headed by Mr. James H. Stover, Acting Director, Office of Management and Organization, Office of the Administrative Assistant Secretary of the Treasury. An Advisory Committee has been designated as follows: Commissioner Nichols (Chairman), Deputy Director Staats, Bureau of the Budget; Executive Director Irons, Civil Service Commission; Administrative Assistant Secretary Weatherbee; Assistant Commissioner of Customs Strubinger; and, Deputy Assistant Secretary Hendrick of the Treasury Department. This Committee will review and advise on the study plan, major problems during the study, and final drafts of major proposals.

The target date for completion of the survey is December 15, 1963.

TREASURY DEPARTMENT



WASHINGTON, D.C.

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D-779

UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH

FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

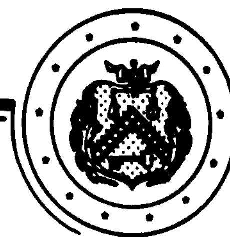
January 1, 1962 - December 31, 1962

(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 1962	Second Quarter 1962	Third Quarter 1962	Fourth Quarter 1962	Calendar Year 1962
Argentina	+25.0	+60.0	---	---	+85.0
Austria	-39.4	-16.9	-56.3	-30.0	-142.5
Belgium	-28.0	-35.0	---	---	-63.0
Brazil	-.8	-.8	-.8	+59.5	+57.1
Burma	---	-5.0	-6.0	-10.0	-20.9
Cambodia	---	---	-1.7	---	-1.7
Canada	---	+190.0	---	---	+190.0
Colombia	*	*	+10.5	+27.5	+37.9
Congo Republic	---	+4.6	---	---	+4.6
Costa Rica	*	*	---	-.5	-.5
Denmark	---	---	---	+15.0	+15.0
Ecuador	---	---	---	-3.2	-3.2
Egypt	-.3	-.4	-.3	-.4	-1.2
France	-45.0	-97.5	-213.8	-102.8	-459.1
Greece	-4.0	-15.0	---	---	-19.1
Iceland	-5.0	*	*	*	-5.1
Israel	-10.0	---	---	---	-10.0
Kuwait	---	---	-12.5	---	-12.5
Lebanon	-.6	-10.5	-21.0	---	-32.1
Peru	---	---	-.6	---	-.6
Saudi Arabia	-12.6	---	---	---	-12.6
Somalia	---	---	-1.9	---	-1.9
Spain	-47.1	-59.0	-20.0	-20.0	-146.1
Surinam	---	---	---	+2.5	+2.5
Switzerland	+61.6	+35.0	-45.0	+50.0	+101.6
Syria	-1.1	-.1	-.1	-.1	-1.3
Tunisia	-.5	---	---	---	-.5
Turkey	-1.1	---	---	---	-1.1
United Kingdom	-181.3	-150.0	-63.7	+8.0	-387.0
Yugoslavia	-.3	-.4	-.4	-.4	-1.5
All Other	-.5	-.8	-.1	-1.4	-2.9
Total	-291.0	-101.8	-433.7	-6.4	-832.9

Figures may not add to totals because of rounding.
*Less than $50,000

TREASURY DEPARTMENT

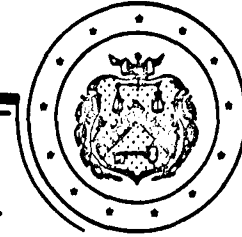


WASHINGTON, D.C.

March 7, 1963

FOR IMMEDIATE RELEASE

TREASURY DEPARTMENT



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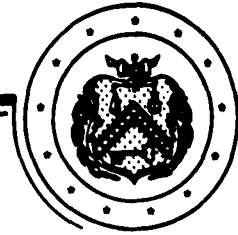

WASHINGTON, D.C.

March 7, 1963

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS
FOR FOURTH QUARTER OF 1962

During the fourth quarter of 1962, the net sale of monetary gold by the United States amounted to $6.4 million. The first three quarters showed net sales of $291.0 million, $101.8 million and $433.7 million, respectively.

These transactions brought to $832.9 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 1962 by quarters (table on reverse side).

In addition to these net monetary sales of $832.9 million worth of gold to foreign entities, the U.S. had net domestic sales of $57 million worth of gold for industrial, professional and artistic uses. Thus, the total decrease in U.S. gold stock during Calendar 1962 was $890 million.

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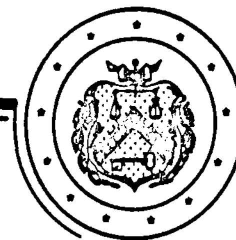
TREASURY DEPARTMENT



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UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH

FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1962 - December 31, 1962

(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 1962	Second Quarter 1962	Third Quarter 1962	Fourth Quarter 1962	Calendar Year 1962
Argentina	+25.0	+60.0	---	---	+85.0
Austria	-39.4	-16.9	-56.3	-30.0	-142.5
Belgium	-28.0	-35.0	---	---	-63.0
Brazil	-.8	-.8	-.8	+59.5	+57.1
Burma	---	-5.0	-6.0	-10.0	-20.9
Cambodia	---	---	-1.7	---	-1.7
Canada	---	+190.0	---	---	+190.0
Colombia	*	*	+10.5	+27.5	+37.9
Congo Republic	---	+4.6	---	---	+4.6
Costa Rica	*	*	---	-.5	-.5
Denmark	---	---	---	+15.0	+15.0
Ecuador	---	---	---	-3.2	-3.2
Egypt	-.3	-.4	-.3	-.4	-1.2
France	-45.0	-97.5	-213.8	-102.8	-459.1
Greece	-4.0	-15.0	---	---	-19.1
Iceland	-5.0	*	*	*	-5.1
Israel	-10.0	---	---	---	-10.0
Kuwait	---	---	-12.5	---	-12.5
Lebanon	-.6	-10.5	-21.0	---	-32.1
Peru	---	---	-.6	---	-.6
Saudi Arabia	-12.6	---	---	---	-12.6
Somalia	---	---	-1.9	---	-1.9
Spain	-47.1	-59.0	-20.0	-20.0	-146.1
Surinam	---	---	---	+2.5	+2.5
Switzerland	+61.6	+35.0	-45.0	+50.0	+101.6
Syria	-1.1	-.1	-.1	-.1	-1.3
Tunisia	-.5	---	---	---	-.5
Turkey	-1.1	---	---	---	-1.1
United Kingdom	-181.3	-150.0	-63.7	+8.0	-387.0
Yugoslavia	-.3	-.4	-.4	-.4	-1.5
All Other	-.5	-.8	-.1	-1.4	-2.9
Total	-291.0	-101.8	-433.7	-6.4	-832.9

Figures may not add to totals because of rounding.
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March 7, 1963

FOR IMMEDIATE RELEASE

Secretary of the Treasury Douglas Dillon announced today that he was giving careful consideration to protests received about proposed changes in the organization of the field structure of the Internal Revenue Service designed to increase its efficiency and economy of operation.

He pointed out that none of the changes are scheduled to become effective before January 1, 1964, which will give full opportunity to review all aspects of the matter in the light of these protest.

No implementing action will be taken pending the completion of such a review.

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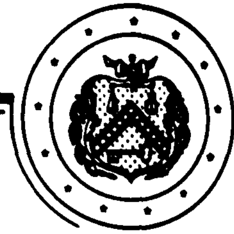
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, MARCH 8, 1963

March 7, 1963

TREASURY DEPARTMENT APPROVES RECOMMENDATIONS
OF TASK FORCE ON CUSTOMS CLEARANCE OF BAGGAGE

Treasury Secretary Douglas Dillon today approved a report favorin adoption of the majority of recommendations made last year by a Task Force of private citizens appointed to study procedures and techniques used by the Bureau of Customs in the inspection of passengers and thei baggage arriving in U. S. ports.

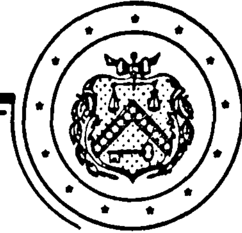
The recommendations for suggested changes were originally drafted by the five-man citizens' group, headed by Joseph J. O'Connell, a form Treasury General Counsel, which made its 70-page report public in February 1962. Other members of the Task Force were Wilburt H. Ziehl, Dr. Ivan C. Belknap, Dr. Richard S. Rosenbloom and Robert V. Breen.

Secretary Dillon later named an eleven-man Steering Committee hea by Assistant Secretary James A. Reed to study the Task Force recommend tions, and, as appropriate, to put them into effect. Some of the recommendations were accepted and put into effect shortly after the Steering Committee began its study. Of the 32 recommendations contained in the Task Force Report, the Steering Committee recommended the adoption of 20, rejection of 6, and the adoption in part of 6 of the recommendations.

In addition, the Steering Committee considered two other matters which it felt were consistent with the Task Force Report, and which appear as recommendations 33 and 34.

The full text of the Report is attached.

TREASURY DEPARTMENT



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REPORT TO THE SECRETARY

OF THE TREASURY

STEERING COMMITTEE ON CUSTOMS

PROCEDURES

January 31, 1963

Steering Committee Members

Office of the Secretary of the Treasury

James A. Reed, Assistant Secretary (Chairman)
A. E. Weatherbee, Administrative Assistant Secretary
James P. Hendrick, Deputy Assistant Secretary (Executive Secretary)
Dixon Donnelley, Assistant to the Secretary

Bureau of Customs

Philip Nichols, Jr., Commissioner
David B. Strubinger, Assistant Commissioner
Joseph J. Burton, Deputy Collector of Customs, New York (Idlewild)

Office of the General Counsel, Treasury Department

Robert G. Knight, General Counsel
G d'Andelot Belin, General Counsel

Customs Employee Representative

John J. Murphy, President, National Customs Service Association

Department of Commerce

Voit Gilmore, Director, U. S. Travel Service

INTRODUCTION

The Steering Committee on Customs Procedures has considered carefully each of the recommendations contained in the Task Force Report. There follows, for each Task Force recommendation, a repetition of the recommendation, the conclusion of the Steering Committee, an account of the action taken to implement the recommendation or, where appropriate, a discussion of the reasons for modifying or not adopting the recommendation.

TASK FORCE RECOMMENDATION NO. 1 - That an Information Office be established within the Bureau of Customs, headed by and staffed with professionals in the field of public relations and information.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

An information and publication office has been established in the Bureau of Customs, headed by a public information officer with the title of Special Assistant to the Commissioner. To date, the public information officer has made personal visits to many of the larger Customs districts throughout the United States to meet the principal field officers and their staffs and to discuss with them the proposed information programs. Recommendations and comment have been solicited from Customs personnel and travel agencies on the effectiveness and utility of certain Customs publications and on proposed changes in their editorial format and content.

TASK FORCE RECOMMENDATION NO. 2 - That an attempt be made to reach the potential traveler by pamphlets, newspaper releases, speeches, form letters, posters, signs, films, displays, radio and television public service announcements, travel books and folders, and many other such media and channels.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The function of "information aide" has been assigned to an employee in the office of each of the principal Customs field offices. The information aides are to collect and disseminate news about Customs operations.

A system of speeding distribution of news releases at the Bureau level has been established utilizing special mailing lists and the facilities of the Office of Information of the Treasury Department. Under this system a number of non-technical news releases have been issued and widely published.

The public information officer has arranged important speaking engagements for the Commissioner of Customs in addition to appearances by the Commissioner on radio and television. Plans are being made to encourage wider and more numerous speaking engagements through the public information officer. A "background for speakers" brochure is being compiled. Consideration is being given to the production of a documentary film and television and radio tapes for nation-wide use.

TASK FORCE RECOMMENDATION NO. 3 - That the Information Office study and evaluate the forms and literature presently in use by the Bureau in order to bring about simplification and clarification.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

All handouts and other publications in use by the Bureau are being studied by the public information officer and his staff with the object of revising their format, content, and increasing their circulation. For example, as soon as funds are available, the Bureau of Customs house organ "Customs Today" will be printed at the Government Printing Office and will be completely revised as to format and content.

TASK FORCE RECOMMENDATION NO. 4 - That aircraft and ship personnel as well as travel agents be given training and training materials to indoctrinate their people in Customs procedure and law.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The United States Travel Service and the Bureau of Customs have cooperated in the editing of a book of travel facts which contains basic Customs information and which will be widely distributed to the travel industry.

The information officer and the management staff of the Bureau will prepare other materials for distribution as soon as possible.

Orientation courses for personnel in the travel industry will be arranged, possibly in cooperation with the United States Travel Service and the other inspecting agencies.

TASK FORCE RECOMMENDATION NO. 5 - That a Customs officer, where practicable, meet travelers as they enter the Customs area to extend friendly greetings, answer questions, and assist in expediting the flow of passengers.

Steering Committee Conclusion

That this recommendation should be adopted, in part.

Action Taken to Implement

The United States Travel Service plans to employ, on a trial basis, a corps of hostesses to work in all Federal inspectional areas where passengers arrive.

The Secretary of Commerce has proposed such an arrangement, and the Treasury Department has agreed to it in principle. Further discussions on budgetary and other questions are being held in the Interdepartmental Committee of Inspecting Agencies.

Discussion

It will be apparent that further action on Task Force recommendation No. 5 should await the outcome of the interdepartmental discussion on the combined hostess corps.

TASK FORCE RECOMMENDATION NO. 6 - That Customs must go beyond its present methods of selecting inspectors and develop suitability standards and techniques to insure the selection of personnel well suited to its needs.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs is considering the adoption of standardized interviews to eliminate from consideration persons

otherwise eligible for appointment from Civil Service registers who have non-suitable personal characteristics.

The Bureau of Customs has improved selection procedures for candidates from within the Bureau by establishing effective supervisory evaluation forms to measure inter-personal relationships; by placing greater emphasis on the education of those giving ratings to others so that they understand the importance of adequate evaluations; by using standardized interviews, and by using an advisory selection board at the Port of New York.

The Bureau will explore, with the assistance of the Civil Service Commission and management consultants, the use of other performance evaluation tools should the above steps not prove sufficiently effective.

TASK FORCE RECOMMENDATION NO. 7 - That additional training be given new inspectors and that refresher courses oriented to changed and changing conditions be given at regular intervals to all inspectors.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs is establishing a Customs Academy at New York. The Customs Academy will provide a four-week pre-assignment course for new Customs inspectors and a one-week refresher course every four years for experienced inspector personnel.

The existing twelve-week course for Customs examiners and the five-week course for Customs enforcement officers will also be conducted at the Customs Academy.

Funds for the establishment of the Academy have been included in the Bureau's budget estimates for Fiscal Year 1964. Acceleration of the training provided in 1964 is expected in 1965.

The Bureau has appointed a Task Force within the Bureau to plan the content of the pre-assignment and refresher courses for inspectors and will select three well-qualified Customs inspectors to write the courses under the supervision of the Employee Development Unit.

TASK FORCE RECOMMENDATION NO. 8 - That supervisor selection and training practices be improved, perhaps using the conference-participation type of instruction.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs is evaluating the effectiveness of a pilot selection procedure installed at New York. Based on the results of this evaluation, those practices proven effective will be extended to other districts.

All supervisory inspectors who attend the refresher course at the Customs Academy will receive instruction on the responsibilities of a supervisor, with emphasis on the supervisor's responsibilities to his inspectors.

TASK FORCE RECOMMENDATION NO. 9 - That emphasis be placed on systematically building a well-balanced force well trained in the principal languages encountered at each port. Retention, promotion and supervisor selection should be contingent on attaining proficiency in foreign languages needed at the respective ports.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs will compile and administer locally standard written and oral language examinations at appropriate ports. Passing marks will be based on a minimum ability to conduct, in the foreign language, basic Customs business.

The Bureau will require baggage inspectors at specified ports to complete language courses prescribed by the Collector and will require newly appointed inspectors to complete a course and pass a standard examination prescribed by the Bureau. Consideration is being given to the use of pre-entry language aptitude tests for prospective inspector trainees.

The Bureau will issue a policy statement encouraging Collectors, where possible, to fill inspector vacancies with persons who have passed the standard language examination for the port to which they will be assigned.

The Bureau will require individual collectors, subject to guidelines and approval by the Bureau, to set up training programs for helping inspectors to meet minimum language requirements.

TASK FORCE RECOMMENDATION NO. 10 - That, consistent with improved selection methods and a well-trained force, additional responsibility and discretion be given individual inspectors in the examination of passengers and their baggage.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The objective of this recommendation will be achieved by implementation of the other recommendations directed towards improvements in personnel administration and training.

TASK FORCE RECOMMENDATION NO. 11 - That the several Customs employee associations be encouraged to participate in training activities geared to increasing the knowledge and stature of the inspection forces of Customs.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The employee associations will serve in an advisory capacity on a continuing basis to make comments and recommendations affecting training needs, the content of courses, and evaluation of the training program.

They will assist the Bureau in the promotion of training programs.

They will continue to sponsor after-hours training and arrangements for qualified speakers on subjects related to Customs work. The Bureau will assist them in this training effort as appropriate.

TASK FORCE RECOMMENDATION NO. 12 - That a full range of awards, including medals, certificates, presentation mementos, within-grade promotions and public recognition be employed to reward employees for outstanding performance. Awards should be based on the inspector's total effectiveness rather than on any single aspect of the job.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs is reviewing the Incentive Awards Program to determine the specific impediments in certain field areas affecting the successful operation of the program and will take appropriate action on the basis of its findings.

The Bureau will encourage all principal field officers to make a stronger effort to obtain publicity, including coverage in newspapers, on television and radio, when awards are given.

The Bureau has issued a letter to all field offices reemphasizing the importance of considering overall effectiveness when determining whether or not an employee should be recommended for a performance award.

TASK FORCE RECOMMENDATION NO. 13 - That sanctions be effectively applied to employees who do not measure up to the full requirements of the job.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs will issue instructions to all collectors to remove from baggage examination assignment any inspector who does not meet the personal and technical requirements for the task, unless it appears that the deficiencies of the inspector can be overcome through training, counseling and other measures.

The Bureau is reviewing field administration of the penalty guidelines for improper conduct. If the results of this review warrant, the guidelines published in the Customs Personnel Manual will be amended.

The Bureau is considering the adoption of a rating sheet to be used in connection with promotions from the trainee to the journeyman grade. The new sheet will contain the necessary elements to rate performance, technical and otherwise, at the conclusion of the trainee period, and will establish criteria for rating and promotion.

In the proposed training program for supervisors, the Bureau will emphasize their responsibility to encourage effective performance, provide counsel on job deficiencies, withhold recommendations for promotion in cases where inspectors do not measure up to the

full requirements of the job, remove such inspectors, whenever possible, from passenger operations and, as a last resort, recommend appropriate disciplinary action.

TASK FORCE RECOMMENDATION NO. 14 - That the Bureau of Customs prepare a code of minimum standards for passenger facilities for all terminals in which it operates. All facilities should be evaluated on the basis of this code.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs has prepared a code of minimum standards for all airport terminals and these facilities are evaluated on the basis of these standards. The standards include specifications for self-claim baggage counters, supermarket baggage examination counters, space for passenger and baggage flow, work space and office space.

Standard specifications have also been developed for border inspection stations. These standards are the result of the joint efforts of Customs and the Immigration and Naturalization Service (and other inspection agencies when they are concerned) to provide facilities which will best meet the needs of the traveling public and the inspection agencies. They are followed by the General Services Administration in the design and construction of the larger border stations.

No specific standards have been developed for vessel passenger and baggage inspection facilities on piers. However, a very active study is being conducted with the City of New York and its consulting engineers, EBASCO, on the improvement of the New York piers. The study, now in the planning stage, would adopt the supermarket baggage examination procedure now used at airports. Many technical and procedural problems are inherent in such a proposal. If adequate solutions can be found, standards based on these solutions will be developed for future use.

TASK FORCE RECOMMENDATION NO. 15 - That efforts be made to improve existing facilities; simple expedients such as fresh paint, comfortable chairs, counters for baggage inspection, usable toilets, visible and intelligible signs, and better management practices would help.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

Continuing efforts are being made by Customs field offices to improve existing facilities through personal interviews with their owners.

Improvements to facilities owned or leased by the government has been the subject of many communications to the General Services Administration, and several proposals are now pending with that agency.

With regard to the New York piers, a Special Committee on Improvements to the New York Piers, more fully referred to under Recommendation 18, has prepared a report containing twenty-two recommendations for immediate improvements to the five piers at which the majority of passenger vessels arrive. These recommendations are based on many of the items listed by the Task Force in its recommendations, and the Committee is pledged to a continuing effort to implement them.

The Bureau of Customs will intensify its efforts to improve existing facilities through Customs instructions to its field offices, direct correspondence between the Commissioner of Customs and the responsible parties where local efforts fail, and by any other means calculated to obtain the desired results.

TASK FORCE RECOMMENDATION NO. 16 - That careful attention be given by Customs to exerting its influence to improve the techniques of design for new facilities.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The improvement of techniques of design is foremost in all Bureau of Customs negotiations for new facilities. Every effort is made to incorporate the latest mechanical devices, modern passenger and baggage handling techniques, the latest structural and engineering designs, and to provide for passenger comfort in the Customs area.

Customs' interest is not limited to the standards for Customs facilities. It includes other passenger facilities as well. For example, at international airports the location of the Customs facility in relation to surface transportation, connecting flights and other passenger services are all matters in which Customs brings

its influence to bear. The inadequacies of some existing facilities are constantly used as examples, and this is gradually causing airport operators to adopt modern concepts with respect to inspection facilities.

TASK FORCE RECOMMENDATION NO. 17 - That visitors coming to meet travelers on arrival be excluded from Customs areas of air terminals and steamship piers.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

With the exception of the New York piers, visitors are not permitted in the inspection area of vessel or air terminals, unless a valid emergency case warrants a departure from this policy.

The Special Committee on Improvements to the New York piers has recommended that visitors be excluded from the Customs examination area of the piers it studied. The Committee will continue its efforts to implement this recommendation.

TASK FORCE RECOMMENDATION NO. 18 - That a group experienced in passenger operations in New York investigate alternative methods of handling passenger arrivals and propose an improved system. Those selected should be free of prejudices and motivated to search imaginatively for new approaches. The Federal Government should take the leadership in creating the group. The group should include high level representatives of the Federal Government, the carriers, the Department of Marine and Aviation, and several qualified "outsiders."

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The EBASCO study referred to earlier in this report would provide a long term solution to the New York pier problem. The Bureau of Customs will continue consultation with EBASCO on the handling of passenger arrivals on the proposed new piers.

The Chairman of the Steering Committee has established a Special Committee on Improvements to the New York Piers (mentioned above), with himself as Chairman, Admiral John M. Will, President, American Export Lines as one member, and Leo G. Brown, Commissioner, New York Department of Marine and Aviation, as the other.

In implementing the recommendations contained in its report, it is anticipated that the Committee will work with the New York Chamber of Commerce, the West Side Association, and other qualified groups.

Only the adoption of the EBASCO or a similar study, and implementation thereof, will provide a thoroughgoing solution. If such a course of action is adopted, the Bureau of Customs and the Treasury Department will support it.

TASK FORCE RECOMMENDATION NO. 19 - That the Bureau of Customs develop a central staff to give technical support to local activities.

Steering Committee Conclusion

That the recommendation should not be adopted.

Discussion

The Bureau of Customs has a staff of customs technicians and a professional engineer to assist in the planning and design of passenger and baggage clearance facilities. This staff and similar personnel of the General Services Administration, the Immigration and Naturalization Service and other agencies concerned have given the necessary technical support to local activities; not only in the construction of border stations, but also in the design of space layouts for other facilities.

In addition, technical services have been provided by the consultants, engineers and architects engaged in constructing an airport or pier facility where free space will be provided for Customs use. Advice is readily available to Customs field offices and plans of new facilities developed locally are reviewed for final approval in Washington. The Steering Committee believes that the present Bureau of Customs staff is adequate.

TASK FORCE RECOMMENDATION NO. 20 - That the mandatory written baggage declaration be eliminated. (As an absolute minimum written

declarations should not be required where the value of items acquired abroad is less than the allowable exemption).

Steering Committee Conclusion

That the recommendation should be adopted, insofar as it proves practicable to do so.

Action Taken to Implement

The Bureau of Customs has been conducting a series of tests in order to determine whether or not an oral declaration can be adopted and the written declaration eliminated.

To date, tests have been conducted at the pre-clearance ports of Nassau and Bermuda and at the Miami International Airport. The results were satisfactory, and the mandatory written declaration has been eliminated at those places.

A test is underway at Honolulu. So far this test has demonstrated unexpected difficulties which are not yet resolved.

The Bureau plans to conduct a full-scale test at the Port of New York as soon as possible. Elimination of the written baggage declaration on a nation-wide basis will depend on the results of this test.

Discussion

It will be seen that the Steering Committee was, for practical reasons, unable to take a firm and final position on this recommendation.

TASK FORCE RECOMMENDATION NO. 21 - That legislation be obtained to change the valuation basis of imports in passenger baggage to the price paid.

Steering Committee Conclusion

That the recommendation should be modified.

Action Taken to Implement

An account is given under recommendation 23.

TASK FORCE RECOMMENDATION NO. 22 - That the "to follow" privilege be eliminated.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs is preparing the necessary legislation.

TASK FORCE RECOMMENDATION NO. 23 - That legislation be obtained authorizing a flat rate of duty for items imported in passengers' baggage.

Steering Committee Conclusion

That the recommendation should be modified.

Action Taken to Implement

The Bureau of Customs is studying the feasibility of employing a standard discount or discounts from the usual foreign retail price for use in normal circumstances in the appraisement of articles brought in by travelers for their personal use. Among the matters being studied are the amount or amounts of the discounts and how to specify the articles, if any, which should be excluded from the procedure.

Discussion

In making recommendations 21 and 23 the Task Force stated that "Applying the many separate and complex rates of the Tariff Act to passengers' baggage is very time consuming, requires training and experience of a high technical order, is not warranted, and cannot be calculated by the average traveler."

The objectives of the recommendations are to eliminate "red tape" in the baggage examination, and to provide the traveler with advance knowledge of the value, for Customs purposes, of the article he is planning to purchase.

Any system of dual rates where the same merchandise pays a different duty depending on how it arrives would seem a fertile source of confusion and complaint, and it might have unforeseen economic effects. These same problems apply to a dual valuation system. Adoption of the Task Force recommendations as stated would discriminate against the traveler in comparison with the commercial importer. It would be impossible, because of the great variation in rates of duty on typical tourist articles, to arrive at an equitable flat rate which would not discriminate between travelers.

Adoption of recommendation 21 as stated without the adoption of recommendation 23 would subject the traveler to a higher rate of duty than he is now required to pay, and, as stated above, would place him in an unfavorable position vis-a-vis the commercial importer.

Public announcement of the fact that a standard discount is used, in addition to the amount thereof will, in the opinion of the Steering Committee, reduce confusion and should achieve many of the objectives of Task Force recommendations 21 and 23 without the complications of legislative action.

TASK FORCE RECOMMENDATION NO. 24 - That legislation be obtained authorizing a $200 exemption for returning residents, in lieu of the present $100 exemption, which would be reasonable if enacted in combination with the change to "price paid" valuation at a "flat rate" of duty and the elimination of the articles "to follow" privilege, which are proposed in Recommendations 21, 22, and 23 above.

Steering Committee Conclusion

That the recommendation should be rejected.

Action Taken to Implement

The Bureau of Customs is preparing legislation to continue the present $100 exemption for an additional two years.

Discussion

The basic reason for reducing the passenger's exemption to $100 was that this action was required for balance of payments reasons. Existing balance of payments circumstances are such as to indicate that the exemption should be continued at the $100 level. Such minor administrative advantages as would accrue from raising the exemption to $200 are insufficient to override the basic reason for continuing the exemption as it presently exists.

In view of the conclusions relating to Recommendations 21, 22, and 23 above, no further comment is required with respect to the proposal that those Recommendations and Recommendation 24 be enacted in combination.

TASK FORCE RECOMMENDATION NO. 25 - That legislation be obtained to authorize the imposition of a summary penalty for the importation of prohibited (or controlled) fruit, flowers, plant material, or meat or meat products which are not declared orally or in writing.

Steering Committee Conclusion

The Department of Agriculture has under consideration legislation which will accomplish the purpose of this recommendation. Pending the outcome of this legislation the Steering Committee could not reach a conclusion.

TASK FORCE RECOMMENDATION NO. 26 - That as changes in laws and policies are effected, procedures be reviewed and developed which will reduce the paperwork load on the inspectors to a minimum.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Bureau of Customs is conducting a continual review of baggage inspection procedures in order to reduce paperwork.

TASK FORCE RECOMMENDATION NO. 27 - That a more positive and continuous role be exercised by the Bureau of Customs in Washington on passenger baggage operations through the appointment of a Deputy Commissioner for Travel Operations.

TASK FORCE RECOMMENDATION NO. 28 - That public information and education activities relating to travel operations be under the Deputy Commissioner for Travel Operations.

TASK FORCE RECOMMENDATION NO. 29 - That the new Deputy Commissioner be able to command necessary staff services relating to passenger baggage operations, such as those for personnel selection, training activities, procedures revision and development, technical advice, and field appraisals.

TASK FORCE RECOMMENDATION NO. 30 - That the new Deputy Commissioner identify field components complementary to Washington staff, which are necessary to get the job done.

TASK FORCE RECOMMENDATION NO. 31 - That because there is a special need for coordinating mechanisms in baggage operations, both in Washington and in the field, the new Deputy Commissioner work out appropriate roles and uses for such coordinating mechanisms.

Steering Committee Conclusion

That Task Force recommendations 27-31 should not be adopted.

Discussion

The Bureau of Customs has, at present, seven Deputy Commissioners reporting to the Commissioner and the Assistant Commissioner. To add an eighth would be poor management practice because too many officers would be reporting directly to one man and his assistant, thus creating a bottleneck.

The new Information Officer should work in all fields of Customs activity and should not be limited to travel operations. He should not, therefore, report through a Travel Operations Office.

Any changes in the organization plan for Customs should be made only after a survey of all its activities and should, in general, be directed towards making the whole organization more simple rather than more complex.

It is not possible to separate travel operations from other Customs operations to a sufficient degree that such a centralization of responsibility is desirable.

Therefore, the Steering Committee concluded that recommendations 27-31 should not be adopted.

TASK FORCE RECOMMENDATION NO. 32 - Officers of the four services - Customs, Immigration, Public Health and Agriculture - should be authorized to perform the services of the sister agencies in joint preliminary screening operations. Coordinated supervision of the officers of the several services would, of course, also be required.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

Agreement has been reached among the four services to designate officers of each Service to perform the functions of the other agency in joint preliminary screening operations. Implementing instructions have been issued to the field offices of all agencies on the Mexican border.

As a result of a survey it has been found that it will not be possible to carry on joint screening of pedestrians at El Paso until a $10,000 renovation of facilities is carried out. This matter is now under consideration by the four agencies concerned and as soon as a solution to the financial problem is found the recommendation will be fully implemented.

RECOMMENDATION NO. 33 - That inspectors examine the passengers, not the baggage.

Steering Committee Conclusion

That this recommendation could not be adopted at this time.

Action Taken to Implement

None

Discussion

This item was added in the light of the Task Force Report conclusion (page 64) that Customs must create good will for the United States, and this can only be done if inspectors examine the passenger rather than his baggage.

The British Customs inspector questions the passenger with a view to determining in his own mind whether or not the passenger is a suspicious character. If the determination is negative, the passenger may be allowed to proceed without any baggage examination.

If, however, the inspector decides in the course of his questioning that further inspection is necessary, the passenger is asked to make a written declaration and his baggage is given a very careful examination. The British consider their customs examination to be a very serious matter from the standpoint of balance of payments; their customs collect not only import duties, but also purchase taxes on articles purchased abroad.

The Steering Committee noted that there are cultural differences which would make the application of this system very difficult in this country. Training for this approach is not yet on the horizon, and better selection of inspectors would be required.

Most importantly, so long as the Department of Agriculture insists upon 100 percent examination of passengers' baggage such a system could not be installed.

For these reasons the Steering Committee has recommended only that the Bureau of Customs continue to explore the possibility of a less than 100 percent examination which would be satisfactory to the Department of Agriculture. If a solution is found, the Bureau will re-evaluate its training efforts and methods of selection of employees in relation to the requirements of such a system.

RECOMMENDATION NO. 34 - That legislation be introduced which would exempt the tourist from some of the provisions of the Trademark Law.

Steering Committee Conclusion

That the recommendation should be adopted.

Action Taken to Implement

The Treasury Department has introduced legislation which would accomplish the desired result from time to time, but it has failed to pass the Congress.

Legislation which would exempt from the provisions of the Trademark Law articles which accompany the traveler and which are for his personal use will be included by the Bureau of Customs in its legislative proposals for submission by the Treasury Department to the 88th Congress.

Should this legislation again fail to pass, the Bureau will attempt to obtain the agreement of trademark owners to standardization and liberalization of the allowances they grant to travelers.

Discussion

This recommendation was added because the application of the Trademark Law to passengers' baggage has been the subject of so many complaints, and because it is consistent with the conclusion, found on page 68 of the report of the Task Force that "Inspectors should be freed of miscellaneous duties and paperwork to the greatest extent possible so that they can concentrate on the examination of the traveler."

XXXXXXXXXXXX

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

Treasury Department Circular No. 418 (current revision) and this notice, presc 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.

xhibit 1-B

ALPHA - TAX

TREASURY DEPARTMENT
Washington

R IMMEDIATE RELEASE,

______________________ (1)

The Treasury Department, by this public notice, invites tenders for $__________ (2),
thereabouts, of ______ (3) -day Treasury bills, to be issued on a discount basis under
mpetitive and noncompetitive bidding as hereinafter provided. The bills of this series
ll be designated Tax Anticipation Series, they will be dated ______________ (4),
d they will mature ______________ (5). They will be accepted at face value in
yment of income and profits taxes due on ______________ (6), and to the extent they
e not presented for this purpose the face amount of these bills will be payable with-
t interest at maturity. Taxpayers desiring to apply these bills in payment of ______ (7)
______, income and profits taxes have the privilege of surrendering them to any
leral Reserve Bank or Branch or to the Office of the Treasurer of the United States,
shington, not more than fifteen days before ____________ (8), and receiving receipts
erefor showing the face amount of the bills so surrendered. These receipts may be
mitted in lieu of the bills on or before ____________ (9), to the District Director
Internal Revenue for the District in which such taxes are payable. The bills will be
ued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000,
0,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing
r, one-thirty p.m., Eastern Standard time, ________________ (10). Tenders will
be received at the Treasury Department, Washington. Each tender must be for an even
tiple of $1,000, and in the case of competitive tenders the price offered must be
ressed on the basis of 100, with not more than three decimals, e. g., 99.925.
ctions may not be used. It is urged that tenders be made on the printed forms and
warded in the special envelopes which will be supplied by Federal Reserve Banks or
ches 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 bil applied for, unless the tenders are accompanied by an express guaranty of payment by incorporated bank or trust company.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this additional issue, until after one-thirty p.m., Eastern Standard time, Thursday, March 14, 1

Immediately after the closing hour, tenders will be opened at the Federal Reserv 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 Treasur expressly reserves the right to accept or reject any or all tenders, in whole or in p and his action in any such respect shall be final. Subject to these reservations, no competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on March 22, 1963.

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 fr

TREASURY DEPARTMENT
Washington

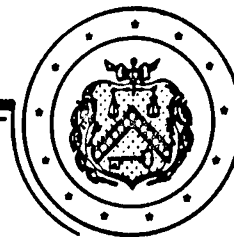
FOR IMMEDIATE RELEASE   March 7, 1963

TREASURY OFFERS ADDITIONAL $1.5 BILLION IN JUNE TAX BILLS

The Treasury Department, by this public notice, invites tenders for $1,500,000,00 or thereabouts, of 94-day Treasury bills (to maturity date), to be issued March 22, 19 on a discount basis under competitive and noncompetitive bidding as hereinafter provid The bills of this series will be designated Tax Anticipation Series and represent an additional amount of bills dated February 6, 1963, to mature June 24, 1963, originally issued in the amount of $1,000,684,000. The additional and original bills will be fr interchangeable. They will be accepted at face value in payment of income and profit taxes due on June 15, 1963, and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpaye desiring to apply these bills in payment of June 15, 1963, income and profits taxes h 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 June 15, 1963, 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 bef June 15, 1963, 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 denomin tions of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturit value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Thursday, March 14, 1963. 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.

TREASURY DEPARTMENT



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

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and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this additional issue, until after one-thirty p.m., Eastern Standard time, Thursday, March 14, 1963.

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 without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on March 22, 1963.

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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FOR IMMEDIATE RELEASE March 7, 1963

SUPPLEMENTAL REPORT OF SUBSCRIPTIONS FOR LATEST ADVANCE REFUNDING

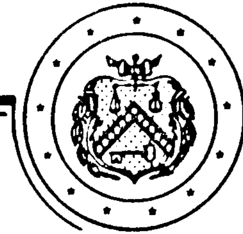
The Treasury Department today announced a breakdown of the securities included in subscriptions received as of Wednesday, March 6, for exchange for the new securities offered in the Department's latest refunding offer, together with total amounts eligible for exchange and remaining outstanding. This information (in millions of dollars) is as follows:

ELIGIBLE FOR EXCHANGE		SECURITIES TO BE ISSUED					
Securities	Amounts	3-5/8% Notes 2/15/67	3-7/8% Bonds 1971	3-7/8% Bonds 1974	4% Bonds 1980	Total	Total unex-change[illegible]
3-1/2% Ctfs., C-1963	$ 6,851	$ 957	$ 690	$ -	$ 17	$1,664	$ 5,1[illegible]
2-1/2% Bonds of 1963	4,317	2,279	521	-	47	2,847	1,4[illegible]
3-1/8% Ctfs., D-1963	4,856	205	90	-	2	297	4,5[illegible]
3% Bonds of 1964	2,700	839	199	-	25	1,063	1,6[illegible]
3-1/2% Notes, B-1965	3,285	-	-	139	190	329	2,9[illegible]
3-5/8% Notes, B-1966	3,114	-	-	313	420	733	2,3[illegible]
3% Bonds of 1966	1,484	-	-	242	209	451	1,0[illegible]
3-3/8% Bonds of 1966	2,438	-	-	371	211	582	1,8[illegible]
Totals	$29,045	$4,280	$1,500	$1,065	$1,121	$7,966	$21,0[illegible]

These figures reflect an increase of $ 117 million over the subscriptions announced by the Treasury on March 5.

The books remain open until Friday, March 8, for the receipt of subscriptions from individuals, and from trustees who entered by February 28 letters of intent, to subscribe to the new issues.

TREASURY DEPARTMENT



WASHINGTON, D.C.

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-1/2% Bonds of 1963	4,317	2,279	521	-	47	2,847	1,470
-1/8% Ctfs., D-1963	4,856	205	90	-	2	297	4,559
% Bonds of 1964	2,700	839	199	-	25	1,063	1,637
-1/2% Notes, B-1965	3,285	-	-	139	190	329	2,956
-5/8% Notes, B-1966	3,114	-	-	313	420	733	2,381
% Bonds of 1966	1,484	-	-	242	209	451	1,033
-3/8% Bonds of 1966	2,438	-	-	371	211	582	1,856
Totals	$29,045	$4,280	$1,500	$1,065	$1,121	$7,966	$21,079

These figures reflect an increase of $117 million over the subscriptions announced the Treasury on March 5.

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FOR IMMEDIATE RELEASE

TREASURY DECISION ON TITANIUM DIOXIDE UNDER THE ANTIDUMPING ACT

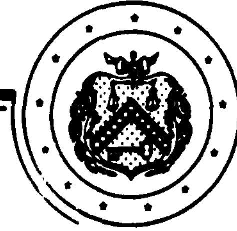
The Treasury Department has determined that titanium dioxide from the United Kingdom is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the determination will be published in the Federal Register.

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

The dollar value of imports of the involved merchandise received from October 1, 1961, through September 30, 1962, was approximately $250,000.

cc: Mr. Hendrick

TREASURY DEPARTMENT



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The dollar value of imports of the involved merchandise received from October 1, 1961, through September 30, 1962, was approximately $250,000.

certificates in circulation are, as is well known, a sound and time-tested form of currency; they are required to be backed by 100 per cent collateral, of which 25 per cent is in gold. We shall continue to have this sound and highly satisfactory form of currency, the Federal Reserve note, but instead of having approximately $30 billion in Federal Reserve notes and $2 billion in silver certificates, we shall eventually have the entire amount in Federal Reserve notes.

to all. It provides a suitable means for the Government to obtain its silver requirements for coinage, the item in this bill which is of primary importance. It permits silver, from the point of view of the producers, to rise to the level of its monetary value of $1.29-plus per ounce, if market forces carry it that high, without interference from Government sales to the public at a lower price. It will presumably create an effective ceiling of approximately $1.29 an ounce by the provision that silver certificates shall be redeemable for silver dollars or the equivalent in bullion, which should assure the silver users that the price will not rise much beyond its present market for a long time to come. It repeals the 50 per cent silver transfer tax prospectively and retains it only to protect against certain possible windfalls and to cover the special case of the "necessary inventory" processors. It does not in any way debase or weaken the currency of the United States for this basic reason: The Federal Reserve notes which will ultimately replace the silver

different option were not permitted to hold inventories of bullion through the price rise without being subject to the tax.

Finally, our bill has a provision in subparagraph (c) of Section 4 to make it clear that the silver transfer tax does not apply to the purchase and sale of silver futures contracts entered into after the date of enactment. The bill provides that there shall no longer be any liability on the part of the transferee of the contract. This provision will make possible the establishment of a futures market in silver similar to those available for the trading of interests in other commodities, and we believe will contribute to a stable and orderly market in silver, where ~~the~~ Government ~~can set the price, but is no longer involved~~.

<u>Conclusion</u>

In drafting this silver bill, we in the Treasury have been reminded once again that there are many interests involved in silver, most of them apparently conflicting. We believe this bill is fair

A technical explanation of the tax provisions is being submitted for the record as an annex to this statement.

Essentially, the tax is being repealed. It will remain operative only for a short period of time, to be applied to a few transitional cases arising out of sales of silver bullion interests which were created prior to enactment of this bill.

Subparagraph (2) of Section 4 is a special provision which is required in order to apply the basic theory of the tax repeal to a few processors who adopted the so-called "necessary inventory" method of accounting for their sales of silver bullion. I shall not deal with this provision in detail at this time, but the reason for it is to apply the tax to an amount of silver bullion equal to that which these processors held at the time when they adopted the "necessary inventory" method, which was generally back in 1934 at the time when the tax was enacted. The tax will be levied on sales of bullion equal to those amounts which these particular processors were allowed to hold in their inventory throughout a period of substantial price rise under the accounting option adopted by them, while other processors using a

for coinage which will prevent the occurrence of such situations. The Treasury plans to continue the use of silver in the coinage system, but it is essential that this be accomplished by making it possible to use the silver standing ~~in back of~~ behind all silver certificates including all bills.

<u>The Silver Transfer Tax</u>

The basic theory of the provisions in Section 4 of the Administration's bill is that the 50 per cent tax on transfers of interests in silver bullion should be repealed prospectively. That is, persons producing silver bullion after the date of enactment or acquiring it thereafter for full consideration should not be liable for the tax; however, those producing or acquiring interests in silver bullion prior to the date of enactment should remain subject to this tax on profits resulting from sales thereof. This will prevent the possibility that anyone who held silver bullion over the years when Government action was increasing the price could realize a "windfall" profit simply by waiting for repeal.

Problems Arising if $1 Fed Note Not Authorized

If the $1 Federal Reserve note is not authorized, the Treasury will soon be in the untenable position of being forced into the market to buy silver for its coinage needs, ~~thus driving~~ the price of silver up to its monetary value of $1.29-plus per ounce and beyond. At this point it would become profitable for the public to turn in $1 silver certificates, to obtain the silver standing behind them. At a price of $1.38 per ounce for silver, which in this situation ~~would~~ not be long in coming, the public would find it profitable to melt down half dollars, quarters, and dimes for their silver content. We ~~could~~ not allow such a situation to develop. Obviously the public must have an adequate supply of $1 bills which ~~are not likely to be constantly~~ turned in for their silver value. And it must have a supply of subsidiary coins which are not apt constantly to be melted down for their silver value. This legislation provides for the most appropriate and practical way to assure a silver supply available

community, through the commercial banks, will obtain Federal Reserve notes in the same manner as other Federal Reserve notes are obtained today. There are only $2 billion in silver certificates in circulation, whereas there are over $30 billion of Federal Reserve notes. There is no problem involved in substituting one for the other.

The retirement of silver certificates and their subsequent replacement with Federal Reserve notes will require the use of gold as a reserve back of these notes. However, the 25 per cent gold reserve needed for this purpose should not exceed ~~[illegible]~~ about $35 million annually.

All demand for $2 bills, which is very small, ~~will~~ can be met by the issuance of United States notes, just as it is at the present time.

that can be used for coinage. Of this amount, over 1 billion

300 million ounces stand in back of the $1 silver certificates.

Outside of the possible redemption of silver certificates by the public, the only other demand for silver from Treasury stocks, other than coinage, would be silver needed by other Government agencies. We have 30 million ounces of free silver which can be used for this purpose without retiring silver certificates. This should be sufficient to satisfy the demands of other Government agencies, particularly the defense establishment for the manufacture of certain equipment, for the next few years.

In view of the fact that silver certificates are a circulating medium, it must be assumed that over the long run Federal Reserve notes will have to be issued in their place. These are issued by the Federal Reserve, not the Treasury. If, because of retirement of silver certificates, Federal Reserve notes are required to carry on the business of the country, the business

machines. When a used $5 silver certificate is turned in, it is retired, thus freeing the silver behind it for use in coinage. Whenever an additional $5 bill is needed in the currency, it is called for by the banking system from the Federal Reserve and a new $5 Federal Reserve note is issued. However, at present, the Federal Reserve Banks are not authorized to issue $1 notes and, therefore, there is no such replacement available if $1 silver certificates were to be retired. Thus, it is vitally important that Congress authorize the issuance of $1 Federal Reserve notes so as to provide in an orderly way for handling of our future needs for coinage and $1 bills.

The withdrawal of silver certificates and the use of silver back of them for coinage will be gradual. We estimate that not over $105 million of silver certificates a year will need to be redeemed in order to obtain the silver needed for coinage. Today, we have over 1,600,000,000 ounces of silver back of silver certificates

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¶ When a need, $ [cut off]

is no longer operative because the market price is at present $1.26. The provision permitting sales by the Treasury under this Act is not operative because the free stocks of silver in the Treasury are almost exhausted, and the President has stopped sales.

This legislation proposes to repeal the Silver Purchase Act of June 19, 1934, and the Acts of July 6, 1939, and July 31, 1946. This will eliminate the Treasury from purchasing or selling silver, except that if the market price reaches $1.29-plus, we will have to honor our legal obligation to redeem in silver any silver certificates presented for redemption.

Since November 29, 1961, we have been using silver back of the $5 and $10 silver certificates for the coinage of subsidiary coins, but this supply is limited. It now appears that this will provide only enough for about four years' coinage, according to our present estimates. Coinage requirements appear to be increasing each year, partly at least as a result of the ever-growing use of vending

561 Insert A page 9

The current situation regarding domestic production and consumption is roughly as follows. Production runs around 35 million ounces, and industrial consumption amounts to a little over 100 million ounces — about three times our current production. In addition, our coinage requirements last year ran to about 75 million ounces. Of our production, about 60 percent comes as a by-product of copper, lead and zinc production. The remaining 40% comes from mines in which silver is the primary product.

silver, plus that purchased as newly mined, comprised only 15.7 per cent of our gold and silver monetary stocks by early 1942.

Unlike the Acts relating to newly-mined domestic silver, the Silver Purchase Act of 1934 did not make purchases mandatory but provided that they should be made only at such times as the Secretary of the Treasury found them to be in the public interest. Since 1942, no Secretary of the Treasury has deemed it to be in the public interest to purchase foreign or secondary silver under this Act.

Today, silver is at a point where current world production is not sufficient to meet current coinage and industrial demands. The Silver Purchase Act is not operative because no foreign or secondary silver has been purchased under that Act except from other Government agencies since 1942.

The July 31, 1946, Act, which provides for the mandatory purchase of newly-mined domestic silver at 90-1/2 cents per ounce,

Most recently annual free world production of newly mined silver has amounted to about 200 million ounces, compared to a consumption of around 350 million ounces. ← Insert A

were tendered to the Mints, it had to be purchased. Under these various Proclamations and the two Acts referred to, 884 million fine ounces of domestic silver were purchased, at a value of $704 million.

The purchase of foreign and secondary silver was effected under the authority of the Silver Purchase Act of 1934. The Silver Purchase Act had for its main purpose the purchase of silver until that metal should comprise one-fourth of the total gold and silver monetary stocks. Over 2 billion ounces were purchased under this Act by the beginning of 1942 at a cost of slightly over $1 billion. Moreover, by Executive Order of August 9, 1934, silver was nationalized -- that is, everyone who had silver of at least a certain fineness in his possession, with certain exceptions, was required to turn it into the Treasury at a fixed price. 113 million ounces were turned in under the nationalization order. Yet all of this

History Since 1933

I shall not attempt to cover the spectacular history of silver prior to 1933. I need not tell you that it has been a very controversial subject both from the point of view of monetary theory and because of the diverse interests of important groups interested in silver. Since 1933, laws relating to silver have been of two types, namely, those relating to newly-mined domestic silver and those relating to foreign and secondary silver.

Commencing with a Presidential Proclamation on December 21, 1933, there has been continuous authority to purchase newly-mined domestic silver. Newly-mined domestic silver was purchased under various Presidential Proclamations at varying prices from December 31, 1933, to 1939 and thereafter was purchased pursuant to the Act of July 6, 1939, and subsequently the Act of July 31, 1946. All the Proclamations and laws relating to the purchase of newly-mined domestic silver have been mandatory; that is, if silver meeting the requirements

90.5 cents. Today, as a result of market forces, the price is about $1.26½. Thus, the purchase acts are inoperative, and indeed the silver-producing industry has no further need for Government assistance. The producers have seen a spectacular increase in the price of their product from about 45 cents an ounce in 1934 to the present $1.26½ price.

While this increase in price has benefited the producers, it has created difficulties for the users. The silverware, jewelry, and related industries have had to cope as best they could with these increased costs. Other industrial and defense users have been greatly affected. The legislation we have proposed will presumably result in stabilizing the market price at a level favorable for the producers, and at the same time will provide some assurance for the user industries. Thus, today is the most opportune time for repealing the silver legislation to which I have referred and taking the Government out of the silver business except as a consumer in the manufacture of its coins.

For many years now silver has not served any major purpose as a monetary reserve metal. While it has been held as a reserve behind outstanding silver certificates, the amount of these in circulation in relation to total currency in circulation is small (approximately $2 billion in silver certificates in circulation, compared with $30 billion in Federal Reserve notes). Our basic currency is the Federal Reserve note backed by 100 per cent collateral, 25 per cent in the form of gold.

The increasing world-wide demand for silver for industrial, professional, and artistic uses is in sharp contrast to the situation existing in 1934 when the Silver Purchase Act was passed and in subsequent years up to about 1959. In those days it was necessary for the Government to support the price for newly-mined domestic silver by taking all of it off the market at an artificially high price. The 1939 Act established a floor price of about 71 cents per ounce. The 1946 Act raised the floor price to

Basic Purposes of Legislation

H. R. 4413 implements the recommendations of the President, going back to his instruction to me in November 1961 to suspend further sales of silver, and repeated in his Economic Report in January of this year. Its basic purposes are twofold:

#1

(1) To afford the Government a sure and substantial supply of silver for its coinage needs by making available for this purpose the stocks of silver bullion standing behind the presently outstanding [illegible] silver certificates. This amounts to approximately 1,300,000,000 ~~1,600,000,000~~ ounces.

(2) To eliminate the obsolete and largely inoperative provisions on the statute books requiring the acquisition and holding of silver in our monetary reserves and putting a Government floor price of 90.5 cents an ounce under silver, which is far below the current market price.

Section 4 terminates generally the special silver transfer tax of 50 per cent, which was enacted in 1934, as it applies to a transfer of an interest in bullion produced after the date of enactment of this bill or purchased after such date for full consideration. The tax will remain in effect to attach to any sales of bullion produced before the effective date of this legislation. It will also apply to certain processors of silver on the so-called "necessary inventory" method of accounting, but only to the extent of the silver bullion held by them over a long period of time free of tax. A final aspect of this fourth section of the bill is to eliminate liability for the tax on the transferee of an interest in silver bullion so as to permit and encourage the establishment of a silver futures market, which it is hoped will provide a stabilizing influence in the price of silver.

Treasury at not less than 90-1/2 cents an ounce. In addition, a number of subsidiary provisions of these same three statutes are repealed by this bill.

Section 2 requires the Secretary of the Treasury to keep within the United States an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates. It limits his power to dispose of any silver to the public at a price lower than the monetary value thereof, which is $1.29-plus per ounce. While the price is under that level, he may use silver only for sale to other departments and agencies of the Government or for coinage, over $1.29, he may supply silver to the market, since silver certificates will continue to be exchangeable for silver dollars and in addition, at the option of the Secretary, for silver bullion of equivalent monetary value.

Section 3 permits the Federal Reserve Banks to issue $1 Federal Reserve notes.

At prices over the $1.29-plus monetary value,

For release on delivery 573

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE HOUSE BANKING AND CURRENCY COMMITTEE
ON H. R. 4413, MONDAY, MARCH 11, 1963
10:00 A.M. EST

Mr. Chairman, I am glad to have an opportunity to appear before your Committee and to speak in support of H. R. 4413, the silver legislation submitted to Congress by the Treasury.

The essential features of this bill are (1) to permit the ~~Federal Reserve to issue~~ issuance of Federal Reserve $1 notes so as to free that part of the silver ~~standing~~ ~~behind~~ backs out $1 silver certificates for use in coinage, and (2) to repeal certain obsolete silver legislation, including purchase legislation and the accompanying transfer tax, dating back to 1934.

The bill may be briefly outlined as follows:

Section 1 repeals the Silver Purchase Act of 1934 and the Acts of July 6, 1939, and July 31, 1946. In summary, the provisions of these statutes presently in effect require the purchase of any newly mined domestic silver offered at 90-1/2 cents an ounce, permit the purchase of foreign silver, and permit the sale of silver by the

C-784

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

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ON H.R. 4413, MONDAY, MARCH 11, 1963, 11:00 A.M., EST

Mr. Chairman, I am glad to have an opportunity to appear before your Committee and to speak in support of H.R. 4413, the silver legislation submitted to Congress by the Treasury.

The essential features of this bill are (1) to permit the issuance of $1 Federal Reserve notes so as to free for use in coinage the silver that presently backs our $1 silver certificates, and (2) to repeal certain obsolete silver legislation, including purchase legislation and the accompanying transfer tax, dating back to 1934.

The bill may be briefly outlined as follows:

Section 1 repeals the Silver Purchase Act of 1934 and the Acts of July 6, 1939, and July 31, 1946. In summary, the provisions of these statutes presently in effect require the purchase of any newly mined domestic silver offered at 90-1/2 cents an ounce, permit the purchase of foreign silver, and permit the sale of silver by the Treasury at not less than 90-1/2 cents an ounce. In addition, a number of subsidiary provisions of these same three statutes are repealed by this bill.

D-784

Section 2 requires the Secretary of the Treasury to keep within the United States an amount of silver of a monetary value equal to the face amount of all outstanding silver certificates. It limits his power to dispose of any silver to the public at a price lower than the monetary value thereof, which is $1.29-plus per ounce. When the price is under that level, he may use silver only for sale to other departments and agencies of the Government or for coinage. At prices over the $1.29-plus monetary value, he may supply silver to the market, since silver certificates will continue to be exchangeable for silver dollars and in addition, at the option of the Secretary, for silver bullion of equivalent monetary value.

Section 3 permits the Federal Reserve Banks to issue $1 Federal Reserve notes.

Section 4 terminates generally the special silver transfer tax of 50 per cent, which was enacted in 1934, as it applies to a transfer of an interest in bullion produced after the date of enactment of this bill or purchased after such date for full consideration. The tax will remain in effect to attach to any sales of bullion produced before the effective date of this legislation. It will also apply to certain processors of silver on the so-called "necessary inventory" method of accounting, but only to the extent of the silver bullion held by them over a long period of time free of tax. A final aspect of this fourth section

of the bill is to eliminate liability for the tax on the transferee of an interest in silver bullion so as to permit and encourage the establishment of a silver futures market, which it is hoped will provide a stabilizing influence in the price of silver.

Basic Purposes of Legislation

H.R. 4413 implements the recommendations of the President, going back to his instruction to me in November 1961 to suspend further sales of silver, and repeated in his Economic Report in January of this year. Its basic purposes are twofold:

(1) To afford the Government a sure and substantial supply of silver for its coinage needs by making available for this purpose the stocks of silver bullion standing behind the presently outstanding $1 silver certificates. This amounts to approximately 1,300,000,000 ounces.

(2) To eliminate the obsolete and largely inoperative provisions on the statute books requiring the acquisiton and holding of silver in our monetary reserves and putting a Government floor price of 90.5 cents an ounce under silver, which is far below the current market price.

For many years now silver has not served any major purpose as a monetary reserve metal. While it has been held as a reserve behind outstanding silver certificates, the amount of these in relation to total currency in circulation is small (approximately

$2 billion in silver certificates in circulation, of which approximately $1.5 billion are in $1 certificates, compared with $30 billion in Federal Reserve notes). Our basic currency is the Federal Reserve note which is backed by 100 per cent collateral, 25 per cent in the form of gold.

Recent years have seen a sharply increasing world-wide demand for silver for industrial, professional, and artistic uses which is in marked contrast to the situation existing in 1934 when the Silver Purchase Act was passed and in subsequent years up to about 1959. In those days it was necessary for the Government to support the price for newly-mined domestic silver by taking all of it off the market at an artificially high price. The 1939 Act established a floor price of about 71 cents per ounce. The 1946 Act raised the floor price to 90.5 cents. Since November 1961, when the Treasury stopped selling silver, market forces have caused the price to rise to its present level of $1.26½. Thus, the purchase acts are inoperative, and indeed the silver-producing industry has no further need for Government assistance. Since late 1961 the producers have seen a spectacular increase in the price of their product, amounting to 40 per cent, and the present $1.26½ price compares to about 45 cents when the 1934 law was enacted.

While this increase in price has benefited the producers, the recent rapid rise has created difficulties for the users. The silverware, jewelry, and related industries have had to cope as best they could with these increased costs. Other industrial and defense users have also been greatly affected. The legislation we have proposed will presumably result in stabilizing the market price at somewhere close to $1.29, a price that is favorable for the producers. At the same time it will benefit the user industries by giving them the much needed assurance of a relatively stable price level. Thus, today is the most opportune time for repealing the silver legislation to which I have referred and taking the Government out of the silver business except as a consumer in the manufacture of its coins.

History Since 1933

I shall not attempt to cover the spectacular history of silver prior to 1933. I need not tell you that it has been a very controversial subject both from the point of view of monetary theory and because of the diverse interests of important groups interested in silver. Since 1933, laws relating to silver have been of two types, namely, those relating to newly-mined domestic silver and those relating to foreign and secondary silver.

Commencing with a Presidential Proclamation on December 21, 1933, there has been continuous authority to purchase newly-mined domestic silver. Newly-mined domestic silver was purchased under various Presidential Proclamations at varying prices from December 31, 1933, to 1939 and thereafter was purchased pursuant to the Act of July 6, 1939, and subsequently the Act of July 31, 1946. All the Proclamations and laws relating to the purchase of newly-mined domestic silver have been mandatory; that, if silver meeting the requirements were tendered to the Mints, it had to be purchased. Under these various Proclamations and the two Acts referred to, 884 million fine ounces of newly-mined domestic silver were purchased, at a value of $704 million.

The purchase of foreign and secondary silver was effected under the authority of the Silver Purchase Act of 1934. The Silver Purchase Act had for its main purpose the purchase of silver until that metal should comprise one-fourth of the total gold and silver monetary stocks. Over 2 billion ounces of foreign and secondary silver were purchased under this Act by the beginning of 1942 at a cost of slightly over $1 billion. Moreover, by Executive Order of August 9, 1934, silver was nationalized -- that is, everyone who had silver of at least a certain fineness in his possession, with certain exceptions, was required to turn it into the Treasury at a fixed price. 113 million ounces were turned in under the

nationalization order. Yet all of this silver, plus that purchased as newly-mined, comprised only 15.7 per cent of our gold and silver monetary stocks by early 1942.

Unlike the Acts relating to newly-mined domestic silver, the Silver Purchase Act of 1934 did not make purchases mandatory but provided that they should be made only at such times as the Secretary of the Treasury found them to be in the public interest. Since 1942, no Secretary of the Treasury has deemed it to be in the public interest to purchase foreign or secondary silver under this Act.

Today, silver is at a point where current world production is not sufficient to meet current coinage and industrial demands. Most recently, annual free world production of newly-mined silver has amounted to about 200 million ounces, compared to a consumption of around 350 million ounces.

The current situation regarding domestic production and consumption is roughly as follows. Production runs around 35 million ounces, and industrial consumption amounts to a little over 100 million ounces -- about three times our current production. In addition, our coinage requirements last year ran to about 75 million ounces. Of our production, about 60 per cent comes as a by-product of copper, lead and zinc production. The remaining 40 per cent comes from mines in which silver is the primary product.

The Silver Purchase Act is not operative because no foreign or secondary silver has been purchased under that Act except from other Government agencies since 1942.

The July 31, 1946, Act, which provides for the mandatory purchase of newly-mined domestic silver at 90-1/2 cents per ounce, is no longer operative because the market price is at present $1.26-1/2. In fact, purchases under this authority have been insignificant since early 1959. The provision permitting sales by the Treasury under this Act is not now operative because the free stocks of silver in the Treasury are almost exhausted, and the President has stopped sales.

This legislation proposes to repeal the Silver Purchase Act of June 19, 1934, and the Acts of July 6, 1939, and July 31, 1946. This will stop the Treasury from purchasing or selling silver, except that if the market price reaches $1.29-plus, we will have to honor our legal obligation to redeem in silver any silver certificates presented for redemption.

Since November 29, 1961, we have been retiring the $5 and $10 silver certificates, replacing them with Federal Reserve Notes, and utilizing the silver so released for the coinage of subsidiary coins, but this supply is limited. Coinage requirements appear to be increasing each year, partly at least as a result of the ever-growing use of vending machines. Last year they amounted to about 75 million ounces.

In addition, our increasing population leads to a steady growth in the number of $1 bills required for circulation. Since at present $1 bills can only be issued in the form of silver certificates, this leads to a further annual requirement, which last year amounted to $49 million, or roughly 38 million ounces.

Thus in 1962 about 113 million ounces of silver were required to meet our coinage requirements and the increase in $1 bills. This means that at current rates the silver presently available behind our dwindling supply of $5 and $10 silver certificates will be exhausted some time during 1965.

When a used $5 silver certificate is turned in, it is retired, thus freeing the silver behind it for use in coinage. Whenever an additional $5 bill is needed in the currency, it is called for by the banking system from the Federal Reserve and a new $5 Federal Reserve note is issued. However, at present, the Federal Reserve Banks are not authorized to issue $1 notes and, therefore, there is no such replacement available if $1 silver certificates were to be retired. Thus, it is vitally important that Congress authorize the issuance of $1 Federal Reserve notes so as to provide in an orderly way for handling of our future needs for coinage and $1 bills.

The withdrawal of silver certificates and the use of silver back of them for coinage will be gradual. We estimate that not over $105 million of silver certificates a year will need to be redeemed in order to obtain the silver needed for coinage. Today, we have over 1,600,000,000 ounces of silver back of silver certificates that can be used for coinage. Of this amount, over 1 billion 300 million ounces stand in back of the $1 silver certificates.

Outside of the possible redemption of silver certificates by the public, the only other demand for silver from Treasury stocks, other than coinage, would be silver needed by other Government agencies. We have 30 million ounces of free silver which can be used for this purpose without retiring silver certificates. This should be sufficient to satisfy the demands of other Government agencies, particularly the defense establishment for the manufacture of certain equipment, for the next few years.

In view of the fact that silver certificates are a circulating medium, it must be assumed that over the long run Federal Reserve notes will have to be issued in their place. These are issued by the Federal Reserve, not the Treasury. If, because of retirement of silver certificates, Federal Reserve notes are required to carry on the business of the country, the business community, through the commercial banks, will obtain Federal

Reserve notes in the same manner as other Federal Reserve notes are obtained today. There are only $2 billion in silver certificates in circulation, whereas there are over $30 billion of Federal Reserve notes. There is no problem involved in substituting one for the other.

The retirement of silver certificates and their subsequent replacement with Federal Reserve notes will require the use of gold as a reserve back of these notes. However, the 25 per cent gold reserve needed for this purpose should not exceed about $35 million annually.

All demand for $2 bills, which is very small, can be met by the issuance of United States notes, just as it is at the present time.

Problems Arising if $1 Fed Note Not Authorized

If the $1 Federal Reserve note is not authorized, the Treasury will soon be in the untenable position of being forced into the market to buy silver for its coinage needs. Since United States production is only 1/3 of our industrial requirements, all silver for coinage would have to be acquired from abroad, thus putting an unnecessary strain on our balance of payments. Such purchases would drive the price of silver up to its monetary value of $1.29-plus per ounce and beyond. At this point it would become

profitable for the public to turn in $1 silver certificates, to obtain the silver standing behind them. This would lead to the gradual but certain withdrawal of all $1 bills from circulation. At a price of $1.38 per ounce for silver, which in this situation might not be long in coming, the public would find it profitable to melt down half dollars, quarters, and dimes for their silver content. We simply cannot allow such a situation to develop. Obviously the public must have an adequate supply of $1 bills which is not subject to being constantly diminished as bills are turned in for their silver value. And it must have a supply of subsidiary coins which are not apt constantly to be melted down for their silver value. This legislation provides for the most appropriate and practical way to assure a silver supply available for coinage which will prevent the occurrence of such situations. The Treasury plans to continue the use of silver in the coinage system, but it is essential that this be accomplished by making it possible to use the silver standing behind all silver certificates including $1 bill.

The Silver Transfer Tax

The basic theory of the provisions in Section 4 of the Administration's bill is that the 50 per cent tax on transfers of interests in silver bullion should be repealed prospectively.

That is, persons producing silver bullion after the date of enactment or acquiring it thereafter for full consideration should not be liable for the tax; however, those producing or acquiring interests in silver bullion prior to the date of enactment should remain subject to this tax on profits resulting from sales thereof. This will prevent the possibility that anyone who held silver bullion over the years when Government action was increasing the price could realize a "windfall" profit simply by waiting for repeal.

Essentially, the tax is being repealed. It will remain operative only for a short period of time, to be applied to a few transitional cases arising out of sales of silver bullion interests which were created prior to enactment of this bill.

Subparagraph (2) of Section 4 is a special provision which is required in order to apply the basic theory of the tax repeal to a few processors who adopted the so-called "necessary inventory" method of accounting for their sales of silver bullion. I shall not deal with this provision in detail at this time, but the reason for it is to apply the tax to an amount of silver bullion equal to that which these processors held at the time when they adopted the "necessary inventory" method, which was generally back in 1934 at the time when the tax was enacted.

The tax will be levied on sales of bullion equal to those amounts which under the accounting option adopted by them, these particular processors were allowed to hold in their inventory throughout a period of substantial price rise while other processors using a different option were not permitted to hold inventories of bullion through the price rise without being subject to the tax.

Finally, our bill has a provision in subparagraph (c) of Section 4 to make it clear that the silver transfer tax does not apply to the purchase and sale of silver futures contracts entered into after the date of enactment. The bill provides that there shall no longer be any liability on the part of the transferee of the contract. This provision will make possible the establishment of a futures market in silver similar to those available for the trading of interests in other commodities, and we believe will contribute to a stable and orderly market in silver, where Government transactions effectively set the price until the Treasury's withdrawal from the market in November 1961. A technical explanation of the tax provisions is being submitted for the record as an annex to this statement.

Conclusion

In drafting this silver bill, we in the Treasury have been reminded once again that there are many interests involved in silver, most of them apparently conflicting. We believe this

bill is fair to all. It provides a suitable means for the Government to obtain its silver requirements for coinage, the item in this bill which is of primary importance. It permits silver, from the point of view of the producers, to rise to the level of its monetary value of $1.29-plus per ounce, if market forces carry it that high, without interference from Government sales to the public at a lower price. It will presumably create an effective ceiling of approximately $1.29 an ounce by the provision that silver certificates shall be redeemable for silver dollars or the equivalent in bullion, which should assure the silver users that the price will not rise much beyond its present market for a long time to come. It repeals the 50 per cent silver transfer tax prospectively and retains it only to protect against certain possible windfalls and to cover the special case of the "necessary inventory" processors. It does not in any way debase or weaken the currency of the United States for this basic reason: The Federal Reserve notes which will ultimately replace the silver certificates in circulation are, as is well known, a sound and time-tested form of currency; they are required to be backed by 100 per cent collateral, of which 25 per cent is in gold. We shall continue to have this sound and highly satisfactory form of currency, the Federal Reserve note, but instead of having approximately $30 billion in Federal Reserve notes and $2 billion in silver certificates, we shall eventually have the entire amount in Federal Reserve notes.

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TECHNICAL ANNEX ON TAX PROVISIONS OF BILL

I. THEORY OF PROVISIONS ON SILVER TRANSFER TAX

The basic theory of the provisions of Section 4 of the Administration's bill is that the tax should be repealed <u>prospectively</u>, i.e., persons producing or acquiring silver bullion after the date of enactment should not be liable for the tax. However, persons producing or acquiring interests in silver bullion prior to the date of enactment should remain subject to the 50% transfer tax on the profits resulting from sales of such silver. This will prevent the possibility that anyone who might have speculated in silver bullion over the years when the Government was supporting the price could realize a "windfall" profit.

Thus, essentially the tax is being repealed. It will remain operative only for a short period of time to be applied to a few transitional cases arising out of sales of silver bullion interests which were created prior to enactment.

Subparagraph (2) of Section 4 is a special provision which is required in order to apply the basic theory of the tax repeal to a few processors of silver who adopted the so-called "necessary inventory" method of accounting for their sales of silver bullion.

The transfer tax provisions of the original Silver Purchase Act and the Regulations issued under it permitted (and still permit) a choice of two accounting methods: the "cost of production" method

and the "necessary inventory" method. Most producers and processors of silver bullion adopted the cost of production method. The Act and Regulations provide that for purposes of computing the tax the cost of production is the market price on the date of the last processing when it becomes silver bullion. By selling this silver bullion immediately or at least before a price rise occurred, companies on this method have avoided any necessity for paying the silver profits tax. But of course they have been inhibited from holding speculatively the silver bullion which they produced, in anticipation of a price rise.

A few processors of silver, notably Handy & Harmon and American Smelting and Refining Company, elected the "necessary inventory" accounting system. Under this system a processor was allowed to declare, and obtain a certification from the Internal Revenue Service, that it had a necessary inventory of a specified amount in ounces of silver, including not only silver bullion on the shelf available for sale but also ores, concentrates, etc. This enabled such a processor to hold an amount of silver bullion in its inventory at all times available for sale to users. When it sold silver bullion out of its necessary inventory at a profit (because there had been a rise in price since it became bullion) such a company was allowed to offset the profit with the so-called "loss" incurred in purchasing ores and concentrates containing an equivalent amount of silver for replacement in its inventory. Such replacement could be effected at any time

within 45 days of the sale of the silver bullion in question. Thus, a processor on the necessary inventory method was able to avoid paying any silver tax so long as it always purchased at the then market price the same amount of silver materials as it sold in the form of silver bullion.

In effect, this arrangement was similar to the "lifo" ("last in, first out") method of accounting. The cost of the silver bullion sold was deemed to be the cost of the ores and concentrates acquired to replace it. This permitted such processors to continue to carry their necessary inventories over the whole period from the time they adopted this system at the low cost figure at which such ores, concentrates and bullion were acquired, in some cases as low as 45¢ an ounce. Never would they be liable for payment of the silver transfer tax, unless they liquidated some of the inventory without replacing it.

In considering what should be an equitable arrangement for determining the liability of such processors on the occasion of the repeal of the tax, there is some basis for argument that the tax should apply to the profit on the whole necessary inventory including the ores and concentrates contained therein. However, it must be borne in mind that from the beginning the tax was only on the profits on the sale of silver bullion and the law and regulations in effect permitted speculation (or the holding in stock over a period of rising prices) of silver materials other than bullion. Those companies on the cost of production accounting

method were able to hold ores and concentrates through a period of rising prices without incurring tax liability under the silver transfer tax.

Accordingly, after careful study, it was determined that the one advantage obtained by the companies on the necessary inventory system was that they were able to hold the silver bullion, or its equivalent, contained in their original necessary inventories, through a long period of rising prices without having to pay the transfer tax on such bullion. Accordingly, it was deemed appropriate to tax them on the profit on this bullion. (Companies on the cost of production system would have been liable for the tax on such bullion if they had held it over such a period.) It is for this reason that the tax section in the Bill requires that processors on the necessary inventory system shall be liable for the transfer tax on their first sales of silver after the date of enactment until such sales equal the amount of silver bullion held in their opening inventories. The theory of this is that when they sold the silver bullion which they originally held in their inventories, an equivalent amount of ores and concentrates was substituted. These materials later became bullion which was sold, and the cycle was repeated over and over again during the whole period. As a result, at the end of the line when the silver tax is repealed, they will hold a certain amount of ores, concentrates or bullion representir by substitution the silver bullion which they held at the beginning an

which they have held over a great many years during a substantial rise in price.* On this amount of silver we believe they are equitably liable to the tax, and the bill provides that the first sales of silver bullion after the date of enactment shall be deemed to be this bullion originally held in the inventory, thus allowing the slate to be wiped clean on tax liability at the earliest possible date.

A new subparagraph (3) has been added to Section 4 which makes it clear that the silver transfer tax does not apply to the purchase and sale of silver futures contracts entered into after the date of enactment. Since the effect of the over-all silver bill is to relieve the Government from any responsibility for maintaining the market for domestic silver production, there is no longer any need to apply the tax to dealings in silver futures. Such dealings should be allowed for silver the same as for any other commodity. Under the existing law and regulations in certain cases there is a secondary liability for the tax on the part of transferees of silver futures contracts

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* This is true notwithstanding the nationalization of silver bullion in August 1934. The nationalization order required the delivery to the Government of silver above a certain fineness. However, processors of silver were permitted to retain their large inventories of ores and concentrates. These retained silver materials represented by substitution the silver bullion held in their opening inventories.

(cases where the transferor is not available, or is not able, to pay the tax). The Bill makes clear that there shall no longer be any liability on the part of transferees of contracts made after the date of enactment. This will permit the development of a silver futures market which should have a stabilizing effect.

A detailed analysis of the silver tax provisions of the Bill is attached.

Attachment

II. ANALYSIS OF PROVISIONS RELATING TO TAX ON TRANSFERS OF INTERESTS IN SILVER BULLION

Section 4 of the bill adds new subsection (c) to section 4896 of the Internal Revenue Code of 1954 which relates to the applicability of the provisions of the Code which impose tax on transfers of interests in silver bullion.

Paragraph (1) of new subsection (c) provides rules which limit the application of the tax in the case of transfers made after the date of enactment of the bill. These rules apply to all transfers after that date except those made by producers of silver bullion who were using the necessary inventory method of accounting onJanuary 1, 1963. Paragraph (2) of the new subsection provides the rules which govern the applicability of the tax in the case of transfers made by such producers after the date

of enactment of the bill. Paragraph (3) pertains to the liability of a transferee for payment of the tax when the transferor has not paid it. Paragraph (3) provides for elimination of transferee liability in the case of transfers made after the date of enactment of the bill.

Paragraph (1)

Paragraph (1) provides that the tax imposed by section 4891 shall not apply to the transfer after the date of enactment of the bill of any interest in silver bullion produced after such date. Thus, any transfer, after the date of enactment, of an interest in silver bullion which was produced after such date will be free of the tax imposed by section 4891. For this purpose production of silver bullion is the smelting and refining of silver

from materials which had not previously entered into industrial, commercial or monetary use. In general, silver bullion is considered as produced at the time at which the last usual and necessary process of smelting or refining prior to transfer is completed. However, in the event silver bullion is delivered pursuant to a forward contract (a contract for delivery at a future date) entered into after the materials containing the silver were acquired by the transferor but before the completion of the last usual and necessary process of smelting and refining, such silver bullion is considered as produced at the time of the making of the forward contract.

In the case of a contract made after date of enactment of the Bill, where the transferor is permitted to deliver silver bullion produced either before or after date of enactment, to the extent that the transferor is free to deliver

silver
/bullion produced before date of enactment and has such silver available, the contract will be considered as a contract for the sale of silver bullion produced before date of enactment. For example, if such a contract is for the sale of 10,000 ounces of silver bullion and the transferor has 4,000 ounces of old silver on hand, the contract will be treated as a contract for the sale of 4,000 ounces produced before date of enactment and 6,000 ounces produced after date of enactment. If later in the same day the transferor contracts to sell 5,000 additional ounces, the second contract will be for the sale of silver bullion produced after date of enactment only.

Naturally, if after date of enactment a transferor specifies in the contract that it is for the sale of bullion produced after date of enactment, the contract will be treated as a contract for sale of bullion produced after date of enactment even though the transferor has on hand bullion produced before date of enactment.

Paragraph (1) also provides that once there has been a sale of an interest in silver bullion after the date of enactment for full and adequate consideration,

all subsequent transfers of such interest in silver bullion will be free of the tax imposed by section 4891. For purposes of paragraph (1), a sale, exchange, or other transfer of an interest in silver bullion made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free of any donative intent) will be considered as made for full and adequate consideration. The application of paragraph (1) may be illustrated by the following examples:

<u>Example (1)</u>. A bought 10,000 ounces of silver bullion in 1961 at 90 cents per ounce. Two days before the date of enactment of the bill he sells 5,000 ounces to B at $1.26 per ounce, the silver bullion to be delivered seven days later. Three days later he sells the remaining 5,000 ounces to C at $1.26 per ounce, ~~One month after~~ the then market

price for silver bullion. One month after the date of enactment, B and C each sell to D, at $1.27 per ounce their interests in the silver bullion acquired from A. Since A and B each acquired his interest in the silver bullion before the day after the date of enactment of the bill, the profits realized by them on their sales will be subject to the tax imposed by section 4891. Since C acquired his interest in the silver bullion after the date of enactment and for full and adequate consideration, the tax imposed by section 4891 will not apply to the profit made by C.

Example (2). A bought 1,000 ounces of silver bullion in 1961 at 90 cents per ounce. After the date of enactment of the bill and at a time when the market price of silver is $1.25 per ounce, A sells the silver to B,

his wife, at the price of $1.00 per ounce. One month later, when the market price of the silver is still $1.25, B sells the silver to C, her son, at the price of $1.15 per ounce. C, later, sells the silver to D at the then market price of $1.26 per ounce. Since A acquired his interest in the silver bullion before the day after the date of enactment of the bill, his profit on the transfer to B will be subject to the tax imposed by section 4891. Although B and C bought their interests in the silver bullion after the date of enactment, they did not acquire their interests for full and adequate consideration and, therefore, the tax will apply to their profits on the transfers made by them. D acquired his interest for full and adequate consideration and the tax imposed by section 4891 will not apply to any profit he might realize on a transfer of such interest.

Paragraph (2)

Article 85 of Treasury Department Regulations 85 and the corresponding provisions of subsequent regulations authorize the use of a "necessary inventory" method of accounting by producers of silver bullion who made an appropriate election to use such method of accounting. Paragraph (2) of new subsection (c) provides special rules for termination of the tax in the case of transfers by producers who were using the necessary inventory method of accounting on January 1, 1963. In the case of such producers the amount of the transfers subject to the tax is not measured by the sale after the date of enactment of silver on hand on the date of enactment. Rather, it is measured by the amount of fine ounces of silver bullion (fine silver, and not silver in ores)

held by the producer on the earliest day to which his election to use the necessary inventory method of accounting applied. Accordingly, in the case of a producer who had 1,000,000 fine ounces of silver bullion on hand on the earliest date to which his election applied, the tax will apply to the first 1,000,000 ounces of fine silver sold after the date of enactment and it is immaterial whether, at the close of work on the date of enactment of the bill, he had 2,500,000 fine ounces of silver bullion on hand, whether he had only 500,000 such ounces, or whether by means of forward sales made earlier in the day he had completely denuded himself of interests in silver bullion.

Amendments of elections (e.g., an amendment to change the size of the necessary inventory) are not considered

elections in determining the earliest date to which a producer's election to use the necessary inventory method of accounting applied. If a producer who used the necessary inventory method of accounting revoked his election and, before January 1, 1963, made a second election which was in effect on January 1, 1963, the first election is disregarded and the amount of the fine silver content of the bullion held on the earliest date to which the second election applied is the measure of the transfers to which the tax will apply.

Under section 4894 and the regulations prescribed thereunder (26 CFR 45.4894-1) a producer who is using the necessary inventory method of accounting is permitted to offset (1) any profits realized on transfers from his

necessary inventory which result from a change in the market price of silver bullion, by (2) the amount of contemperaneous losses incurred in specifically related hedging transactions involving acquisitions to be added to inventory. Paragraph (2) provides that section 4894 and such regulations shall not apply to transfers coming within the scope of paragraph (2). Accordingly, any profits realized on these transfers will not be offset by losses incurred in hedging transactions.

In computing the tax on transfers to which paragraph (2) of net subsection (c) applies, the costs of the interes transferred are deemed to be the average cost of the transferor's necessary inventory on January 1, 1963. Except for use of the January 1, 1963, date, this rule conforms to pre

law under which transfers from necessary inventory are treated as having a cost equal to the average cost of the necessary inventory. The selling price of interests in silver bullion to which paragraph (2) applies is the market price for silver bullion on the date of transfer. Thus, where transfers are made between affiliated taxpayers at less than the market price, the price at which sold will be disregarded in computing the tax, and tax will be computed as though the interest in silver bullion were transferred at the then market price for silver bullion.

Paragraph (3)

Under present law if the transferor of an interest in silver bullion does not pay the tax imposed by section 4891, the tax may be collected from the transferee of the interest. Under paragraph (3) no liability for tax incurred in

connection with any transfer made after the date of enactment of the bill will be incurred by the transferee of the interest.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, March 12, 1963.

March 11, 1963

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 13, 1 and the other series to be dated March 14, 1963, which were offered on March 6, were opened at the Federal Reserve Banks on March 11. Tenders were invited for $1,300,000, or thereabouts, of 91-day bills and for $800,000,000, 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 13, 1963		:	182-day Treasury bills maturing September 12, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.280	2.848%	:	98.526	2.916%
Low	99.270	2.888%	:	98.513	2.941%
Average	99.275	2.870% 1/	:	98.518	2.931% 1/

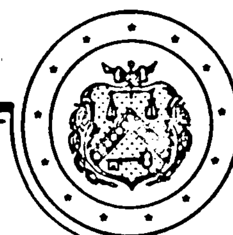
25 percent of the amount of 91-day bills bid for at the low price was accepted
7 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 24,999,000	$ 14,999,000	:	$ 13,982,000	$ 4,332,000
New York	1,476,974,000	859,224,000	:	1,169,508,000	672,950,000
Philadelphia	40,101,000	25,101,000	:	8,993,000	3,493,000
Cleveland	32,751,000	32,751,000	:	14,470,000	14,470,000
Richmond	12,187,000	12,187,000	:	2,798,000	2,798,000
Atlanta	47,920,000	47,170,000	:	6,176,000	6,176,000
Chicago	221,955,000	147,555,000	:	127,562,000	40,562,000
St. Louis	36,467,000	31,717,000	:	6,886,000	4,886,000
Minneapolis	22,295,000	20,420,000	:	8,608,000	7,143,000
Kansas City	32,765,000	27,765,000	:	10,805,000	10,805,000
Dallas	25,500,000	19,750,000	:	9,214,000	7,214,000
San Francisco	65,861,000	61,461,000	:	49,708,000	25,488,000
TOTALS	$2,041,775,000	$1,300,100,000 a/	:	$1,428,710,000	$800,317,000 b/

a/ Includes $266,247,000 noncompetitive tenders accepted at the average price of 99.275
b/ Includes $57,216,000 noncompetitive tenders accepted at the average price of 98.518
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.93%, for the 91-day bills, and 3.02%, 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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District	Applied For	Accepted	:	Applied For	Accepted
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New York	1,478,974,000	859,224,000	:	1,169,508,000	672,950,000
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Cleveland	32,751,000	32,751,000	:	14,470,000	14,470,000
Richmond	12,187,000	12,187,000	:	2,798,000	2,798,000
Atlanta	47,920,000	47,170,000	:	6,176,000	6,176,000
Chicago	221,955,000	147,555,000	:	127,562,000	40,562,000
St. Louis	36,467,000	31,717,000	:	6,886,000	4,886,000
Minneapolis	22,295,000	20,420,000	:	8,608,000	7,143,000
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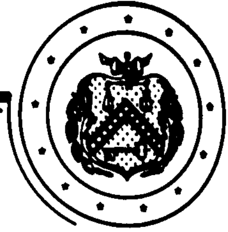
TREASURY DEPARTMENT



WASHINGTON, D.C.

March 11, 1963

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN FEBRUARY

During February 1963, 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 $142,088,600.

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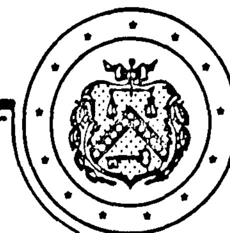
TREASURY DEPARTMENT



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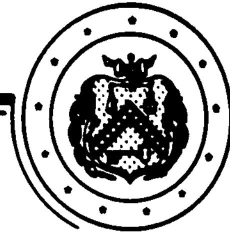

WASHINGTON, D.C.

FOR RELEASE P.M. NEWSPAPERS
WEDNESDAY, MARCH 13,1963

PATRICK HENRY HOY NEW ILLINOIS
SAVINGS BONDS CHAIRMAN

Secretary of the Treasury Douglas Dillon today appointed Patrick Henry Hoy volunteer State Chairman of the Illinois Savings Bonds Committee. Mr. Hoy is President of the Material Service Division, General Dynamics Corporation. He succeeds Donald P. Welles, Executive Vice President of Chicago's Harris Trust and Savings Bank. In accepting his resignation, Secretary Dillon stated that Mr. Welles had capably filled the position for several years and that his "volunteer leadership of the Savings Bonds Program in Illinois during this important period has been valuable to the Treasury and the people."

In announcing the appointment, the Secretary said, "We feel that the Savings Bonds program is one of the most important activities in which we are engaged. It not only is an essential feature of our debt management program, but also serves to encourage thrift. The addition of a leader of your stature will help us tremendously."

A native of Minneapolis, Mr. Hoy attended the University of Minnesota and held positions as Sales Manager of the Commander Larabee Milling Company and as Vice President and General Manager of Amber Mills prior to World War II. After wartime service with the United States Navy, he served in several executive posts in the hotel industry. Among these, Mr. Hoy was Director of Mexico Hotels, Ltd., and President, Hotel Sherman, Inc., and Ambassador East, Inc.

In 1960, Mr. Hoy was named President of the Material Service Division of General Dynamics and Senior Vice President of the General Dynamics Corporation. He has also served as Director of the Cambridge Radisson Company and the Union Asbestos and Rubber Company.

Married to Betty Bergman, Mr. Hoy is the father of two sons.

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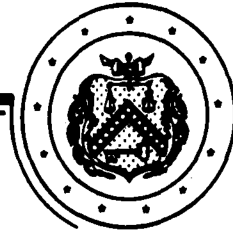
TREASURY DEPARTMENT



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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 sal 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 subjec 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 suc bills, whether on original issue or on subsequent purchase, and the amount actual 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, pre scribe 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 20, 1962, (91 days remaining until maturity date on June 20, 1963) 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 21, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 21, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE March 13, 1963

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two serie of Treasury bills to the aggregate amount of $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing March 21, 1963 , in the amoun of $ 2,101,581,000 , as follows:

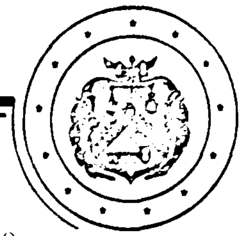
91 -day bills (to maturity date) to be issued March 21, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated December 20, 1962 , and to mature June 20, 1963 , originally issued in the amount of $ 799,979,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated March 21, 1963 , and to mature September 19, 1963 .

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 18, 1963 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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182-day bills, for $800,000,000, or thereabouts, to be dated March 21,1963, and to mature September 19, 1963.

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 18, 1963. 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.

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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 December 20,1962, (91-days remaining until maturity date on June 20, 1963) 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 21, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 21, 1963. 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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STATUTORY DEBT LIMITATION

As of February 28, 1963   Washington, March 14, 1963

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 July 1, 1962 (P.L. 87-512 87th Congress) provides that the above limitation shall be temporarily increased (1) during the period beginning on July 1, 1962, and ending on March 31, 1963, to $308,000,000,000, (2) during the period beginning on April 1, 1963, and ending on June 24, 1963, to $305,000,000,000, and (3) during the period beginning on June 25, 1963, and ending on June 30, 1963, to $300,000,000,000.

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			$308,000,000,
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$49,941,037,000		
Certificates of indebtedness	23,732,788,000		
Treasury notes	49,995,893,000	$123,669,718,000	
Bonds -			
Treasury	81,081,115,350		
*Savings (current redemption value)	47,892,930,486		
United States Retirement Plan bonds	54,600		
Depositary	107,723,500		
R. E. A. series	25,998,000		
Investment series	4,354,482,000	133,462,303,936	
Certificates of Indebtedness -			
Foreign series	240,000,000		
Foreign Currency series	47,904,975		
Treasury notes -			
Foreign series	183,000,000		
Treasury bonds -			
Foreign Currency series	480,684,788	951,589,763	
Special Funds -			
Certificates of indebtedness	6,728,824,000		
Treasury notes	6,256,184,000		
Treasury bonds	29,501,942,000	42,486,950,000	
Total interest-bearing		300,570,561,699	
Matured, interest-ceased		388,493,566	
Bearing no interest:			
United States Savings Stamps	52,344,433		
Excess profits tax refund bonds	709,200		
Special notes of the United States:			
Internat'l Monetary Fund series	2,980,000,000		
Internat'l Develop. Ass'n. series	150,956,600		
Inter-American Develop. Bank series	125,000,000	3,309,010,233	
Total		304,268,065,498	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	536,751,400		
Matured, interest-ceased	4,231,775	540,983,175	
Grand total outstanding			304,809,048
Balance face amount of obligations issuable under above authority			3,190,951

Reconcilement with Statement of the Public Debt February 28, 1963
(Date)

(Daily Statement of the United States Treasury, February 28, 1963)
(Date)

Outstanding -	
Total gross public debt	304,638,386
Guaranteed obligations not owned by the Treasury	540,983
Total gross public debt and guaranteed obligations	305,179,369
Deduct - other outstanding public debt obligations not subject to debt limitation	370,321
	304,809,048

STATUTORY DEBT LIMITATION

As of February 28, 1963

Washington, March 14, 1963

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Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	536,751,400		
Matured, interest-ceased	4,231,775	540,983,175	
Grand total outstanding			304,809,048,673
Balance face amount of obligations issuable under above authority			3,190,951,327

Reconcilement with Statement of the Public Debt February 28, 1963
(Date)

(Daily Statement of the United States Treasury, February 28, 1963)
(Date)

Outstanding -	
Total gross public debt	304,638,386,616
Guaranteed obligations not owned by the Treasury	540,983,175
Total gross public debt and guaranteed obligations	305,179,369,791
Deduct - other outstanding public debt obligations not subject to debt limitation	370,321,118
	304,809,048,673

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of the revenue increases that would flow from an increased rate of economic growth toward reducing future deficits. A balanced course is open to promote a continued, steady and increased rate of economic advance, which is the surest route to balanced budgets and surpluses, consistent with national security and space requirements.

In the perspective of the Forrestal analysis, it would be neither wise nor prudent to cut into essential national security and space programs nor postpone the adoption and execution of positive national policies to increase demand, capital formation and civilian research and development. This combination can give the nation an increased rate of economic growth in the Sixties and contribute mightily to our future security, prosperity and freedom.

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<u>Conclusion</u>

In conclusion, returning to the Forrestal analysis of the problems facing a free democratic society in a cold war with communism, truly "there are no easy black and white solutions." But certain things stand clear.

Our national security will require that the nation augment sharply our nuclear and conventional armed forces, step up our efforts in space, and meet the cost of servicing a national debt that has grown larger as a result of these imperatives. We must maintain that progra as it approaches the plateau of readiness.

The failure of the economy to approach its full potential for economic growth has meant that revenues did not keep pace with these increased needs -- defense, space and interest on debt -- which have accounted for

To meet this problem, the President has proposed to the Congress a concerted program linking both Federal and private efforts to increase the number of those who have selected careers in these three fields, to go on to graduate study. Augmented support of students and funds to meet the universities true costs of education are contained in the budgets of the National Science Foundation, NASA, and other agencies, and in the new education legislation through extension and expansion of the National Defense Education Act fellowships.

and engineers and those engaged in research and development would need to double, compared with 1960.

The President's Science Advisory Committee in a recent report called special attention to an impending shortage of engineers, mathematicians and physical scientists who combine high ability with graduate education. For, fulfillment of present commitments depends on quality as well as quantity of skilled manpower. Of course, the principal responsibility for meeting educational needs, especially at the lower levels of learning, properly rests with the State and local authorities.

But as the Federal Government is the principal user of scientific personnel -- indirectly by contract and by in-house activity -- it should take some responsibility for assisting in assuring an adequate supply.

all the others depend, if we are to begin meeting -- simultaneously -- the military and civilian goals outlined above. There are now about 1.2 million scientists and engineers, with roughly one-third of these engaged in research and development. This number of research and development scientists has risen since 1954 -- perhaps by 150,000 -- although the bulk of the increase primarily has been absorbed by a rise in defense and space related projects. The scarcity of professional and skilled personnel has been reflected in the sharply rising salary trend, which has advanced half as much again as rapidly as industrial wages. And as research and development under government contract continues to expand, this will exert a further drain from the civilian economy.

Studies on the demand for scientific personnel by 1970 indicate that both the total number of scientists

Government, and will involve heavy and rising expenditures. In addition, there are, for example, civilian type problems which fall into a complex and overlapping area of administrative jurisdiction, frequently involving interstate areas in the field of urban environmental problems and which frequently represent a drag on health and wellbeing. For example, in areas of air and water pollution, radiological health, noise, and land use, the physical environment must be considered as a whole for effective control. Current research and development programs are limited in this area, despite its pressing need, and some expanded effort may be required by Government in this area.

There is a final consideration -- that of the supply of scientific and technical manpower -- upon which perhaps

The creation of the post of Assistant Secretary of Commerce for Science and Technology, now ably held by Dr. J. Herbert Holloman, provides the interest, leadership and locus of responsibility necessary to push the objective of advancing civilian technology through these and other devices.

Although the primary emphasis of the program outlined above is on private efforts, with government mainly providing only general support, there also is some room for direct Federal Government participation in a few areas -- notably those which are already in the public sector in any case, or those which by their special nature fall outside the interest of private groups.

Of course, the programs in defense, nuclear energy, and space continue as an urgent concern of the Federal

and involve and develop the facilities of universities for meeting local technological needs, and improve the productivity of industry.

In addition, new means are needed in the information field, first, to convert results of Government, university, and foreign research on products and processes into forms readily understandable by industry and, second, to establish a more complete technical information service for industry, which is comprehensive as well as detailed and tailored to specific industry requirements.

The Cabinet Committee on Economic Growth and the White House Panel on Civilian Technology are continuing to study these and other proposals. One of the participants of both these groups, Dr. Jerome B. Wiesner, Science Adviser to the President, has performed a national service by his interest in these matters.

to find means to supplement the available technical resources for development of our basic industries.

Along these lines, private efforts may also be stimulated by the President's proposal that the Department of Commerce sponsor a pilot program for an industry-university engineering extension service which will be designed to diffuse available technology on a local basis and to identify technical problems and provide broad technical advice to those industries not now research minded, to demonstrate new technologies, and to sponsor short courses and conferences. Somewhat analogous in purpose to the agricultural extension service, established 100 years ago, which has contributed so much to the phenomonal increase in agricultural productivity, this proposal would strengthen the technological capabilities and understanding of management and supervisory personnel,

operating research and development expenditures, or to amortize them over 60 months or longer.

A second step to stimulate technological development and research under private auspices might be to provide Federal financial support to basic industrial research, primarily in the form of research grants or contracts to universities and research institutions. In most Western European countries considerable industry-government cooperation exists either in the form of government grants to independent research institutes who undertake industry research -- the Max Planck Institutes of West Germany -- or directly to industry research institutes -- as in Great Britain. As we look forward to the expansion of our world markets to relieve our balance of payments difficulties, certainly some consideration seems in order

and engineering, and activities and development designed to develop new products and processes, or substantial innovations in present products and processes, except under Federal contract. In addition, special provision is made to encourage companies with small research and development budgets, who would not otherwise qualify, by allowing them to expense specialized equipment, which is used half the time or more for these purposes, to the extent of 50 percent of the cost, even if used under Federal contract, up to 4 percent of total expenditures. The particular form of this tax proposal will help to make research and development more productive for each participant during this period of critical manpower shortages. Of course, these new proposals are in addition to the previously granted option either to expense

inadequate rewards to private institutions exist, the potential benefits to the economy can be so large that additional incentives to expand civilian research should be provided. Such steps should give first priority to private incentives, and it is these which the President's proposals emphasize.

First, the newly adopted tax policy of 1962 and now the proposed tax program relies heavily on strengthening the motivations of business firms to carry on private technological activities and realize on them through investment in the machinery, equipment and activities that realize profits. Moreover, the President has recommende that capital expenditures for machinery and equipment used directly and specifically for research and development be allowed as a current expense deduction, at the option of the taxpayer. For this purpose, research and development would include basic and applied research in the sciences

gains accrue to competitors as well as to the firm which undertakes the risks.

A Positive Program to Stimulate Civilian Research and Development

These real and incipient limitations on the contribution of science and technology to economic growth have led the present Administration to formulate a positive program to stimulate civilian technology.

The first requirement of a new national policy is to accept some national responsibility for removing limitations on our civilian research and development efforts. This means devising programs to direct scientific resources to promote the advance of civilian technology, without curtailing the necessary expansion in research and development related to our defense and space efforts. Where

An additional factor frequently is the inability of a single firm to handle the financing of efforts that require major and complicated research and development effort to effect a major technological advance.

In other instances, research is not pushed because our present system does not reward the company who takes the risks and covers the costs of research and development only to share the benefits with many other companies. Patents, of course, generally protect proprietary benefits of new products and thereby stimulate additional research effort and productivity, but in many areas of process improvement, testing and evaluation, and materials analysis perhaps not strictly classified as research and development there are cases where scientific activity may result in valuable contributions to company and industry productivity. Yet, little motivation for research can exist where the

Other important industries, including textiles, paper, lumber and wood, rubber, railroads, construction, and some others allocate only a small portion of their resources to research and development. But, in these areas which contribute importantly to gross national product, are significant opportunities for potential contribution to industry productivity and economic growth.

In some of these industries, the small unit scale of operations explains the deficiency of interest in research and development, since the gain in productivity from a new method may be too small to justify research expenditure by an individual firm. However, the gain to the economy from a dynamic technology available to all such firms may be quite large -- a factor deserving considerable weight in public policy.

space technology may provide pertinent and profitable carryover to civilian use, the skilled personnel needed for industrial adaptation is said to be becoming increasingly limited.

The skewed balance of our research and development efforts in favor of noncivilian objectives is abetted by the lack of adequate rewards to investment in research and development in many of our industries -- and this is reflected in the concentration of civilian-oriented research among a few industries. Half of company-financed research and development today is performed by three major industries: the chemical, electrical equipment, and motor vehicle groups.

civilian goods and processes has faltered. Today, little more than one-fourth of total research and development expenditures is financed by industry, compared with one-third only two years ago and two-fifths in 1955. In absolute amounts, company-financed expenditures during the last two or three years have hardly advanced. Indeed, after allowance for the continued increase in average wages and salaries paid to scientists and engineers, the total effort appears to have actually declined -- in part reflecting the continued drain of scientific personnel to Federally-financed projects.

Moreover, it is increasingly asserted that the growing demands by the military and space programs imposed upon a limited supply of able and trained people is creating a serious limitation to the development of technology useful to the civilian economy. In the areas where military and

Control systems, exotic fuels, methods of construction and communication associated with the delivery of atomic warheads by supersonic vehicles are necessary for our national defense. But the spillover to improving productivi in civilian use is not as significant as could be expected of programs of civilian technology of comparable magnitude. Of course, there are outstanding exceptions to this generali tion, notably the communications satellite, certain kinds of materials like radioactive isotopes. These are relativel few in number in relation to the huge investment in researcl and development undertaken for highly necessary but altogether different objectives.

In contrast to the enormous expansion of military and space portions of research and development, the effort primarily directed to the creation of new or improved

Desirable as these programs are, there is considerable question as to their capacity, no matter how effectively administered, to generate the volume of product or process ideas which are adaptable to civilian industry that is necessary to a vigorous growth in the private civilian sector. In contrast to the substantial civilian carryover of military technology in former years, which resulted in a flow of civilian innovations in food, clothing, health, land and air transportation, communications, etc., much of current military technology has little direct civilian relevance. For example, the B-52 strategic bomber proved to be a major contribution to the Boeing 707 long-range transport. But the development of the Atlas intercontinenta ballistic missile thus far has made little contribution to the civilian economy.

to $17 billion, about $2 billion higher than in 1962, and almost twice as much as was spent during 1956. These expenditures now represent 3 percent of gross national product -- even without counting the new capital outlays for research plant and equipment which are missed in these totals. The so-called "industry of discovery" is itself one of our leading growth industries.

But, these aggregate figures are misleading as a measure of the scientific effort contributing to economic growth. Roughly two-thirds of total research and development expenditures are financed by the Federal government, overwhelmingly for defense, atomic energy and space purposes. These efforts are a necessary contribution to improvements of our defense posture and progress in space exploration; indeed, they are vital to our very survival as a nation.

Limitations on Science and Technology as a Contributor to Growth

We must not make the mistake of focusing solely on the tax program and problems of capital formation and investment. We must also be concerned with expanding the share of national wealth and effort devoted to civilian technology. We must address national policy to some of the limitations on science and technology as a contributor to growth.

There is a mistaken belief or unspoken assumption in many quarters that research and development directed to facilitating economic growth is expanding at a maximum rate and has exerted its fullest potential force. Unfortunately, this is not at all the case.

The conventional measurements indicate that research and development expenditures in 1963 are expected to rise

which reduce manpower and capital requirements so they may be employed elsewhere to increase total output. Accordingly, the major dependable long-run force in stimulating investment, productivity, and economic growth in an advanced economy like the United States is technologic innovation and its widespread diffusion in industry.

At present, much of this technological knowhow has not yet been fully incorporated into our capital facilities and a need presently exists to modernize our equipment. The 1962 investment incentives already on the statute books and the proposed 1963 profit incentives are intended to facilitate and accelerate this process. If realized, this will promote long-term investment and growth -- for a while.

But, unless considerable care is taken to ensure a strong technological research program, the pool of addition technological innovation will diminish, with consequent lowering of our growth rate. In a full employment economy, output of new products may be gained largely at the expense of the output of older products, although these new product might contribute to efficiency. Hence, gains to productivi mainly come from improved processes of output -- those

But, the "research multiplier" can be fully activated only against a favorable business background. Hence, an objective of the President's tax program is to assure the existence of a buoyant business atmosphere. In that setting backlogs of technical knowledge will serve as an active inventory from which there will be a steady stream of new product introduction and diffusion throughout the United States and abroad.

But, important as these short-term growth problems are, it is in the longer-term perspective, after we have reached full employment, that science and technology will have their most decisive bearing on our pattern of economic growth. For, in the years following full employment, having benefited economic growth by larger inputs of labor and capital, then further gains of productivity in the economy will be limited by current knowledge -- the existing state of the technological arts.

research and development effort in Western Europe and Great Britain is larger in quantity than that in the United States, although their gross national product is only about half as large.

The potentially expansive economic effects of this process may be better appreciated against the perspective that new products in some of our industries represent an impressive portion of their current output. In the research oriented drug industry, roughly seven-tenths of current sales are made from products which only a decade ago were not in existence. Many phases of the diverse chemical and glass industries are prime examples of how research can pay off in terms of rising domestic and international sales, output and investment. These examples suggest how American industry could fall behind or forge ahead — depending upon the adequacy of the resources devoted to research and the incentives existing for development.

Indeed, the idea of a " research multiplier" may be used to describe the stimulus to the economy provided by cumulative economic effects resulting from first, the tooling up for production of new products -- which initiall creates investment demand where none existed previously -- the increased sales and income generated when production gets under way, and finally the additional investment which may be required to expand output when products become generally accepted.

As an important aside, the new products and production processes from American research laboratories can be important not only in stimulating domestic demand but also in aiding the expansion of foreign markets and the alleviat of our balance of payments difficulties. In view of the increasing civilian research efforts of many of our international competitors, it is vitally important that we redouble our efforts. The total of non-space, non-militar

The Interaction of Tax Policy with Science and Technology for Economic Growth.

Science and technology potentially help to facilitate the expansion to full employment that is our single biggest step toward growth by making possible a stream of new or improved products and of new and improved processes. For, once having lightened the tax overburden on aggregate demand, the stimulus thereby given to our mass markets, combined with the new investment incentives of lower tax rates on business profits and capital gains, will provide a favorable atmosphere for the successful and profitable introduction of any new products and services arising from scientific research — to the benefit of multiplying increased investment and consumption expenditure The greater the number of buyers and the more income availal to them, the sharper the incentives in lower tax rates, the more widespread will be the impact on consumers, and investo and on the economy at large, of the "industry of discovery.

tax rates plus lower rates on capital gains will be increasing incentive and initiative to earn the marginal dollar by increasing investment and risk-taking.

The Administration realized that if the United States is to grow more rapidly in the future as it surely must, investment will have to proceed at a faster pace. And the Administration also recognizes that if investment is to grow, the tax environment in which investors live will have to be more favorable. That is what we are striving for.

But to encourage investment, strengthening of consumer demand also is required. The purchasing power of the consumer must be increased to utilize present productive capacity fully so that additions to productive capacity will be worthwhile. This is where the individual rate reductions become most important.

Another way to look at the effect of the 1962 program coupled with this year's proposals is to note that the improvement in profitability of new investment resulting from the 1962 program is estimated at 20 percent. The five point reduction proposed by the President adds an additional ten percent to bring the total improvement in after-tax profitability on new investment to close to 30 percent.

The resulting increase in return on business investment after taxes from the 1962 action and the proposed program should bring many hitherto marginal investment opportunities into an attractive range, particularly as increasing demand moves up volume and opportunity. Also, the pressure to assure maximum profits by modernization of high cost plant or increasing volume by adding new capacity will be felt.

The effect of a lower scale of corporate and individual

incentives for new investment that would put to work the existing and future products of science and technology.

George Terborgh pointed out in his study "New Investment Incentives", published by the Machinery and Allied Products Institute, that last year's depreciation reform and investment credit together provided the equivalent of a tax rate reduction on income from new investment of ten percentage points. Adding the five percentage point reduction in the corporate tax rate contained in the President's tax program brings the total reduction, with respect to income from new investment in machinery and equipment, to approximately fifteen percentage points. This reduction of fifteen points is a reduction of about 30 percent relative to the present corporate tax rate of 52 percent.

There are marked incentives to business investment in this program in the lower individual rate scales affecting upward of 4 million self-employed and unincorporated businesses, as well as incentives for the salaried employee. The present marginal rate of 30 percent for the $15,000 married man would become 24 percent, a 43 percent for the $25,000 man would be 34 percent. The 50 percent marginal rate now reached at $32,000 would be reached at $52,000.

Of major significance are the increased incentives to the business corporation.

The tax action last year and the new proposal would amount to a reduction in corporate tax liabilities of nearly 18 percent. But the more significant element for this discussion is the effect of this combined program on

The third part of the President's tax program would revise the tax treatment of capital gains and losses, with its principal feature a reduction in the percentage of long-term capital gains that must be included in taxable income of individuals from the present 50 percent to a 30 percent level. This reduction and related features are designed to assist investment by providing a freer and fuller flow of capital by increasing the mobility of investment funds, the liquidity in capital markets, and providing a higher net return on profitable investment.

In summary, the simple thrust of the proposed tax program is a substantial reduction in rates on individual and corporate income and capital gains at all levels -- reversing a trend of over thirty years which has witnessed rates moving upwards in war and in peace.

income from a 30 percent rate to a 22 percent rate, constituting a 27 percent reduction in tax liabilities for the 450,000 small companies whose corporate income does not exceed this limit. The combined effect of this proposal with the tax measures enacted last year represents reductions in corporate tax liabilities in excess of $4.5 billion a year.

the market rather than tax consequences would become more of the prime determinant of economic decisions; and the door to substantial increases in net disposable income after taxes -- the final test -- would open more invitingly.

The resulting cut in the individual tax load, amounting to over $8 billion, can be expected to add directly to demand by increasing purchasing power, with its multiplier effect, and to savings and investment, with its accelerator effect.

The second part of the President's program is to provide additional direct incentives for investment by increasing the rate of return or profit after taxes. The proposal would reduce corporate tax rates from 52 to 47 percent by 1965, and also reduce in 1963 the normal rate of tax on the first $25,000 of corporate

stimulating investment for modernization and growth, thereby giving science and technology a broader opportunity to contribute to overall economic growth.

Now pending before the Congress is the second phase of forging a tax policy for growth which the President has made his number one legislative objective for 1963.

The main feature of the program is the enactment this year, in a single comprehensive bill, of a "top-to-bottom reduction" of rates of tax on capital gains, individual and corporate income, to take effect in stages in the 18-month period beginning July 1, 1963 through January 1, 1965. For all groups of individual taxpayers combined the overall reduction would be 18 percent. The effect of lower top tax rates for each taxpayer -- a reduction from 20 to 30 percent in the top rates in every income bracket -- would be to increase effort and incentive;

line in an ever faster cycle; it put forth a new test that permits a businessman to fix his preferred life for machinery and equipment, provided only that his replacement pattern conforms to his estimate.

The investment tax credit reduces taxes for a business by seven percent of annual expenditures for new machinery and equipment. It was also designed to provide an incentive to translate discoveries of new products and new processes into the main stream of economic growth.

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This initiative resulted in a two-pronged program -- now an accomplished fact -- administrative liberalization of the tax treatment of depreciation and legislative enactment of the investment tax credit. The change in the administrative rules concerning depreciation of machinery and equipment did more than reduce the lives of existing machinery and equipment for depreciation purposes to up-to-date practice; it sought to encourage the translation of the fruits of science and technology from the laboratory to the production and distribution

ment to a higher rate of economic growth is equally clear. Capital expenditure is necessary in order to increase capacity with or without a rise in productivity; it is necessary if the motive is aggressive, i.e., to capture additional markets through increased output or expansion; it is necessary if the motive is defensive, i.e., to protect markets and profit margins through modernization and increased efficiency and lower costs. The rate of growth of a country's real output becomes a function of the level of investment, assuming, of course, an adequate and effective demand.

In the year 1962 the nation took two very substantial steps through tax policy to take increasing advantage of the relationship between science and technology and economic growth.

But expanding technology needs capital formation if it is to be put into practical application and play the demand role that Slichter envisioned for it. As technology moves ahead, investment follows, sometimes close behind and sometimes with great lags. The degree of lag between technological development and investment depends on general economic conditions, i.e., market demand, incentives, and the availability of capital on reasonable terms. The lag may vary from industry to industry and from company to company, depending somewhat on the initiative and character of management and the attitudes of labor. But national economic policies and the state of buyer and investor confidence are more likely to be decisive.

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An expanding technology multiplies new investment opportunities by opening up new products, services and demands; by increasing efficiency in existing products and services it may spur defensive or competitive investment or open additional markets, increasing productivity per capita.

Tax Policies for Increasing Demand, Investment and Technological Development.

Accelerating national economic growth requires the adoption of national policies to increase aggregate demand so as to fully utilize available manpower, facilities and already developed technology. It also requires policies designed to increase the share of our national wealth and effort invested in expanding technology and the capital formation or investment that puts that technology to work. The relationship of the expansion of demand and investment and technology to a higher rate of growth and their interaction is in itself a theory of growth.

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to our national security is clear unless the United States can shake off the pattern of slow growth that has characterized the period since 1955.

This symposium itself is recognition of a two-way relationship of research and development to national security. Much of today has been devoted to the direct relationship of defense research and development and related industry planning to the direct preservation of our national security in military and space operations. It is altogether fitting that the remaining program looks to the other side of the coin of national security -- the relationship of science and technology to overall national strength. For science and technology is the ultimate key to an increased rate of economic growth. Ways and means of putting science and technology to work effectively in achieving this national goal must be kept high on our national agenda.

years. Coupled with the fact that the Soviet Union devotes to foreign policy and military purposes an appreciably larger proportion of its resources than does the United States this disparity between the two growth rates brings our concern with U. S. economic growth to the forefront as a national security problem.

A study by the Operations Research Office of Johns Hopkins University in November 1960 estimated that, though the U.S.S.R. currently generates a national product somewhat less than one-half that of the U. S., its military output is calculated, in American prices, to be approximately that of the U. S.

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basement approach to national security; the cry is for an arbitrary budget ceiling; every day sees a new demand to cut defense budget expenditures by X billion dollars with little or no specification. A new numbers game that should be labelled Russian roulette has caught on. Why? Because too much is requested. No, because slow growth puts too little revenue in sight.

Many unfilled needs exist in the field of public and private expenditures in addition to defense, space and interest on the public debt which can only be met with fiscal responsibility out of the fruits of economic growth. To deny these needs permanently is to deny the American dream of progress, retreat from the attack on poverty, and forego a rising standard of living. But the challenge to increase our rate of economic growth is

Recent economic expansions in the United States have fallen into a pattern of failing to reach a satisfactory rate of utilization of resources and economic growth, much less sustain the desired pace over appreciable periods. This has not been true of the modern contemporary economies of Western Europe and Japan.

To be sure our recent moderate economic expansion, which has continued through 1962 contrary to some fears, seems likely to extend through 1963. Still, the fact that output and employment have remained well below our potential for five years poses a perplexing challenge to the American people. This slow growth pattern invites recurrent recessions, depresses our Federal revenues, and contributes to chronic budget deficits.

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There could be no better beginning for a representative of the Treasury Department, concerned with the President's new Tax Program of Reduction and Reform, against the backdrop of the 1964 budget and projected deficit, to discuss "Science, Technology, Tax Policy and Economic Growth."

REMARKS OF THE HONORABLE HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, AT THE NATIONAL SECURITY INDUSTRIAL ASSOCIATION'S RESEARCH AND DEVELOPMENT SYMPOSIUM, WILLARD HOTEL, WASHINGTON, D.C., WEDNESDAY, MARCH 13, 1963, 8:00 P.M.

SCIENCE, TECHNOLOGY, TAX POLICY AND ECONOMIC GROWTH

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TREASURY DEPARTMENT
Washington

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The relationship of an increase in the share of our national wealth committed to capital formation or investment to a higher rate of economic growth is equally clear. Capital expenditure is necessary in order to increase capacity with or without a rise in productivity; it is necessary if the motive is aggressive, i.e., to capture additional markets through increased output or expansion; it is necessary if the motive is defensive, i.e., to protect markets and profit margins through modernization and increased efficiency and lower costs. The rate of growth of a country's real output becomes a function of the level of investment, assuming, of course, an adequate and effective demand.

In the year 1962 the nation took two very substantial steps through tax policy to take increasing advantage of the relationship between science and technology and economic growth.

At the outset of his administration, President Kennedy gave first priority to forging tax policies that would encourage investment in productive equipment, stating that "The immediate need is for encouraging economic growth through modernization and capital expansion."

This initiative resulted in a two-pronged program -- now an accomplished fact -- administrative liberalization of the tax treatment of depreciation and legislative enactment of the investment tax credit. The change in the administrative rules concerning depreciation of machinery and equipment did more than reduce the lives of existing machinery and equipment for depreciation purposes to up-to-date practice; it sought to encourage the translation of the fruits of science and technology from the laboratory to the production and distribution line in an ever faster cycle; it put forth a new test that permits a businessman to fix his preferred life for machinery and equipment, provided only that his replacement pattern conforms to his estimate.

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The combined effect of these two measures transcends the reduction in the current tax load on business of about $2-1/2 billion a year -- an amount equal to about one-tenth of the total corporate tax liabilities. The resulting benefits in cash flow, increased rate of return on new investment, and shortening the period of risk of investment in capital equipment should serve as long-run measures to stimulating investment for modernization and growth, thereby giving science and technology a broader opportunity to contribute to overall economic growth.

Now pending before the Congress is the second phase of forging a tax policy for growth which the President has made his number one legislative objective for 1963.

The main feature of the program is the enactment this year, in a single comprehensive bill, of a "top-to-bottom reduction" of rates of tax on capital gains, individual and corporate income to take effect in stages in the 18-month period beginning July 1, 1963 through January 1, 1965. For all groups of individual taxpayers combined the overall reduction would be 18 percent. The effect of lower top tax rates for each taxpayer -- a reduction from 20 to 30 percent in the top rates in every income bracket -- would be to increase effort and incentive; the market rather than tax consequences would become more of the prime determinant of economic decisions; and the door to substantial increases in net disposable income after taxes -- the final test -- would open more invitingly.

The resulting cut in the individual tax load, amounting to over $8 billion, can be expected to add directly to demand by increasing purchasing power, with its multiplier effect, and to savings and investment, with its accelerator effect.

The second part of the President's program is to provide additional direct incentives for investment by increasing the rate of return or profit after taxes. The proposal would reduce corporate tax rates from 52 to 47 percent by 1965, and also reduce in 1963 the normal rate of tax on the first $25,000 of corporate income from a 30 percent rate to a 22 percent rate, constituting a 27 percent reduction in tax liabilities for the 450,000 small companies whose corporate income does not exceed this limit. The combined effect of this proposal with the tax measures enacted last year represents reductions in corporate tax liabilities in excess of $4.5 billion a year.

The third part of the President's tax program would revise the tax treatment of capital gains and losses, with its principal feature a reduction in the percentage of long-term capital gains that must be included in taxable income of individuals from the present 50 percent to a 30 percent level. This reduction and related features are designed to assist investment by providing a freer and fuller flow of capital by increasing the mobility of investment funds, the liquidity in capital markets, and providing a higher net return on profitable investment.

In summary, the simple thrust of the proposed tax program is a substantial reduction in rates on individual and corporate income and capital gains at all levels -- reversing a trend of over thirty years which has witnessed rates moving upwards in war and in peace.

There are marked incentives to business investment in this program in the lower individual rate scales affecting upward of 4 million self-employed and unincorporated businesses, as well as incentives for the salaried employee. The present marginal rate of 30 percent for the $15,000 married man would become 24 percent, a 43 percent for the $25,000 man would be 34 percent. The 50 percent marginal rate now reached at $32,000 would be reached at $52,000.

Of major significance are the increased incentives to the business corporation.

The tax action last year and the new proposal would amount to a reduction in corporate tax liabilities of nearly 18 percent. But the more significant element for this discussion is the effect of this combined program on incentives for new investment that would put to work the existing and future products of science and technology.

George Terborgh pointed out in his study "New Investment Incentives", published by the Machinery and Allied Products Institute, that last year's depreciation reform and investment credit together provided the equivalent of a tax rate reduction on income from new investment of ten percentage points. Adding the five percentage point reduction in the corporate tax rate contained in the President's tax program brings the total reduction, with respect to income from new investment in machinery and equipment, to approximately fifteen percentage points. This reduction of fifteen points is a reduction of about 30 percent relative to the present corporate tax rate of 52 percent.

Another way to look at the effect of the 1962 program coupled with this year's proposals is to note that the improvement in profitability of new investment resulting from the 1962 program is estimated at 20 percent. The five point reduction proposed by the President adds an additional ten percent to bring the total improvement in after-tax profitability on new investment to close to 30 percent.

The resulting increase in return on business investment after taxes from the 1962 action and the proposed program should bring many hitherto marginal investment opportunities into an attractive range, particularly as increasing demand moves up volume and opportunity. Also, the pressure to assure maximum profits by modernization of high cost plant or increasing volume by adding new capacity will be felt.

The effect of a lower scale of corporate and individual tax rates plus lower rates on capital gains will be increasing incentive and initiative to earn the marginal dollar by increasing investment and risk-taking.

The Administration realized that if the United States is to grow more rapidly in the future as it surely must, investment will have to proceed at a faster pace. And the Administration also recognizes that if investment is to grow, the tax environment in which investors live will have to be more favorable. That is what we are striving for.

But to encourage investment, strengthening of consumer demand also is required. The purchasing power of the consumer must be increased to utilize present productive capacity fully so that additions to productive capacity will be worthwhile. This is where the individual rate reductions become most important.

The Interaction of Tax Policy with Science and Technology for Economic Growth

Science and technology potentially help to facilitate the expansion to full employment that is our single biggest step toward growth by making possible a stream of new or improved products and of new and improved processes. For, once having lightened the tax overburden on aggregate demand, the stimulus thereby given to our mass markets, combined with the new investment incentives of lower tax rates on business profits and capital gains, will provide a favorable atmosphere for the successful and profitable introduction of any new products and services arising from scientific research -- to the benefit of multiplying increased investment and consumption expenditures. The greater the number of buyers and the more income available to them, the sharper the incentives in lower tax rates, the more widespread will be the impact on consumers, and investors, and on the economy at large, of the "industry of discovery."

Indeed, the idea of a "research multiplier" may be used to describe the stimulus to the economy provided by cumulative economic effects resulting from first, the tooling up for production of new products -- which initially creates investment demand where none existed previously -- then, the increased sales and income generated when production gets under way, and finally the additional investment which may be required to expand output when products become generally accepted.

As an important aside, the new products and production processes from American research laboratories can be important not only in stimulating domestic demand but also in aiding the expansion of foreign markets and the alleviation of our balance of payments difficulties. In view of the increasing civilian research efforts of many of our international competitors, it is vitally important that we redouble our efforts. The total of non-space, non-military research and development effort in Western Europe and Great Britain is larger in quantity than that in the United States, although their gross national product is only about half as large.

The potentially expansive economic effects of this process may be better appreciated against the perspective that new products in some of our industries represent an impressive portion of their current output. In the research-oriented drug industry, roughly seven-tenths of current sales are made from products which only a decade ago were not in existence. Many phases of the diverse chemical and glass industries are prime examples of how research can pay off in terms of rising domestic and international sales, output and investment. These examples suggest how American industry could fall behind or forge ahead -- depending upon the adequacy of the resources devoted to research and the incentives existing for development.

But, the "research multiplier" can be fully activated only against a favorable business background. Hence, an objective of the President's tax program is to assure the existence of a buoyant business atmosphere. In that setting backlogs of technical knowledge will serve as an active inventory from which there will be a steady stream of new product introduction and diffusion throughout the United States and abroad.

But, important as these short-term growth problems are, it is in the longer-term perspective, after we have reached full employment, that science and technology will have their most decisive bearing on our pattern of economic growth. For, in the years following full employment, having benefited economic growth by larger inputs of labor and capital, then further gains of productivity in the economy will be limited by current knowledge -- the existing state of the technological arts.

At present, much of this technological knowhow has not yet been fully incorporated into our capital facilities and a need presently exists to modernize our equipment. The 1962 investment incentives already on the statute books and the proposed 1963 profit incentives are intended to facilitate and accelerate this process. If realized, this will promote long-term investment and growth -- for a while.

But, unless considerable care is taken to ensure a strong technological research program, the pool of additional technological innovation will diminish, with consequent lowering of our growth rate. In a full employment economy, output of new products may be gained largely at the expense of the output of older products, although these new products might contribute to efficiency. Hence, gains to productivity mainly come from improved processes of output -- those which reduce manpower and capital requirements so they may be employed elsewhere to increase total output. Accordingly, the major dependable long-run force in stimulating investment, productivity, and economic growth in an advanced economy like the United States is technological innovation and its widespread diffusion in industry.

Limitations on Science and Technology as a Contributor to Growth

We must not make the mistake of focusing solely on the tax program and problems of capital formation and investment. We must also be concerned with expanding the share of national wealth and effort devoted to civilian technology. We must address national policy to some of the limitations on science and technology as a contributor to growth.

There is a mistaken belief or unspoken assumption in many quarters that research and development directed to facilitating economic growth is expanding at a maximum rate and has exerted its fullest potential force. Unfortunately, this is not at all the case.

The conventional measurements indicate that research and development expenditures in 1963 are expected to rise to $17 billion, about $2 billion higher than in 1962, and almost twice as much as was spent during 1956. These expenditures now represent 3 percent of gross national product -- even without counting the new capital outlays for research plant and equipment which are missed in these totals. The so-called "industry of discovery" is itself one of our leading growth industries.

But, these aggregate figures are misleading as a measure of the scientific effort contributing to economic growth. Roughly two-thirds of total research and development expenditures are financed by the Federal government, overwhelmingly for defense, atomic energy and space purposes. These efforts are a necessary contribution to improvements of our defense posture and progress in space exploration; indeed, they are vital to our very survival as a nation.

Desirable as these programs are, there is considerable question as to their capacity, no matter how effectively administered, to generate the volume of product or process ideas which are adaptable to civilian industry that is necessary to a vigorous growth in the private civilian sector. In contrast to the substantial civilian carryover of military technology in former years, which resulted in a flow of civilian innovations in food, clothing, health, land and air transportation, communications, etc., much of current military technology has little direct civilian relevance. For example, the B-52 strategic bomber proved to be a major contribution to the Boeing 707 long-range transport. But the development of the Atlas intercontinental ballistic missile thus far has made little contribution to the civilian economy.

Control systems, exotic fuels, methods of construction and communication associated with the delivery of atomic warheads by supersonic vehicles are necessary for our national defense. But the spillover to improving productivity in civilian use is not as significant as could be expected of programs of civilian technology of comparable magnitude. Of course, there are outstanding exceptions to this generalization, notably the communications satellite, certain kinds of materials like radioactive isotopes. These are relatively few in number in relation to the huge investment in research and development undertaken for highly necessary but altogether different objectives.

In contrast to the enormous expansion of military and space portions of research and development, the effort primarily directed to the creation of new or improved civilian goods and processes has faltered. Today, little more than one-fourth of total research and development expenditures is financed by industry, compared with one-third only two years ago and two-fifths in 1955. In absolute amounts, company-financed expenditures during the last two or three years have hardly advanced. Indeed, after allowance for the continued increase in average wages and salaries paid to scientists and engineers, the total effort appears to have actually declined -- in part reflecting the continued drain of scientific personnel to Federally-financed projects.

Moreover, it is increasingly asserted that the growing demands by the military and space programs imposed upon a limited supply of able and trained people is creating a serious limitation to the development of technology useful to the civilian economy. In

the areas where military and space technology may provide pertinent and profitable carryover to civilian use, the skilled personnel needed for industrial adaptation is said to be becoming increasingly limited.

The skewed balance of our research and development efforts in favor of noncivilian objectives is abetted by the lack of adequate rewards to investment in research and development in many of our industries -- and this is reflected in the concentration of civilian-oriented research among a few industries. Half of company-financed research and development today is performed by three major industries: the chemical, electrical equipment, and motor vehicle groups. Other important industries, including textiles, paper, lumber and wood, rubber, railroads, construction, and some others allocate only a small portion of their resources to research and development. But, in these areas which contribute importantly to gross national product, are significant opportunities for potential contribution to industry productivity and economic growth.

In some of these industries, the small unit scale of operations explains the deficiency of interest in research and development, since the gain in productivity from a new method may be too small to justify research expenditure by an individual firm. However, the gain to the economy from a dynamic technology available to all such firms may be quite large -- a factor deserving considerable weight in public policy.

An additional factor frequently is the inability of a single firm to handle the financing of efforts that require major and complicated research and development effort to effect a major technological advance.

In other instances, research is not pushed because our present system does not reward the company who takes the risks and covers the costs of research and development only to share the benefits with many other companies. Patents, of course, generally protect proprietary benefits of new products and thereby stimulate additional research effort and productivity, but in many areas of process improvement, testing and evaluation, and materials analysis -- perhaps not strictly classified as research and development -- there are cases where scientific activity may result in valuable contributions to company and industry productivity. Yet, little motivation for research can exist where the gains accrue to competitors as well as to the firm which undertakes the risks.

A Positive Program to Stimulate Civilian Research and Development

These real and incipient limitations on the contribution of science and technology to economic growth have led the present Administration to formulate a positive program to stimulate civilian technology.

The first requirement of a new national policy is to accept some national responsibility for removing limitations on our civilian research and development efforts. This means devising programs to direct scientific resources to promote the advance of civilian technology, without curtailing the necessary expansion in research and development related to our defense and space efforts. Where inadequate rewards to private institutions exist, the potential benefits to the economy can be so large that additional incentives to expand civilian research should be provided. Such steps should give first priority to private incentives, and it is these which the President's proposals emphasize.

First, the newly adopted tax policy of 1962 and now the proposed tax program relies heavily on strengthening the motivations of business firms to carry on private technological activities and realize on them through investment in the machinery, equipment and activities that realize profits. Moreover, the President has recommended that capital expenditures for machinery and equipment used directly and specifically for research and development be allowed as a current expense deduction, at the option of the taxpayer. For this purpose, research and development would include basic and applied research in the sciences and engineering, and activities and development designed to develop new products and processes, or substantial innovations in present products and processes, except under Federal contract. In addition, special provision is made to encourage companies with small research and development budgets, who would not otherwise qualify, by allowing them to expense specialized equipment, which is used half the time or more for these purposes, to the extent of 50 percent of the cost, even if used under Federal contract, up to 4 percent of total expenditures. The particular form of this tax proposal will help to make research and development more productive for each participant during this period of critical manpower shortages. Of course, these new proposals are in addition to the previously granted option either to expense operating research and development expenditures, or to amortize them over 60 months or longer.

A second step to stimulate technological development and research under private auspices might be to provide Federal financial support to basic industrial research, primarily in the form of research

grants or contracts to universities and research institutions. In most Western European countries considerable industry-government cooperation exists either in the form of government grants to independent research institutes who undertake industry research -- the Max Planck Institutes of West Germany -- or directly to industry research institutes -- as in Great Britain. As we look forward to the expansion of our world markets to relieve our balance of payments difficulties, certainly some consideration seems in order to find means to supplement the available technical resources for development of our basic industries.

Along these lines, private efforts may also be stimulated by the President's proposal that the Department of Commerce sponsor a pilot program for an industry-university engineering extension service which will be designed to diffuse available technology on a local basis and to identify technical problems and provide broad technical advice to those industries not now research minded, to demonstrate new technologies, and to sponsor short courses and conferences. Somewhat analogous in purpose to the agricultural extension service, established 100 years ago, which has contributed so much to the phenomonal increase in agricultural productivity, this proposal would strengthen the technological capabilities and understanding of management and supervisory personnel, and involve and develop the facilities of universities for meeting local technological needs, and improve the productivity of industry.

In addition, new means are needed in the information field, first, to convert results of Government, university, and foreign research on products and processes into forms readily understandable by industry and, second, to establish a more complete technical information service for industry, which is comprehensive as well as detailed and tailored to specific industry requirements.

The Cabinet Committee on Economic Growth and the White House Panel on Civilian Technology are continuing to study these and other proposals. One of the participants of both these groups, Dr. Jerome B. Wiesner, Science Adviser to the President, has performed a national service by his interest in these matters.

The creation of the post of Assistant Secretary of Commerce for Science and Technology, now ably held by Dr. J. Herbert Hollomon, provides the interest, leadership and locus of responsibility necessary to push the objective of advancing civilian technology through these and other devices.

Although the primary emphasis of the program outlined above is on private efforts, with government mainly providing only general

support, there also is some room for direct Federal Government participation in a few areas -- notably those which are already in the public sector in any case, or those which by their special nature fall outside the interest of private groups.

Of course, the programs in defense, nuclear energy, and space continue as an urgent concern of the Federal Government, and will involve heavy and rising expenditures. In addition, there are, for example, civilian type problems which fall into a complex and overlapping area of administrative jurisdiction, frequently involving interstate areas in the field of urban environmental problems and which frequently represent a drag on health and well being. For example, in areas of air and water pollution, radiological health, noise, and land use, the physical environment must be considered as a whole for effective control. Current research and development programs are limited in this area, despite its pressing need, and some expanded effort may be required by Government in this area.

There is a final consideration -- that of the supply of scientific and technical manpower -- upon which perhaps all the others depend, if we are to begin meeting -- simultaneously -- the military and civilian goals outlined above. There are now about 1.2 million scientists and engineers, with roughly one-third of these engaged in research and development. This number of research and development scientists has risen since 1954 -- perhaps by 150,000 -- although the bulk of the increase primarily has been absorbed by a rise in defense and space related projects. The scarcity of professional and skilled personnel has been reflected in the sharply rising salary trend, which has advanced half as much again as rapidly as industrial wages. And as research and development under government contract continues to expand, this will exert a further drain from the civilian economy.

Studies on the demand for scientific personnel by 1970 indicate that both the total number of scientists and engineers and those engaged in research and development would need to double, compared with 1960.

The President's Science Advisory Committee in a recent report called special attention to an impending shortage of engineers, mathematicians and physical scientists who combine high ability with graduate education. For, fulfillment of present commitments depends on quality as well as quantity of skilled manpower. Of course, the principal responsibility for meeting educational needs, especially at the lower levels of learning, properly rests with the State and local authorities.

But as the Federal Government is the principal user of scientific personnel -- indirectly by contract and by in-house activity -- it should take some responsibility for assisting in assuring an adequate supply.

To meet this problem, the President has proposed to the Congress a concerted program linking both Federal and private efforts to increase the number of those who have selected careers in these three fields, to go on to graduate study. Augmented support of students and funds to meet the universities true costs of education are contained in the budgets of the National Science Foundation, NASA, and other agencies, and in the new education legislation through extension and expansion of the National Defense Education Act fellowships.

Conclusion

In conclusion, returning to the Forrestal analysis of the problems facing a free democratic society in a cold war with communism, truly "there are no easy black and white solutions." But certain things stand clear.

Our national security will require that the nation augment sharply our nuclear and conventional armed forces, step up our efforts in space, and meet the cost of servicing a national debt that has grown larger as a result of these imperatives. We must maintain that program as it approaches the plateau of readiness.

The failure of the economy to approach its full potential for economic growth has meant that revenues did not keep pace with these increased needs -- defense, space and interest on debt -- which have accounted for nearly 73 percent of the total Federal expenditures for the fiscal years 1962-64.

Moreover, this same lack of adequate economic growth could be our Achilles heel in the long, hard struggle ahead for Free World freedom and security, in which faith and will casts us for the leading role.

Tax policies for increasing demand, capital formation and investment, and civilian technology in the private sector are pending for enactment. These tax proposals coupled with a new positive program to stimulate civilian research and development open the path to a higher rate of economic growth in the pattern most compatible with a free society. They are coupled with the prudent policies of government expenditure characterizing the 1964 budget and the President's pledge to allocate a substantial part of the revenue increases that would flow from an increased

rate of economic growth toward reducing future deficits. A balanced course is open to promote a continued, steady and increased rate of economic advance, which is the surest route to balanced budgets and surpluses, consistent with national security and space requirements.

In the perspective of the Forrestal analysis, it would be neither wise nor prudent to cut into essential national security and space programs nor postpone the adoption and execution of positive national policies to increase demand, capital formation and civilian research and development. This combination can give the nation an increased rate of economic growth in the Sixties and contribute mightily to our future security, prosperity and freedom.

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, MARCH 14, 1963

D-790

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, 1963

IMPORTS - January 1 - March 8, 1963 (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	10,080,000	23,680,000	14,569,441	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	12,088,911*	15,920,000	15,383,681*	66,480,000	66,480,000	37,840,000	32,424,996
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	34,092,525*	70,480,000	53,939,859	6,320,000	2,771,461
Peru	16,160,000	16,112,751*	12,880,000	7,966,925	35,120,000	22,189,814	3,760,000	1,509,587
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	
Yugoslavia	-	-	15,760,000	8,457,810*	-	-	-	-
All other foreign countries (total)	6,560,000	6,294,956*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of March 11, 1963.

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.

IMMEDIATE RELEASE
THURSDAY, MARCH 14, 1963

TREASURY DEPARTMENT
Washington, D. C.

D-790

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Australia	10,080,000	10,080,000	23,680,000	14,569,441	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	12,088,911*	15,920,000	15,383,681*	66,480,000	66,480,000	37,840,000	32,424,996
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	34,092,525*	70,480,000	53,939,859	6,320,000	2,771,461
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Yugoslavia	-	-	15,760,000	8,457,810*	-	-	-	-
All other foreign countries (total)	6,560,000	6,294,956*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of March 11, 1963.

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PREPARED IN THE BUREAU OF CUSTOMS

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 2, 1963
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat...............	Calendar Year 1963	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, 1962	1,000	Pound	644
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter).....	12 mos. from August 1, 1962	1,709,000	Pound	1,226,586

1/ Imports through March 8, 1963

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, MARCH 14, 1963

D-791

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through March 2, 1963:

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 2, 1963
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	174,796
Whole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	1
Cattle, 700 lbs. or more each (other than dairy cows).........	Jan. 1, 1963- March 31, 1963	120,000	Head	30,490
Cattle less than 200 lbs. each...	12 mos. from April 1, 1962	200,000	Head	61,631
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish........	Calendar Year	24,874,871	Pound	Quota Filled
Tuna Fish........................	Calendar Year	To be announced	Pound	4,320,618
White or Irish potatoes:				
Certified seed..................	12 mos. from	114,000,000	Pound	40,219,487
Other...........................	Sept. 15, 1962	36,000,000	Pound	24,372,262
Walnuts..........................	Calendar Year	5,000,000	Pound	508,864
Stainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	44,745,720

1/ Imports for consumption at the quota rate are limited to 6,218,718 pounds during the first three months of the calendar year.

TREASURY DEPARTMENT
Washington

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THURSDAY, MARCH 14, 1963 D-791

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Commodity	Period and Quantity		Unit of Quantity	Imports as of March 2, 196
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat................	Calendar Year 1963	1,200,000	Pound	Quota Fill
Cotton products, except cotton wastes, produced in any stage preceding the spinning into yarn...........................	12 mos. from Sept. 11, 1962	1,000	Pound	6
Peanuts, shelled, unshelled, blanched, salted, prepared or preserved (incl. roasted peanuts but not peanut butter).....	12 mos. from August 1, 1962	1,709,000	Pound	1,226,5

1/ Imports through March 8, 1963

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, 1962, to March 11, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962, to March 11, 1963
United Kingdom	4,323,457	1,125,793	1,441,152	900,448
Canada	239,690	239,690	-	-
France	227,420	37,272	75,807	13,295
British India	69,627	9,036	-	-
Netherlands	68,240	30,146	22,747	-
Switzerland	44,388	11,234	14,796	-
Belgium	38,559	-	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	-	25,443	-
Italy	21,263	-	7,088	-
	5,482,509	1,453,171	1,599,886	913,743

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.

D-792

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, MARCH 14,1963

D-792

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, 1962 - March 11, 1963

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	782,857	Honduras	752	-
Peru	247,952	35,995	Paraguay	871	-
British India	2,003,483	79,288	Colombia	124	-
China	1,370,791	-	Iraq	195	-
Mexico	8,883,259	8,883,259	British East Africa ...	2,240	-
Brazil	618,723	618,723	Netherlands E. Indies .	71,388	-
Union of Soviet Socialist Republics ...	475,124	-	Barbados	-	-
Argentina	5,203	-	1/Other British W. Indies	21,321	-
Haiti	237	-	Nigeria	5,377	-
Ecuador	9,333	-	2/Other British W. Africa	16,004	-
			3/Other French Africa ...	689	-
			Algeria and Tunisia ...	-	-

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

Cotton 1-1/8" or more
Imports August 1, 1962 - March 11, 1963

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	181,360
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, MARCH 14, 1963

D-792

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			3/Other French Africa	689	-
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1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
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Cotton 1-1/8" or more
Imports August 1, 1962 - March 11, 1963

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	5,482,509	1,453,171	1,599,886	913,743

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Prepared in the Bureau of Customs.

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D-792

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, MARCH 14,1963

D-793

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1963, to March 2, 1963, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of March 2, 1963
Buttons.............	680,000	Gross	42,777
Cigars..............	160,000,000	Number	2,468,669
Coconut oil.........	358,400,000	Pound	78,623,125
Cordage.............	6,000,000	Pound	835,935
Tobacco.............	5,200,000	Pound	1,557,003

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Tobacco.............	5,200,000	Pound	1,557,003

Estimated Ownership of U. S. Government Securities
(In billions of dollars)

	January 31, 1962	January 31, 1963	12 month change
Government Investment accounts..	53.8	54.5	+.8
Federal Reserve banks...........	28.5	30.3	+1.8
Commercial banks................	67.8	66.0	-1.8
Private nonbank.................	146.8	153.1	+6.3
Mutual Savings banks...........	6.2	6.1	-.1
Insurance companies............	11.6	11.5	-.1
Savings and loan associations.	5.4	5.7	+.3
State and local funds..........	19.0	19.9	+.9
Corporations...................	20.4	21.1	+.7
Individuals and corporate pension funds...............	68.0	69.0	+1.0
Foreign and international.....	12.9	15.3	+2.4
All other......................	3.2	4.4	+1.2
Total..........................	296.9	303.9	+7.1

Office of the Secretary of the Treasury
Office of Debt Analysis

March 14, 1963

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

CHANGE IN THE MATURITY DISTRIBUTION OF THE MARKETABLE DEBT
JANUARY 1961 TO MARCH 1963
(Dollars in billions)

Maturity	End of Month Totals				March 1963 p - Change From		
	January 1961	March 1962	December 1962	March 1963 p	Dec. 1962 (3 mos.)	Mar. 1962 (12 mos.)	Jan. 1961 (26 mos.)
Under One Year							
Weekly and one-year bills.......	$ 32.7	$ 38.7	$ 45.2	$ 45.9	$ +0.7	$ +7.2	$ +13.2
Tax bills......................	7.0	4.3	3.0	2.5	-0.5	-1.8	-4.5
Other..........................	35.9	44.2	39.0	33.1	-5.9	-11.1	-2.8
Total: Under one year..........	75.6	87.2	87.3	81.5	-5.7	-5.7	+5.9
1 to 5 Years....................	70.8	59.7	61.6	61.2	-0.5	+1.5	-9.7
5 Years and Over							
5 to 10 Years..................	18.7	23.7	34.0	38.0	+4.0	+14.2	+19.3
10 to 20 Years.................	13.2	10.7	4.6	6.8	+2.2	-3.9	-6.4
20 Years and Over..............	11.0	15.2	15.5	15.8	+0.2	+0.5	+4.8
Total: 5 Years and Over........	42.9	49.6	54.1	60.5	+6.4	+10.9	+17.6
Total: Marketable Debt.........	$189.3	$196.5	$203.0	$203.2	$ +0.2	$ +6.7	+13.9
Average Length:							
Years and Months................	4-6	4-11	4-11	5-1			
Months.........................	54.0	58.5	58.7	61.1	+2.4	+2.6	+7.1
(Percentage change).............					(+4.1%)	(+4.4%)	(+13.1%)

Office of the Secretary of the Treasury
Office of Debt Analysis

March 14, 1963

Note: Details may not add to totals due to rounding.
p Preliminary.

SUMMARY OF AMOUNT AND NUMBER OF SUBSCRIPTIONS RECEIVED
IN MARCH 1963 ADVANCE REFUNDING
(Dollar Amounts in Millions)

	3-5/8% Notes, Series B-1967		3-7/8% Bonds of 1971		3-7/8% Bonds of 1974		4% Bonds of 1980		TOTAL	
	Amount	No.Sub.	Amount	No.Sub.	Amount	No.Sub.	Amount	No.Sub.	Amount	No.
Individuals 1/	$ 44	2,531	$ 32	1,394	$ 24	1,579	$ 30	1,221	$ 130	[illegible]
Commercial Banks (Own account)	2,708	5,457	929	1,835	490	2,215	278	856	4,405	[illegible]
All Others 2/	1,516	1,966	524	937	407	1,476	700	1,047	3,147	[illegible]
Totals	$4,268	9,954	$1,485	4,166	$ 921	5,270	$1,008	3,124	$7,682	[illegible]
Federal Reserve Banks & Govt. Accts.	20		30		152		123		325	
Grand Totals	$4,288		$1,515		$1,073		$1,131		$8,007	

1/ Includes partnerships and personal trust accounts.

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

AMOUNTS OF SECURITIES ELIGIBLE FOR EXCHANGE AND
AMOUNTS OF NEW SECURITIES TO BE ISSUED

ELIGIBLE FOR EXCHANGE		NEW SECURITIES TO BE ISSUED (millions)						
Securities	Amounts (millions)	3-5/8% Notes 2/15/67	3-7/8% Bonds 1971	3-7/8% Bonds 1974	4% Bonds 1980	Total	% ex-changed	To[...] un[...] cha[...] (mil[...]
PUBLIC HOLDINGS								
3-1/2% Ctfs., C-1963	$ 3,003	$ 955	$ 663	$ -	$ 17	$1,635	54%	$ 1
2-1/2% Bonds of 1963	3,952	2,274	532	-	49	2,855	72	1
3-1/8% Ctfs., D-1963	1,062	194	94	-	2	290	27	
3% Bonds of 1964	2,588	845	196	-	24	1,065	41	1
3-1/2% Notes, B-1965	3,267	-	-	135	196	331	10	2
3-5/8% Notes, B-1966	2,891	-	-	213	420	633	22	2
3% Bonds of 1966	1,336	-	-	250	99	349	26	
3-3/8% Bonds of 1966	2,205	-	-	323	201	524	24	1
Total Public Holdings	$20,304	$4,268	$1,485	$ 921	$1,008	$7,682	38%	$12
Total Fed.Res.Banks and Govt. Accounts	8,741	20	30	152	123	325	4	8
Grand Totals	$29,045	$4,288	$1,515	$1,073	$1,131	$8,007	28%	$21

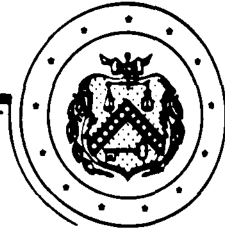
SUBSCRIPTIONS BY FEDERAL RESERVE DISTRICTS
(millions)

FEDERAL RESERVE DISTRICT	3-5/8% Notes Series B-1967	3-7/8% Bonds of 1971	3-7/8% Bonds of 1974	4% Bonds of 1980	Total
Boston	$ 109	$ 36	$ 20	$ 20	$ 185
New York	2,336	992	585	799	4,712
Philadelphia	100	49	42	14	205
Cleveland	145	38	33	10	226
Richmond	113	19	16	12	160
Atlanta	139	28	21	12	200
Chicago	516	193	146	53	908
St. Louis	118	23	27	15	183
Minneapolis	73	36	36	6	151
Kansas City	99	33	20	25	177
Dallas	106	19	31	11	167
San Francisco	421	48	92	67	628
Treasury	13	1	4	87	105
Totals	$4,288	$1,515	$1,073	$1,131	$8,007

The impact of the recently completed advance refunding on the ownership composition of the debt will not be known for a number of months -- until such time as the new securities pass out of the hands of transitional holders into the hands of ultimate investors. However, it is possible to examine the impact of debt management operations and other factors on the ownership of the debt during the past year, figures which reflect the advance refundings conducted in March and September of 1962.

During the twelve months ending January 31, 1963 (the latest month for which detailed ownership figures are available), all of the deficit was financed outside the banking system (see attached table). During this twelve-month period, holdings of government securities by Federal Reserve Banks rose by $1.8 billion, but this increase was completely offset by a decline of $1.8 billion in the government security holdings of commercial banks. On net balance, all of the $7.1 billion increase in the debt during the year ending last January was financed outside the domestic banking system. About $800 million of this total was taken by Government investment accounts. The remaining $6.3 billion was divided among foreign and international accounts ($2.4 billion), corporate pension funds and individuals ($1.0 billion), State and local governments ($0.9 billion), business corporations ($0.7 billion), and other investors ($1.3 billion

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE March 14, 1963

PUBLIC EXCHANGES IN ADVANCE REFUNDING TOTAL $7.7 BILLION

The total dollar amount of government securities exchanged by public holder in the Treasury's latest advance refunding was larger than in any of the six previous advance refundings undertaken by the Treasury.

Final figures show that of the total $8,007 million of the new securities subscribed for, $7,682 million was exchanged by the public, the remaining $325 million being exchanged by Government investment accounts. The percentage exchanged by the public amounted to 38% of their holdings of the eligible issues. Tables are attached showing the amounts involved in the advance refunding, and the distribution of subscriptions by Federal Reserve Districts and by certain classes of investors.

This advance refunding constitutes a major step forward in the Treasury's continuing program to so arrange the maturity composition of the marketable debt as to avoid contributing to the generation of inflationary pressures in the future. As a result of this operation, the debt maturing within one year has been reduced by about $6 billion and the debt maturing in one to three years has been reduced by $1.1 billion. The advance refunding produced an increase on balance in the debt maturing in three-to-five years of $3.3 billion, and increases of $1.5 billion and $2.2 billion in the debt maturing in five-to-ten years and over-ten years, respectively.

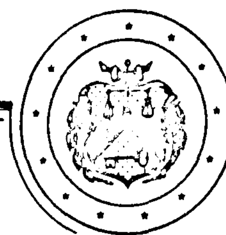
This major restructuring of the debt will give the Treasury much more flexibility in its debt management operations in the months ahead, permitting the Treasury to adapt its future cash financing to changing market conditions and balance of payments requirements without running the risk of producing an excessive increase in the very short, liquid debt.

An attached table describes changes in the maturity distribution of the marketable debt during recent years. It shows that the combined result of all debt operations in the first three months of calendar 1963 has been a decline of $5.7 billion in the under-one-year debt, a decline of $500 million in the one-to-five year debt and a rise of $6.4 billion in the debt maturing beyond five years.

The table also shows that during the twelve months ending March 31, 1963 (taking into account the retirement of $3 billion of March tax bills and the issuance of $1.5 billion of June tax bills), the under-one-year debt will have declined by $5.7 billion, the one-to-five year debt will have increased by $1.5 billion and the over-five-year debt will have risen by $10.9 billion.

The increase in the debt maturing beyond five years will be very much greate than the total increase in the marketable debt, both for the twelve-month and the twenty-six-month periods ending this March.

TREASURY DEPARTMENT



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AMOUNTS OF SECURITIES ELIGIBLE FOR EXCHANGE AND
AMOUNTS OF NEW SECURITIES TO BE ISSUED

ELIGIBLE FOR EXCHANGE		NEW SECURITIES TO BE ISSUED (millions)						
Securities	Amounts (millions)	3-5/8% Notes 2/15/67	3-7/8% Bonds 1971	3-7/8% Bonds 1974	4% Bonds 1980	Total	% ex-changed	Total unex-changed (millions)
PUBLIC HOLDINGS								
-1/2% Ctfs., C-1963	$ 3,003	$ 955	$ 663	$ -	$ 17	$1,635	54%	$ 1,368
-1/2% Bonds of 1963	3,952	2,274	532	-	49	2,855	72	1,097
-1/8% Ctfs., D-1963	1,062	194	94	-	2	290	27	772
% Bonds of 1964	2,588	845	196	-	24	1,065	41	1,523
-1/2% Notes, B-1965	3,267	-	-	135	196	331	10	2,936
-5/8% Notes, B-1966	2,891	-	-	213	420	633	22	2,258
% Bonds of 1966	1,336	-	-	250	99	349	26	987
-3/8% Bonds of 1966	2,205	-	-	323	201	524	24	1,681
otal Public Holdings	$20,304	$4,268	$1,485	$ 921	$1,008	$7,682	38%	$12,622
otal Fed.Res.Banks and Govt. Accounts	8,741	20	30	152	123	325	4	8,416
Grand Totals	$29,045	$4,288	$1,515	$1,073	$1,131	$8,007	28%	$21,038

SUBSCRIPTIONS BY FEDERAL RESERVE DISTRICTS
(millions)

FEDERAL RESERVE DISTRICT	3-5/8% Notes Series B-1967	3-7/8% Bonds of 1971	3-7/8% Bonds of 1974	4% Bonds of 1980	Total
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San Francisco	421	48	92	67	628
Treasury	13	1	4	87	105
Totals	$4,288	$1,515	$1,073	$1,131	$8,007

SUMMARY OF AMOUNT AND NUMBER OF SUBSCRIPTIONS RECEIVED
IN MARCH 1963 ADVANCE REFUNDING
(Dollar Amounts in Millions)

	3-5/8% Notes, Series B-1967		3-7/8% Bonds of 1971		3-7/8% Bonds of 1974		4% Bonds of 1980		TOTAL	
	Amount	No.Sub.	Amount	No.Sub.	Amount	No.Sub.	Amount	No.Sub.	Amount	No.Sub.
ndividuals 1/	$ 44	2,531	$ 32	1,394	$ 24	1,579	$ 30	1,221	$ 130	6,725
mmercial Banks (Own account)	2,708	5,457	929	1,835	490	2,215	278	856	4,405	10,363
ll Others 2/	1,516	1,966	524	937	407	1,476	700	1,047	3,147	5,426
Totals	$4,268	9,954	$1,485	4,166	$ 921	5,270	$1,008	3,124	$7,682	22,514
ederal Reserve Banks & Govt. Accts.	20		30		152		123		325	
Grand Totals	$4,288		$1,515		$1,073		$1,131		$8,007	

/ Includes partnerships and personal trust accounts.

/ 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.

CHANGE IN THE MATURITY DISTRIBUTION OF THE MARKETABLE DEBT
JANUARY 1961 TO MARCH 1963
(Dollars in billions)

Maturity	End of Month Totals				March 1963 p - Change From		
	January 1961	March 1962	December 1962	March 1963 p	Dec. 1962 (3 mos.)	Mar. 1962 (12 mos.)	Jan. 1961 (26 mos.)
Under One Year							
Weekly and one-year bills.......	$ 32.7	$ 38.7	$ 45.2	$ 45.9	$ +0.7	$ +7.2	$ +13.2
Tax bills......................	7.0	4.3	3.0	2.5	-0.5	-1.8	-4.5
Other..........................	35.9	44.2	39.0	33.1	-5.9	-11.1	-2.8
Total: Under one year..........	75.6	87.2	87.3	81.5	-5.7	-5.7	+5.9
1 to 5 Years....................	70.8	59.7	61.6	61.2	-0.5	+1.5	-9.7
5 Years and Over							
5 to 10 Years..................	18.7	23.7	34.0	38.0	+4.0	+14.2	+19.3
10 to 20 Years.................	13.2	10.7	4.6	6.8	+2.2	-3.9	-6.4
20 Years and Over..............	11.0	15.2	15.5	15.8	+0.2	+0.5	+4.8
Total: 5 Years and Over........	42.9	49.6	54.1	60.5	+6.4	+10.9	+17.6
Total: Marketable Debt.........	$189.3	$196.5	$203.0	$203.2	$ +0.2	$ +6.7	+13.9
Average Length:							
Years and Months...............	4-6	4-11	4-11	5-1			
Months.........................	54.0	58.5	58.7	61.1	+2.4	+2.6	+7.1
(Percentage change)............					(+4.1%)	(+4.4%)	(+13.1%)

Office of the Secretary of the Treasury
Office of Debt Analysis

March 14, 1963

Note: Details may not add to totals due to rounding.
p Preliminary.

Estimated Ownership of U. S. Government Securities
(In billions of dollars)

	January 31, 1962	January 31, 1963	12 month change
Government Investment accounts..	53.8	54.5	+.8
Federal Reserve banks...........	28.5	30.3	+1.8
Commercial banks................	67.8	66.0	-1.8
Private nonbank.................	146.8	153.1	+6.3
Mutual Savings banks...........	6.2	6.1	-.1
Insurance companies............	11.6	11.5	-.1
Savings and loan associations.	5.4	5.7	+.3
State and local funds..........	19.0	19.9	+.9
Corporations...................	20.4	21.1	+.7
Individuals and corporate pension funds...............	68.0	69.0	+1.0
Foreign and international.....	12.9	15.3	+2.4
All other.....................	3.2	4.4	+1.2
Total........................	296.9	303.9	+7.1

Office of the Secretary of the Treasury
Office of Debt Analysis

March 14, 1963

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

Given price stability at home and reinforced effort in the governmental, but more particularly the private sector, the challenge posed by the balance of payments deficits can be met. And ~~they~~ it will be met through means fully consistent with the free and open money and capital markets that have for so long contributed so much to the development of the American economy. We have ~~built a great~~ been building a new network of monetary defenses for the dollar -- defenses which not only depend upon the maintenance of free markets here, but which also help in assuring that they will flourish in the future.

* * *

I should like to state again, as I did yesterday in speaking before the Advertising Council, that any resort to foreign exchange controls in order to deal with our balance of payments problem is out of the question.

Our suggested tax bill has a direct relationship to our balance of payments problem. It is designed to assist in securing that dynamic domestic economy which, alive with new and profitable investment outfits, provides ultimately the only way consistent with our free market system to discourage excessive outflows of capital and to attract funds from abroad.

* * *

The talk of a few years ago that the international competitive position of the United States was deteriorating has definitely diminished and for good reason. Our unit wage costs have not risen over the past two years and the index of wholesale prices has remained virtually unchanged for five years. On the other hand, upward cost pressures have developed in many of the Western European countries with the result that profits have been squeezed and price pressures have become evident. But the competition remains keen and, in the last analysis, it is the American businessman who must make the sale. We recognize the key role played by commercial exports and the Government has attempted and will continue to assist in whatever way it usefully can to expand our sales abroad.

* * *

EXCERPTS FROM REMARKS BY DOUGLAS DILLON,
SECRETARY OF THE TREASURY, BEFORE THE BUSINESS
COUNCIL, AMERICAN SECURITY AND TRUST BUILDING,
WASHINGTON, D. C., 11:00 A.M., THURSDAY,
MARCH 14, 1963

NOTE: Secretary Dillon spoke on the subject of "The Tax Program and the Balance of Payments."

* * *

The gains made in our balance of payments last year, compared to those of 1961, were disappointing but far from disheartening. We did move ahead toward our goal of overall balance in our international payments -- and in so doing we have prepared the way for further improvement. The tax program was conceived for this purpose, as well as that of improving our domestic economy. Tax reduction, prudently financed and closely coupled with a consistent control over expenditures, can promote the demand we need in the private sector -- both for greater investment and for expanding consumer markets. Tax reduction will directly spur the economy, leaving more flexibility for the American monetary authorities to act as needed with even greater vigor in their very successful defense against pressures on the dollar as they arise -- pressures which we must expect to continue during the difficult times still ahead of us before we achieve the full restoration of balance in our international payments.

* * *

TREASURY DEPARTMENT
Washington

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Feb 6 128 day 2.929% ... additional amt

FOR RELEASE A. M. NEWSPAPERS,
Friday, March 15, 1963.

March 14, 1963

RESULTS OF TREASURY'S OFFER OF ADDITIONAL $1.5 BILLION IN JUNE TAX BILLS

The Treasury Department announced last evening that the tenders for an additional $1,500,000,000, or thereabouts, of the Tax Anticipation Series Treasury bills dated February 6, 1963, to mature June 24, 1963, were opened at the Federal Reserve Banks on March 14. The additional amount of bills, which were offered on March 7, will be issu on March 22 (94 days to maturity date).

The details of the additional issue are as follows:

Total applied for - $2,442,138,000
Total accepted - 1,502,208,000 (includes $47,249,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 99.261	Equivalent rate of discount approx. 2.830% per annum
Low	- 99.251	" " " " " 2.869% " "
Average	- 99.254	" " " " " 2.855% " " 1/

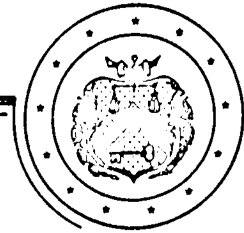
(13 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 64,365,000	$ 48,615,000
New York	1,971,633,000	1,181,678,000
Philadelphia	31,745,000	7,395,000
Cleveland	11,798,000	11,798,000
Richmond	5,477,000	4,607,000
Atlanta	10,140,000	6,640,000
Chicago	172,939,000	124,279,000
St. Louis	22,230,000	17,830,000
Minneapolis	13,405,000	9,665,000
Kansas City	13,741,000	11,566,000
Dallas	26,985,000	12,245,000
San Francisco	97,680,000	65,890,000
TOTAL	$2,442,138,000	$1,502,208,000

1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide a yield of 2.92%. Interest rates on bills are quoted i terms of bank discount with the return related to the face amount of the bills pay able at maturity rather than the amount invested and their length in actual number days related to a 360-day year. In contrast, yields on certificates, notes, and b 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-795

TREASURY DEPARTMENT



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Atlanta	10,140,000	6,640,000
Chicago	172,939,000	124,279,000
St. Louis	22,230,000	17,830,000
Minneapolis	13,405,000	9,665,000
Kansas City	13,741,000	11,566,000
Dallas	26,985,000	12,245,000
San Francisco	97,680,000	65,890,000
TOTAL	$2,442,138,000	$1,502,208,000

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D-795

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For the interaction of increased incentives to produce and invest, both corporate and individual, together with the increased funds available for consumer spending and for investment will creat an upward spiral -- not of wages and prices but of economic activit and accelerating growth -- which will permit us to achieve our goal of a full employment economy.

The President's program proposes to reach this goal through a major tax rate reduction, combined with some reforms that remove hardships and some that raise revenue through broadening the tax base and eliminating special provisions. Only in this way can sufficiently large rate reductions be achieved in a fair way, without undue budgetary strain.

This is no time for half-measures or attempted short cuts. There is an urgent need for action on the matter of taxes -- actio that is basic and lasting. The President's program is a balanced, fair and effective response to this critical need.

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criticism. High-income taxpayers look at the larger percentage reductions in tax liabilities going to low-and-middle-income taxpayers and feel that those groups are getting too much. They say some of the reforms remove the otherwise almost uniform changes in the rates. Low-and-middle-income taxpayers look at the larger dollar reductions and the larger percentage increases in after-tax incomes going to high income groups and feel that the upper-income taxpayers are getting too much. They may argue that the proposed rate scale of 14 percent to 65 percent is not as progressive as the present scale running from 20 percent to 91 percent. In reality, much of this criticism is really testimony to the basic fairness of the overall program.

Certainly improvements and helpful changes will occur as the work of the Committee proceeds toward resolving conflicting views and writing the actual legislation. But those who are trying to pull the program this way or that way, or to pull out this or that part, should not lose sight of the main goal.

The goal is to move the economy closer to full employment by raising our rate of economic growth. This can best be achieved by removing the repressive effects of our income tax structure on the economy. To accomplish this result will mean far more to all taxpayers before this decade is out than will the

to the stimulus provided by the tax program. Finally, the tax program is balanced because it includes both incentives to investment and an increase in demand.

The Ways and Means Committee is now engaged in its considera-tion of the proposed tax program -- the stage where, through public hearings and otherwise, various groups seek to pull the tax revision this way or that way closer to one extreme or the other. It is the stage when those who are affected by a recommendation to change a particular provision seek to justify the present situa-tion or to alter the recommendation.

This is the final, hard stage of tax revision -- where the general consensus on the goal of greater economic activity, on the progressive effect of the tax system, on the need for tax revision and net tax reduction leaves off and the disputes over the shape of the tax revision commence.

Here clearly no general consensus on final details has yet been reached. Thus the testimony before the Committee indicates a wide spectrum of opinion as to which groups should receive the tax cuts. If, for instance, the rate reductions recommended by AFL-CIO and the NAM were both accepted by the Congress, the total revenue cost involved would be $24 billion. Necessarily, in this context of competing tax plans the proponents of each plan will criticize the President's program -- but each with a different

the forces of demand and investment. Here we find either no unanimity as to the line of choice or an unwillingness on the part of those who urge a lesser amount to face up to the task of making the choice.

In sum, the President's program is a balanced program. It is balanced in terms of time, neither attempting to do everything at once with the consequent risk of inflation and possible damage to our balance of payments, nor delaying action in the vain hope that the economy would somehow move by itself to a level which would lead to balanced budgets. It is balanced in terms of equity, with the benefits fairly distributed among all income groups of taxpayers and to corporations as well. It is balanced in terms of achieving maximum economic impact with a minimum budgetary cost, both because of the staging over three years and the offsetting effect of certain reforms. It is important to keep in mind that this economic impact is far greater and more immediate than the staging might indicate. By July of next year, for instance, close to $5 billion in additional spending power will have been poured back into the economy. Before 1964 is out, the tax program will have increased net after-tax income of business and individuals by more than $10 billion. In addition, income -- and spending -- will be still further increased as the economy expands in response

possible, especially in the middle and upper brackets, by the revenue-raising reforms -- that will provide the basic change in the impact of the tax structure on incentives and the economy.

The large amount of revenue devoted to rate reduction will provide both increased incentives to private investment and initiative and an increase in consumer purchasing power. While some may stress increased investment incentives as the more important of the two and others may favor increased spending power, the real lesson of recent years is that both have a necessary contribution to make to our economic health.

The increase in spending power will help to absorb existing unused capacity and provide a more favorable climate in which the investment incentives of lower rates, the investment credit, and depreciation revision will operate, enabling us to move more rapid toward full employment. The investment incentives, exerting a constantly more powerful effect as the economy moves upward, will then contribute to a continued acceleration of our rate of growth.

We should not and need not rely upon only one of these two forces for our economic advance. That is the reason for the large amount of revenue devoted to rate reductions in the President's program. A significantly lesser amount could make us choose betwe

These revenue-raising structural reforms, while contributing to the fiscal responsibility of the overall program, are in themselves needed improvements in the tax structure. They eliminate special provisions -- which now permit unfair escape from tax -- and thereby increase the equity of the income tax structure. They substitute the economic marketplace for the tax avoidance device as the governing factor in the allocation of investment resources. They broaden the tax base, without harm to existing incentives, such as those involved in charitable giving or home ownership, and foster private initiative through the lower marginal tax rate they permit.

These structural adjustments, involving a change in the computation of taxable income, are in a sense made only once. The rate reductions will far more than offset these adjustments so that from the very start of the program almost all taxpayers obtain a significant net reduction in tax liabilities -- the average is 18 percent.

As taxpayers subsequently increase their incomes -- through wage or salary increases, increased investment, increased dividends, increased business activity -- the increase in income will be subject to the far lower rate scale involved in the program. It is this year-in, year-out effect of the large rate cuts -- made

revenues resulting from economic expansion induced by the program itself.

These revenue raising structural changes or reforms are in three groups. The first group comprises seven changes affecting individuals and totaling $$3 billion, the principal ones involving a 5 percent floor under itemized deductions, the elimination of the $50 dividend exclusion and 4 percent dividend credit, and the elimination of the present tax exclusion for sick pay. These three changes would yield $2.9 billion.

The second group contains several changes primarily involving corporations, which would increase tax revenue $320 million. One would involve the allowance of only a single surtax exemption to multi-corporate structures, coupled with elimination of the penalty taxes on consolidated income taxes. Another would improve tax rules affecting natural resources. Still another would put larger corporations -- the 15,000 corporations with tax liabilities over $100,000 -- on a current-payment tax basis over a five-year transition period, involving no increase in tax liabilities but increasing budgetary receipts by $1.5 billion in each of the five years. The third group involves an interrelated set of changes in the capital gains area which would yield a $750 million increase in revenue resulting from increased turnover and mobility of capital.

But $14.5 billion is a large revenue cost. Our Federal budget is in a deficit position, brought on by necessary increases in defense, space and public debt interest expenditures and by a failure of the economy to operate at full potential -- the very failure the tax program is designed to meet. Firm Presidential expenditure control -- which has even lowered remaining budget expenditures from the 1963 level -- has kept the budget deficit to $9.2 billion, apart from the tax program. Under these conditions the most appropriate course is to seek an overall tax program that permits us to achieve in a fiscally responsible way the full rate reduction and hardship relief afforded by the $14.5 billion figure - rather than to seek a second-best rate reduction or to incur a greater increase in the deficit than is required.

The tax program permits the accomplishment of the benefits of the $14.5 billion proposals in a fiscally responsible way through two measures: One, it spaces the rate reductions in three steps, starting in 1963 and ending January 1, 1965, and two, it obtains through other structural changes and reforms, which would commence in 1964, $4.1 billion in direct revenue gains and $1.5 billion in increased budgetary receipts, or a total of $5.6 billion. The result is a net budgetary cost of $8.8 billion for the total program when completed, before account is taken of the increase in

benefit and treat more fairly taxpayers over 65, particularly those who are still working. Other changes would benefit taxpayers whose employment requires them to move to a new community, taxpayers who must provide care for their children in order to work, and people whose incomes fluctuate sharply from year to year. One reform, designed to promote civilian research and technology, benefits business directly by providing for the immediate write-off of equipment used in research and development. Surely the need for these changes is evident.

The rate reductions, plus these structural reforms or changes, involve a revenue cost of nearly $14.5 billion. Together, they represent a program of significant and effective rate reduction complemented by relief of obvious tax hardships and a needed incentive to civilian technology and increased productivity. Programs which involve a lesser revenue cost than $14.5 billion for these purposes must mean less significant rate reductions and the elimination of some or all of the hardship-relieving and growth-inducing reforms. They must involve less incentive to private initiative and activity. In terms, therefore, of rate reduction and incentive, in terms of hardship relief and increased growth, they are "second-best" programs. They cannot, of necessity, be as effective as the program proposed by President Kennedy.

The cost of the rate reductions in the President's program comes to $13.7 billion -- over $11 billion for individuals and over $2.6 billion for corporations. Yet this much revenue must be involved if the rate reductions are to be as significant and effective as the President has recommended. Anything less simply means a lesser rate reduction. Thus, a rate reduction involving, say, $7.5 billion for individuals is, of course, a rate reduction -- but will not yield a rate scale from 14 to 65 percent. Somewhere in that scale -- at the bottom, at the top, in the middle, or all along -- the rates will have to be significantly higher than those proposed by the President. The barriers to private incentives and higher demand simply would not come down as far as the President has recommended.

The President has, in addition, recommended several reforms -- all of which involve a revenue cost -- to alleviate certain hardships under the tax structure which rate reduction alone cannot eliminate. One reform creates a minimum standard deduction to help low-income families, particularly those with many dependents. This proposal for a minimum standard deduction achieves the effect of an increase in personal exemptions, strongly urged by many in our society, at a revenue cost of only $310 million, by focusing that loss directly in the area of hardship. Another reform would

of budgetary cost, and do so in a manner that is fair to all taxpayers. The tax program the President has proposed fully meets these requirements.

The chief revision in the President's program -- its number one reform -- is a very large reduction in the rates of the income tax. The individual rate scale at the completion of the program would be reduced from the present range of 20 to 91 percent to a lower range of from 14 to 65 percent -- with rates throughout the scale 20 to 30 percent lower than today. The corporate normal tax rate would be 22 percent for the first $25,000 of profits -- 27 percent less than the present 30 percent rate. This is the only rate that concerns 80 percent of our corporations. The maximum corporate rate would drop from 52 percent to 47 percent.

These are sweeping rate changes that significantly pull down the rates of tax. An individual concerned with his marginal rate of tax -- what will the Government take as its share of the added dollar he earns through a risky investment or increased personal effort -- will find the Government taking 20 to 30 percent less than it does today. On the corporate side, after-tax profitability on new investment under the combination of the 1962 program, with its investment tax credit and depreciation reform, and the proposed rate reduction, is increased by almost 30 percent.

The point I want to make is that you can work toward balancing the budget far more effectively, far more constructively, far more safely, by means of a responsible, balanced tax program combined with firm and rational expenditure control than you can by attempting massive and immediate spending cuts.

The first course demonstrates faith in the latent vitality of our free market economy. It indicates a belief that our economy can move ahead, wipe our the temporary additional deficit from the tax cuts, and through an accelerated rate of economic growth move on toward full employment and a balanced budget. The other course could, if put into effect in the current economic climate, produce results of the kind its supporters most want to avoid.

It is clear, then, that our country is not moving ahead as fast as it can and must. It is clear that the restraints of the income tax structure are a major cause of our economic lag and that revision of the tax structure is therefore an imperative task. There is also increasing recognition that despite our present deficit the path to a balanced budget is through a tax reduction in a climate of expenditure control. The final, hard step remains to reach agreement on the details of the tax revision. This revision must provide maximum benefit to the economy at a minimum

But no one should believe that this course means a resignation to continued deficits.

The best way to balance the budget is first to balance the economy. This requires significant tax rate reduction that will add to incentives to work and invest, to purchasing power, and to the flow of investment funds. The increased economic activity generated by such a rate reduction will, within a few years, even at the new lower tax rates, bring in more tax revenue than we would have had otherwise. Thus the renewed vitality in the private sector, fed by new investment, new demand, and new incentives, would provide increasing tax revenue which cand and will be used to achieve a balanced federal budget. The entire increase in revenues which we foresee as a benefit of tax reduction will not be spent by government. A portion of it will be used to reduce the deficit. President Kennedy made that clear in his budget message when he stated:

> As the tax cut becomes fully effective and the economy climbs toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit. Although it will be necessary to increase certain expenditures, we shall continue, and indeed intensify our effort to include in our fiscal program only those expenditures which meet strict criteria of fulfilling important national needs.

This Administration has already shown that it recognizes the need to hold expenditures down. This year, with the exception of space, defense and interest costs, President Kennedy's 1964 budget actually shows a reduction in total expenditures. This was achieved despite the fact that over the past nine years this sector of the budget has increased by an average of 7.5 percent a year.

The many billions that would have to be cut from the budget to achieve the large absolute expenditure reductions that some would require as a condition to tax reduction must presumably come at least in part from defense and space programs. Our country's defense requirements and its place in the frontier of space exploration simply do not permit large reductions in these areas.

Apart from the damage to vital programs that would result from large expenditure cuts, a sharp cutback in government spending could well result in an economic downturn which would shortly reduce revenues to the point where deficits might actually increase.

A sensible program of expenditure control -- not rigid or impossible conditions of large expenditure reductions -- will permit us to proceed with the tax revision we all agree is needed.

Our repressive tax rates simply soak up too many dollars that would otherwise increase consumer spending, or finance new business investment, or provide added incentives to both individuals and businesses to produce more, earn more and invest more. High tax rates are serious restraints on private incentives, and they unduly reduce the profitability of private enterprise. By weakening consumer demand they sap one of the strongest forces influencing business investment -- the prospect of profit through expanding markets.

Here also, therefore, the discussion of recent weeks has shown a remarkable consensus -- that income taxes must be reduced. But there are some who believe this reduction should wait until Federal expenditures are greatly reduced.

Some believe a cutback of at least four to five billion dollars is required -- such as would be involved in holding total expenditures at the 1963 level -- while others believe far greater cuts should be made before we can proceed with tax reduction. But imposing such rigid conditions on tax reduction is far more likely to make tax reduction impossible or to substantially reduce the benefits of a tax cut to the economy. We must not let the agreement we have finally achieved for revision of our tax structure be destroyed by an unwillingness to be realistic about our present expenditures.

to make a sustained effort to accelerate growth -- which will increase employment, output, income, business profits, and tax revenues.

To do nothing at this time would be to gamble with our economic security and with our hope for a better tomorrow. I believe nearly all of us recognize this, and that there is a general consensus today on the need to accelerate our economic growth. The consensus goes even further. It has become increasingly clear that a major contributing factor to our inability to achieve greater economic activity lies in our tax system.

For our high tax rates -- forged in the necessity of war and maintained during the inflationary period of high postwar demand -- have in recent years become a major deterrent to economic expansion. Their role, with the changing character of our economy, has shifted from that of holding down inflation to one of holding down growth.

These high rates operate to repress economic activity, with the result that tax revenues are reduced. The recent persistent large budget deficits reflect the inability of a lagging economy to produce enough tax revenue to meet the demands of national security, space exploration, and an expanding population.

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TREASURY DEPARTMENT
Washington

FOR RELEASE AT 1:00 P.M, EST
MONDAY, MARCH 18, 1963

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ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE UNION LEAGUE CLUB OF CHICAGO
CHICAGO, ILLINOIS
MARCH 18, 1963

Today, after 25 months of recovery from the last recession, although gross national product, personal income and retail sales are at record levels, our economy is still operating far below where it could be -- and moving at a rate of growth that will leave us far short of where we could be in the years ahead.

The gap between our economic accomplishment and our economic potential has persisted for five years. That gap at present represents $30 billion to $40 billion in total output, $18 billion to $20 billion in wages and salaries, and $7 billion to $8 billion in business profits. It is also reflected in an unemployment rate of more than 6 percent and our persistent large budget deficits, which have totalled $30 billion in the last six fiscal years.

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> "As the tax cut becomes fully effective and the economy climbs toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit. Although it will be necessary to increase certain expenditures, we shall continue, and indeed intensify our effort to include in our fiscal program only those expenditures which meet strict criteria of fulfilling important national needs."

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of budgetary cost, and do so in a manner that is fair to all taxpayers. The tax program the President has proposed fully meets these requirements.

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The cost of the rate reductions in the President's program comes to $13.7 billion -- over $11 billion for individuals and over $2.6 billion for corporations. Yet this much revenue must be involved if the rate reductions are to be as significant and effective as the President has recommended. Anything less simply means a lesser rate reduction. Thus, a rate reduction involving, say, $7.5 billion for individuals is, of course, a rate reduction -- but will not yield a rate scale from 14 to 65 percent. Somewhere in that scale -- at the bottom, at the top, in the middle, or all along -- the rates will have to be significantly higher than those proposed by the President. The barriers to private incentives and higher demand simply would not come down as far as the President has recommended.

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We should not and need not rely upon only one of those two forces for our economic advance. That is the reason for the large amount of revenue devoted to rate reductions in the President's program. A significantly lesser amount could make us choose between

the forces of demand and investment. Here we find either no unanimity as to the line of choice or an unwillingness on the part of those who urge a lesser amount to face up to the task of making the choice.

In sum, the President's program is a balanced program. It is balanced in terms of time, neither attempting to do everything at once with the consequent risk of inflation and possible damage to our balance of payments, nor delaying action in the vain hope that the economy would somehow move by itself to a level which would lead to balanced budgets. It is balanced in terms of equity, with the benefits fairly distributed among all income groups of taxpayers and to corporations as well. It is balanced in terms of achieving maximum economic impact with a minimum budgetary cost, both because of the staging over three years and the offsetting effect of certain reforms. It is important to keep in mind that this economic impact is far greater and more immediate than the staging might indicate. By July of next year, for instance, close to $6 billion in additional spending power will have been poured back into the economy. Before 1964 is out, the tax program will have increased net after-tax income of business and individuals by more than $10 billion. In addition, income -- and spending -- will be still further increased as the economy expands in response

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The Ways and Means Committee is now engaged in its consideration of the proposed tax program -- the stage where, through public hearings and otherwise, various groups seek to pull the tax revision this way or that way closer to one extreme or the other. It is the stage when those who are affected by a recommendation to change a particular provision seek to justify the present situation or to alter the recommendation.

This is the final, hard stage of tax revision -- where the general consensus on the goal of greater economic activity, on the repressive effect of the tax system, on the need for tax revision and net tax reduction leaves off and the disputes over the shape of the tax revision commence.

Here clearly no general consensus on final details has yet been reached. Thus the testimony before the Committee indicates a wide spectrum of opinion as to which groups should receive the tax cuts. If, for instance, the rate reductions recommended by the AFL-CIO and the NAM were both accepted by the Congress, the total revenue cost involved would be $24 billion. Necessarily, in this context of competing tax plans the proponents of each plan will criticize the President's program -- but each with a different

criticism. High-income taxpayers look at the larger percentage reductions in tax liabilities going to low-and-middle-income taxpayers and feel that those groups are getting too much. They say some of the reforms remove the otherwise almost uniform changes in the rates. Low-and-middle-income taxpayers look at the larger dollar reductions and the larger percentage increases in after-tax incomes going to high income groups and feel that the upper-income taxpayers are getting too much. They may argue that the proposed rate scale of 14 percent to 65 percent is not as progressive as the present scale running from 20 percent to 91 percent. In reality, much of this criticism is really testimony to the basic fairness of the overall program.

Certainly improvements and helpful changes will occur as the work of the Committee proceeds toward resolving conflicting views and writing the actual legislation. But those who are trying to pull the program this way or that way, or to pull out this or that part, should not lose sight of the main goal.

The goal is to move the economy closer to full employment by raising our rate of economic growth. This can best be achieved by removing the repressive effects of our income tax structure on the economy. To accomplish this result will mean far more to all taxpayers before this decade is out than will the

dollars that the program will put in their pockets in 1963, or 1964, or 1965.

For the interaction of increased incentives to produce and invest, both corporate and individual, together with the increased funds available for consumer spending and for investment will create an upward spiral -- not of wages and prices but of economic activity and accelerating growth -- which will permit us to achieve our goal of a full employment economy.

The President's program proposes to reach this goal through a major tax rate reduction, combined with some reforms that remove hardships and some that raise revenue through broadening the tax base and eliminating special provisions. Only in this way can sufficiently large rate reductions be achieved in a fair way, without undue budgetary strain.

This is no time for half-measures or attempted short cuts. There is an urgent need for action on the matter of taxes -- action that is basic and lasting. The President's program is a balanced, fair and effective response to this critical need.

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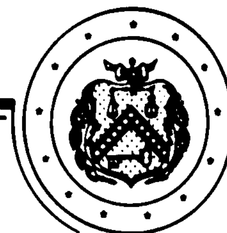
TREASURY DEPARTMENT



WASHINGTON, D.C.

March 18, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON STEEL WIRE RODS
UNDER THE ANTIDUMPING ACT

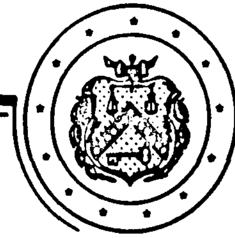
The Treasury Department has determined that hot-rolled carbon steel wire rods from Belgium, are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act.

Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

Notice of the determination and of the reference of the case to the Tariff Commission will be published in the Federal Register.

The total dollar value of the particular type of steel wire rods under consideration imported from Belgium during 1962 was approximately $1,800,000.

TREASURY DEPARTMENT



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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, March 19, 1963.

March 18, 1963

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 20, 1[illegible] and the other series to be dated March 21, 1963, which were offered on March 13, were opened at the Federal Reserve Banks on March 18. Tenders were invited for $1,300,000,[illegible] or thereabouts, of 91-day bills and for $800,000,000, 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 20, 1963		182-day Treasury bills maturing September 19, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.275 a/	2.868%	98.513 b/	2.941%
Low	99.265	2.908%	98.502	2.963%
Average	99.266	2.902% 1/	98.506	2.955% 1/

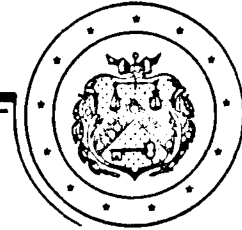
a/ Excepting one tender of $175,000; b/ Excepting one tender of $300,000
85 percent of the amount of 91-day bills bid for at the low price was accepted
74 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 31,631,000	$ 21,631,000	$ 15,338,000	$ 15,338,000
New York	1,623,580,000	813,655,000	1,002,385,000	581,541,000
Philadelphia	44,819,000	23,819,000	12,599,000	9,599,000
Cleveland	36,520,000	36,520,000	19,034,000	19,034,000
Richmond	15,720,000	15,720,000	2,366,000	2,366,000
Atlanta	48,903,000	48,858,000	6,598,000	6,598,000
Chicago	224,272,000	129,672,000	111,232,000	46,712,000
St. Louis	48,496,000	40,481,000	8,096,000	6,096,000
Minneapolis	21,259,000	16,079,000	8,478,000	8,478,000
Kansas City	39,196,000	36,196,000	11,314,000	11,214,000
Dallas	41,360,000	25,060,000	9,711,000	7,451,000
San Francisco	159,612,000	93,112,000	97,986,000	85,868,000
TOTALS	$2,335,368,000	$1,300,803,000 c/	$1,305,139,000	$800,295,000 d/

c/ Includes $281,804,000 noncompetitive tenders accepted at the average price of 99.266
d/ Includes $63,866,000 noncompetitive tenders accepted at the average price of 98.506
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.96%, for the 91-day bills, and 3.04%, 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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nor can they be -- any substitute for the efforts we are making to get our balance of payments in equilibrium -- an objective which we continue to pursue with vigor and determination.

But the Government's steadfast pursuit of policies to eliminate our international payments deficit must go hand-in-hand with energetic action by private business and finance. Our success in building our exports and in further advancing our economic strength and competitiveness rests importantly -- and primarily -- on you and your associates around the country. The task ahead may not be an easy one -- but it is clear. The job of all of us is to get ahead with it.

agreements with the monetary authorities of other industrialized countries.

Treasury has also undertaken direct borrowing arrangements at short- and medium-term from official entities in other countries which are in a strong situation. All of these operations and arrangements have been tested. Their effectiveness in meeting potential strains on currencies was demonstrated at the time of the stock market disturbances last spring, during the Canadian exchange crisis, and again during the Cuban showdown. Our borrowing and exchange operations have enabled us to provide a further bulwark for the dollar and to reduce the outflow of gold, while we progress in our program of reducing and eliminating the deficit in the U.S. balance of payments. They are not intended as --

completed last year under which the major industrial countries agreed to make available to the International Monetary Fund up to $6 billion, if needed, to avoid any threatened impairment of the international monetary system. The existence of these facilities alone acts as a strong deterrent to speculation against the dollar and other currencies.

We have also undertaken, in close cooperation with foreign financial officials, further significant improvements in meeting potential strains on world currencies -- whether directed against the dollar or others -- and in promoting the efficiency of the free world payments system and thereby of world trade. In 1961, for the first time since the '30's, we undertook operations in the foreign exchange markets. These were reinforced by the Federal Reserve's own operations -- inaugurated last year -- as well as its reciprocal currency

rather than dollars. In addition to reducing the impact on our balance of payments of our military and foreign assistance programs, a government-wide system of review has been introduced to provide tighter scrutiny and control of foreign expenditures under all other government programs.

And while we go urgently about the task of restoring international payments balance, countries in the Common Market, Japan and others associated with us in such forums as the OECD and the International Monetary Fund have cooperated with us in other ways.

For example, direct and immediate effects on improving the U.S. balance of payments deficit have resulted from prepayments of debts owed the U.S. Government by Germany, France and Italy. An important contribution to the strengthening of the international payments system was the arrangements

net outflow of about $2-3/4 billion in 1960 to less than $2 billion in 1962.

These net foreign expenditures for defense have been reduced through savings which do not impair our overseas military effectiveness, and -- importantly -- by the cooperation of other countries, particularly Germany, in purchasing U.S. military equipment. We will continue to press ahead with these arrangements and also with our efforts to obtain a greater sharing of the responsibilities of defense -- and of economic assistance to less developed countries -- by other industrial nations.

Because of our balance of payments problem, we have been emphasizing policies designed to assure that the bulk of our foreign aid is given in the form of U.S. goods and services

a total of $5 billion. The combined impact of both measures will be to increase the after-tax profitability of new investment by almost 80 percent. Together with the increase in consumer demand which will come from sharply reduced individual tax rates, this incentive to investment will foster greater modernization and efficiency -- vital factors in meeting international competition. The higher profits implicit in the tax program will support and reinforce our more specific efforts to deal with our balance of payments.

I should also like to touch upon some of the other measures we are pursuing to bring about an improvement in our balance of payments. We have given considerable attention to the net impact on the balance of payments of the Government's own transactions. The cost to our balance of payments of our large defense expenditures abroad has been reduced from a

encouraged and have already seen some results. Another answer is given by our tax proposals.

Last year an important move to stimulate investment in U.S. industry was made through the depreciation reform and the investment tax credit. The President's program of tax reform and tax reduction now before the Congress is designed to provide a further -- and basic -- stimulus to domestic investment. It will provide new incentives for modernization and encourage industrial research. Last year the tax liabilities of American business were reduced by an estimated $2.5 billion as a result of President Kennedy's investment credit and depreciation reform. The tax program he has now before the Congress would reduce the maximum corporate tax rate -- by 1965 -- from 52 to 47 percent, cutting business taxes another $2.5 billion for

are becoming evident. The competition remains keen, however, and it is up to all of us to improve our competitive edge.

Higher domestic growth and investment will create outlets at home for some of the capital now seeking employment abroad. Inadequate investment opportunities at home and vigorous economic growth in the Common Market and other countries of Europe have resulted in a substantial outflow of U.S. private investment. At the same time, inadequately developed European capital markets have resulted in some added burden to our balance of payments, as long-term funds from the U.S. are sought by some foreign borrowers.

One answer lies in the development in the EEC and other European countries of capital markets more closely reflecting recent European developments and European needs. This we have

what is needed. Another ingredient is our productive strength at home and the competitive vigor of our free private economy to produce and sell the products that will be demanded by the rest of the world. This depends importantly on price stability, combined with high levels of domestic private investment and on a growing economy applying advanced technology and research for the continuous improvement of our products. Our over-all price level has been essentially stable for the past five years. We are determined to maintain this stability and to encourage economic growth.

This has a particular significance to our competitive position now. As we examine developments in some of the countries of Western Europe, we see that upward cost pressures have developed. Profits have been squeezed and price pressures

ago, a comprehensive program of short-term export credit insurance. Since mid-July it also has begun issuing medium-term export credit insurance. The Export-Import Bank offers direct exporter credits and provides medium-term bank guarantees for exports in addition to its other financial assistance to U.S. exports. In January of this year further significant improvements were made in the FCIA-Export-Import Bank program, and work is going forward on continued improvement. It is important that you and other present and potential U.S. exporters know of the opportunities these excellent facilities offer.

Continued--and growing--access to EEC and other markets, better export financing, and vigorous efforts to increase business awareness of export opportunities are only part of

governments. A series of concrete programs are under way here and abroad to promote increased U.S. business interest in exporting and to promote increased sales opportunities for U.S. products in potential markets abroad. We look to even broader and more intensified efforts this year. We welcome any ideas any of you may have as to how these programs could be made more effective or as to any new efforts government or business might undertake.

In the field of export financing we have developed export credit facilities which are the equal of those anywhere in the world. The Export-Import Bank has improved its existing facilities and in cooperation with a large group of private insurance companies has formed the Foreign Credit Insurance Association (FCIA). The FCIA inaugurated in February, a year

We will continue our unremitting efforts to bring about the elimination of some of the other barriers to our exports, by pressing Common Market and other countries to avoid actions that might restrict access to their markets.

The Trade Expansion Act looks to the future, but what we are doing now to carry out our urgent program of increasing exports to help bring U.S. international payments into balance is equally important. We have undertaken a vigorous program of export promotion. To spearhead this campaign, President Kennedy has created a new post in the Commerce Department -- National Export Expansion Coordinator. In the State Department, the position of Special Assistant for International Business has been created to assist in problems encountered by American businessmen, especially in their relations with foreign

There has been much speculation about the disruption of the United Kingdom's negotiations with the Common Market. It is, of course, too early to judge precisely what the implications of this may be, but it is clear that the underlying forces dictating the need for greater European unity and effective Atlantic cooperation have not changed. It is clear also in the interests of the whole free world that the EEC develop in an outward-looking, liberal manner. We will use our influence to this end.

We are now testing the responses of the Common Market and other countries to our positions under the Trade Expansion Act, thus pursuing steadfastly a positive line of policy that meets the needs of the United States and the rest of the free world. And we look forward to more than tariff discussions.

market of the kind U.S. businessmen know best. Although the Government can provide some leadership, the end result is up to you and your efforts. This is a challenge -- and an opportunity -- which cannot go unanswered.

It was this challenge that the Trade Expansion Act of 1962 was designed to meet, by providing us with the tools to assure access to that growing market. We will utilize these tools to the fullest extent to improve the access of the products of U.S. factories and farms to the European Common Market as well as to other major world markets. We are already at work on the preliminary steps required under the Trade Expansion Act prior to any general round of tariff negotiations-- and look forward to formal negotiations sometime in 1964.

Imports of U.S. manufactured goods from the Six, which represent about one-half of our sales there, increased by 70 per cent over this period. This was made possible both by growth in European demand and the virtual elimination of import quotas on manufactured goods. It has also been a rapidly growing market for U.S. agriculture, with our agricultural sales there last year exceeding a billion dollars. While the dollar amounts are smaller, U.S. agriculture relies more heavily than U.S. industry on Europe as an export market, which is one reason why the Common Agricultural Policy of the Six as it is finally established is so important to us.

The market is well suited for American products and has further great potential for us as it develops into a mass

In the Common Market countries -- as a contrast -- we find, for example, that Germany's exports are about 15 per cent of GNP and Italy's about 12 per cent.

World demand is increasing rapidly for products which the American economy can produce well and economically.

Rapidly expanding demand has been most dramatic in the European Common Market. The six Common Market nations now have a population almost as large as the United States. These six countries have a gross product of about $180 billion and they expect it to rise to almost $290 billion by 1970 -- an increase of almost 60 per cent. Past growth has brought with it an increased demand for foreign goods and a growth of U.S. exports to the six EEC countries from about $2.5 billion in 1958 to over $3.6 billion this past year.

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It is necessary, therefore to pay even greater attention to the task of increasing the U.S. trade surplus, so that we may earn enough regularly from abroad to balance our payments. This is why we must increase our exports. The alternative of seeking to achieve a larger trade surplus by restrictive measures is not a solution. As President Kennedy said in his February 1961 message, "such a course would provoke retaliation; and the balance of trade, which is now substantially in our favor, could be turned against us with disastrous effects to the dollar."

With exports at 4 per cent of our annual gross national product, increased exports should be well within our capacity.

each of the following years. The trend toward increasingly large deficits in our balance of payments that characterized the years immediately before 1961 has been reversed. But reversal of the trend is not enough and the deficit in our international payments is still too large.

Our overall international payments deficit, which reached $3.9 billion in 1960, was cut to $2.4 billion in 1961 and to $2.2 billion last year. I would be less than candid if I did not say, however, that the improvement last year compared to 1961 was disappointing, even though we know that underlying these figures there are favorable forces working towards our goal of payments equilibrium. It is important to remember, however, that the improvement this past year was made despite a rise in imports of $1.7 billion from the recession low of 1961. But exports were up only $500 million. Thus, although

The result has been the deficits we have seen in the U.S. balance of payments. Because of increasing prosperity and international competitiveness in Europe -- combined with widespread currency convertibility for the first time since the War -- these deficits were very substantial --and growing -- in the years 1958 through 1960. Speculative attacks on the dollar and very large decreases in our gold stock characterized this period.

During the past two years, stability has returned. Following President Kennedy's message of February 6, 1961, on gold and the balance of payments, and the programs adopted under it, confidence in the dollar was restored -- and has been maintained. The large drain of our gold was reduced from $1.7 billion in 1960 to well under a billion dollars in

we can continue to meet our domestic and international economic objectives and responsibilities. The strength of our currency and the vigor of our economy are important to all free nations. In the network of world trade and payments -- a network which grows ever closer -- U.S. trade forms a significant part -- about 18 per cent -- of the total, and the dollar has come to serve as the world's chief trading and reserve currency.

The United States exports more than any other country in the world and has traditionally had a substantial trade surplus. In the past three years our trade surplus, after deducting about $2 billion for exports financed by Government grants and credits, has averaged about $2.7 billion annually. These surpluses, however, together with our other receipts, have not been enough to cover out-payments.

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The kind of conference you are having here today appears to be designed to do just that. Time after time, I have heard of American firms that wanted to export but gave up when theywere faced with the supposed complexity of international marketing. The more that can be done to dispel this fear of the unknown, the closer we will be to balancing our international accounts.

Of course, in the broader view, we must do more than strive to sell more. To succeed, we must have vigorous economic growth at home in an atmosphere of price stability and enhanced competitiveness vis-a-vis foreign products, both at home and abroad. In this way we can reach and maintain our goal of reasonable equilibrium in our balance of payments and thus contribute to the enduring strength of the dollar. Through these means

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE JOHN C. BULLITT
ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS,
AT THE ANNUAL RHODE ISLAND WORLD TRADE CONFERENCE
AT CRANSTON, RHODE ISLAND
TUESDAY, MARCH 19, 1963, 6:30 P.M. EST

THE COMMON MARKET AND THE U.S. BALANCE OF PAYMENTS

If the United States is to continue to properly finance its vital overseas military and economic aid programs, as well as those expenditures that arise from the smooth functioning of a free economic system, we must increase our commercial trade surplus. In a word, U.S. businessmen must export more. Although our exports are large, they are not large enough. What is needed is nothing less than a reorientation of American business to foreign opportunities. Provided we continue to have price stability, American products, combined with American salesmanship, can compete successfully throughout the world. But to do this, thousands of businessmen to whom foreign markets and selling techniques are a mystery must learn about

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During the past two years, stability has returned. Following President Kennedy's message of February 6, 1961, on gold and the balance of payments, and the programs adopted under it, confidence in the dollar was restored -- and has been maintained. The large drain of our gold was reduced from $1.7 billion in 1960 to well under a billion dollars in each of the following years. The trend toward increasingly large deficits in our balance of payments that characterized the years immediately before 1961 has been reversed. But reversal of the trend is not enough and the deficit in our international payments is still too large.

Our overall international payments deficit, which reached $3.9 billion in 1960, was cut to $2.4 billion in 1961 and to $2.2 billion last year. I would be less than candid if I did not say, however, that the improvement last year compared to 1961 was disappointing, even though we know that underlying these figures there are favorable forces working towards our goal of payments equilibrium. It is important to remember, however, that the improvement this past year was made despite a rise in imports of $1.7 billion from the recession low of 1961. But exports were up only $500 million. Thus, although we still had a substantial commercial trade surplus, it was just not enough to cover all our other net payments.

It is necessary, therefore, to pay even greater attention to the task of increasing the U. S. trade surplus, so that we may earn enough regularly from abroad to balance our payments. This is why we must increase our exports. The alternative of seeking to achieve a larger trade surplus by restrictive measures is not a solution. As President Kennedy said in his February 1961 message, "such a course would provoke retaliation; and the balance of trade, which is now substantially in our favor, could be turned against us with disastrous effects to the dollar."

With exports at 4 per cent of our annual gross national product, increased exports should be well within our capacity. In the Common Market countries -- as a contrast -- we find, for example, that Germany's exports are about 15 per cent of GNP and Italy's about 12 per cent.

World demand is increasing rapidly for products which the American economy can produce well and economically.

Rapidly expanding demand has been most dramatic in the European Common Market. The six Common Market nations now have a population almost as large as the United States. These six countries have a gross product of about $180 billion and they expect it to rise to almost $290 billion by 1970 -- an increase of almost 60 percent. Past growth has brought with it an increased demand for foreign goods and a growth of U. S. exports to the six EEC countries from about $2.5 billion in 1958 to over $3.6 billion this past year.

Imports of U. S. manufactured goods by the Six, which represent about one-half of our sales there, increased by 70 per cent over this period. This was made possible both by growth in European demand and the virtual elimination of import quotas on manufactured goods. It has also been a rapidly growing market for U. S. agriculture, with our agricultural sales there last year exceeding a billion dollars. While the dollar amounts are smaller, U. S. agriculture relies more heavily than U. S. industry on Europe as an export market, which is one reason why the Common Agricultural Policy of the Six as it is finally established is so important to us.

The market is well suited for American products and has further great potential for us as it developes into a mass market of the kind U. S. businessmen know best. Although the Government can provide some leadership, the end result is up to you and your efforts. This is a challenge -- and an opportunity -- which cannot go unanswered.

It was this challenge that the Trade Expansion Act of 1962 was designed to meet, by providing us with the tools to assure access to that growing market. We will utilize these tools to the fullest extent to improve the access of the products of U. S. factories and farms to the European Common Market as well as to other major world markets. We are already at work on the preliminary steps required under the Trade Expansion Act prior to any general round of tariff negotiations -- and look forward to formal negotiations sometime in 1964.

There has been much speculation about the disruption of the United Kingdom's negotiations with the Common Market. It is, of course, too early to judge precisely what the implications of this may be, but it is clear that the underlying forces dictating the need for greater European unity and effective Atlantic cooperation have not changed. It is clear also in the interests of the whole free world that the EEC develop in an outward-looking, liberal manner. We will use our influence to this end.

We are now testing the responses of the Common Market and other countries to our positions under the Trade Expansion Act, thus pursuing steadfastly a positive line of policy that meets the needs of the United States and the rest of the free world. And we look forward to more than tariff discussions. We will continue our unremitting efforts to bring about the elimination of some of the other barriers to our exports, by pressing Common Market and other countries to avoid actions that might restrict access to their markets.

The Trade Expansion Act looks to the future, but what we are doing now to carry out our urgent program of increasing exports to help bring U. S. international payments into balance is equally important. We have undertaken a vigorous program of export promotion. To spearhead this campaign, President Kennedy has created a new post in the Commerce Department -- National Export Expansion Coordinator. In the State Department, the position of Special Assistant for International Business has been created to assist in problems encountered by American businessmen, especially in their relations with foreign governments. A series of concrete programs are under way here and abroad to promote increased U. S. business interest in exporting and to promote increased sales opportunities for U. S. products in potential markets abroad. We look to even broader and more intensified efforts this year. We welcome any ideas

any of you may have as to how these programs could be made more effective or as to any new efforts government or business might undertake.

In the field of export financing we have developed export credit facilities which are the equal of those anywhere in the world. The Export-Import Bank has improved its existing facilities and in cooperation with a large group of private insurance companies has formed the Foreign Credit Insurance Association (FCIA). The FCIA inaugurated in February, a year ago, a comprehensive program of short-term export credit insurance. Since mid-July it also has begun issuing medium-term export credit insurance. The Export-Import Bank offers direct exporter credits and provides medium-term bank guarantees for exports in addition to its other financial assistance to U. S. exports. In January of this year further significant improvements were made in the FCIA-Export-Import Bank program, and work is going forward on continued improvement. It is important that you and other present and potential U. S. exporters know of the opportunities these excellent facilities offer.

Continued -- and growing -- access to EEC and other markets, better export financing, and vigorous efforts to increase business awareness of export opportunities are only part of what is needed. Another ingredient is our productive strength at home and the competitive vigor of our free private economy to produce and sell the products that will be demanded by the rest of the world. This depends importantly on price stability, combined with high levels of domestic private investment and on a growing economy applying advanced technology and research for the continuous improvement of our products. Our over-all price level has been essentially stable for the past five years. We are determined to maintain this stability and to encourage economic growth.

This has a particular significance to our competitive position now. As we examine developments in some of the countries of Western Europe, we see that upward cost pressures have developed. Profits have been squeezed and price pressures are becoming evident. The competition remains keen, however, and it is up to all of us to improve our competitive edge.

Higher domestic growth and investment will create outlets at home for some of the capital now seeking employment abroad. Inadequate investment opportunities at home and vigorous economic growth in the Common Market and other countries of Europe have resulted in a substantial outflow of U. S. private investment.

At the same time, inadequately developed European capital markets have resulted in some added burden to our balance of payments, as long-term funds from the U. S. are sought by some foreign borrowers.

One answer lies in the development in the EEC and other European countries of capital markets more closely reflecting recent European developments and European needs. This we have encouraged and have already seen some results. Another answer is given by our tax proposals.

Last year an important move to stimulate investment in U. S. industry was made through the depreciation reform and the investment tax credit. The President's program of tax reform and tax reduction now before the Congress is designed to provide a further -- and basic -- stimulus to domestic investment. It will provide new incentives for modernization and encourage industrial research. Last year the tax liabilities of American business were reduced by an estimated $2.5 billion as a result of President Kennedy's investment credit and depreciation reform. The tax program he has now before the Congress would reduce the maximum corporate tax rate -- by 1965 -- from 52 to 47 percent, cutting business taxes another $2.5 billion for a total of $5 billion. The combined impact of both measures will be to increase the after-tax profitability of new investment by almost 80 per cent. Together with the increase in consumer demand which will come from sharply reduced individual tax rates, this incentive to investment will foster greater modernization and efficiency -- vital factors in meeting international competition. The higher profits implicit in the tax program will support and reinforce our more specific efforts to deal with our balance of payments.

I should also like to touch upon some of the other measures we are pursuing to bring about an improvement in our balance of payments. We have given considerable attention to the net impact on the balance of payments of the Government's own transactions. The cost to our balance of payments of our large defense expenditures abroad has been reduced from a net outflow of about $2-3/4 billion in 1960 to less than $2 billion in 1962.

These net foreign expenditures for defense have been reduced through savings which do not impair our overseas military effectiveness, and -- importantly -- by the cooperation of other countries, particularly Germany, in purchasing U. S. military equipment. We will continue to press ahead with these arrangements

and also with our efforts to obtain a greater sharing of the responsibilities of defense -- and of economic assistance to less developed countries -- by other industrial nations.

Because of our balance of payments problem, we have been emphasizing policies designed to assure that the bulk of our foreign aid is given in the form of U. S. goods and services rather than dollars. In addition to reducing the impact on our balance of payments of our military and foreign assistance programs, a government-wide system of review has been introduced to provide tighter scrutiny and control of foreign expenditures under all other government programs.

And while we go urgently about the task of restoring international payments balance, countries in the Common Market, Japan and others associated with us in such forums as the OECD and the International Monetary Fund have cooperated with us in other ways.

For example, direct and immediate effects on improving the U. S. balance of payments deficit have resulted from prepayments of debts owed the U. S. Government by Germany, France and Italy. An important contribution to the strengthening of the international payments system was the arrangements completed last year under which the major industrial countries agreed to make available to the International Monetary Fund up to $6 billion, if needed, to avoid any threatened impairment of the international monetary system. The existence of these facilities alone acts as a strong deterrent to specualation against the dollar and other currencies.

We have also undertaken, in close cooperation with foreign financial officials, further significant improvements in meeting potential strains on world currencies -- whether directed against the dollar or others -- and in promoting the efficiency of the free world payments system and thereby of world trade. In 1961, for the first time since the '30's, we undertook operations in the foreign exchange markets. These were reinforced by the Federal Reserve's own operations -- inaugurated last year -- as well as its reciprocal currency agreements with the monetary authorities of other industrialized countries.

Treasury has also undertaken direct borrowing arrangements at short- and medium-term from officials entities in other countries which are in a strong situation. All of these operations and arrangements have been tested. Their effectiveness in meeting potential strains on currencies was demonstrated at the time of the stock market disturbances last spring, during the Canadian exchange crisis, and again during the Cuban showdown. Our borrowing and exchange operations have enabled us to provide a further bulwark for the dollar and to reduce the outflow of gold, while we progress in our program of reducing and eliminating the deficit in the U. S. balance of payments. They are not intended as -- nor can they be -- any substitute for the efforts we are making to get our balance of payments in equilibrium -- an objective which we continue to pursue with vigor and determination.

But the Government's steadfast pursuit of policies to eliminate our international payments deficit must go hand-in-hand with energetic action by private business and finance. Our success in building our exports and in further advancing our economic strength and competitiveness rests importantly -- and primarily -- on you and your associates around the country. The task ahead may not be an easy one -- but it is clear. The job of all of us is to get ahead with it.

oOo

MEMBERS OF THE NATIONAL LABOR ADVISORY COMMITTEE FOR SAVINGS BONDS

George Meany, President
AFL-CIO
815 Sixteenth Street, N. W.
Washington 6, D. C.

William F. Schnitzler, Secretary-Treasurer
AFL-CIO
815 Sixteenth Street, N. W.
Washington 6, D. C.

James B. Carey, President
International Union of Electrical, Radio and Machine Workers
1126 Sixteenth Street, N. W.
Washington 6, D. C.

Donald S. Beattie, Executive Secretary
Railway Labor Executives' Association
400 First Street, N. W.
Washington 1, D. C.

Charles Luna, President
Brotherhood of Railroad Trainmen
and President, Order of Railroad Telegraphers
1370 Ontario Street
Cleveland 13, Ohio

G. E. Leighty, Chairman
Railway Labor Executives' Association
Hamilton Hotel
14th & K Streets, N. W.
Washington, D. C.

John Owens, Secretary-Treasurer
United Mine Workers of America
900 Fifteenth Street, N. W.
Washington 5, D. C.

Elwood S. Moffett, President
District 50, United Mine Workers of America
900 Fifteenth Street, N. W.
Washington 5, D. C.

John Mates, Assistant to the President
United Mine Workers of America
900 Fifteenth Street, N. W.
Washington 5, D. C.

Bonds is desirable at all times.

Through your leadership of American labor, you are making a substantial contribution to the growth and strength of our economy. You add considerably to that contribution by serving on the Treasury's National Labor Advisory Committee for Savings Bonds. I know that you are as deeply concerned as we are with the problems that face us in our efforts to increase our economic rate of growth, for a more prosperous future. We must take great strides forward on all fronts. The Savings Bonds program is one of the effective measures that will help us maintain our balance as we move.

You have supported the Savings Bonds program in war and peace, contributing time, money, and talent. I am sure that the Treasury can count on your help in the future as we have relied on your advice and counsel in the past.

A list of those attending is attached

oOo

In an economy such as ours, there is always a need for savings. For out of savings comes the real capital necessary for economic growth. From savings comes necessary dollars to move inventories and expand businesses. Since the beginning of the Savings Bonds program in May, 1941, more than $87 billion in Series E and H Savings Bonds has been poured into the spending stream to purchase goods and services, educate students, and supplement retirement programs of countless individuals. Their redemption throughout the years has been a steady source of nourishment to our economy.

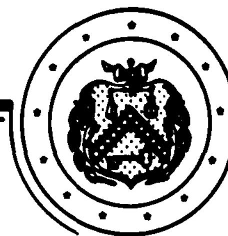
The approximately $46 billion now outstanding in Savings Bonds represents a vast reservoir of future spending power that will help nourish economies in every community throughout the land. As savings are taken from this reservoir, so too must they be added to insure for the future an adequate supply so essential to a healthy economy. For this reason the purchase of Savings

SUGGESTED REMARKS BY DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE NATIONAL LABOR ADVISORY COMMITTEE
FOR SAVINGS BONDS
MARCH 20, 1963
1:00 P.M.

The Savings Bonds program is an activity of top importance, not only to sound Government financing and a healthy debt structure, but also to the growth of our economy. It is one of the most significant means of placing the ownership of the public debt in the hands of genuine savers. It is also one of the best possible ways individuals can save for long-term goals and be assured of a good, safe return on their investment.

There are close to $46 billion outstanding in Series E and H Savings Bonds. This represents twenty percent of the publicly held portion of the national debt. Because it represents real savings -- savings that come out of earned income -- it is a hard core of non-inflationary borrowing upon which our debt management can rely. It is the cornerstone upon which the entire debt structure rests.

TREASURY DEPARTMENT



WASHINGTON, D.C.
March 20, 1963

FOR IMMEDIATE RELEASE

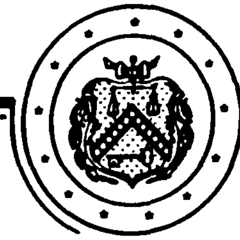
TREASURY SECRETARY MEETS WITH LABOR LEADERS

Treasury Secretary Douglas Dillon today thanked America's labor leaders for their support of the Savings Bonds program, which he referred to as an activity of top importance to sound Government financing and the continued growth of our economy. The occasion was a luncheon meeting of the National Labor Advisory Committee for Savings Bonds AT THE SHERATON-CARLTON HOTEL.

~~The text of the Secretary's remarks follows:~~

Stet → ~~is Attached:~~

TREASURY DEPARTMENT



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Through your leadership of American labor, you are making a substantial contribution to the growth and strength of our economy. You add considerably to that contribution by serving on the Treasury's National Labor Advisory Committee for Savings Bonds. I know that you are as deeply concerned as we are with the problems that face us in our efforts to increase our economic rate of growth, for a more prosperous future. We must take great strides forward on all fronts. The Savings Bonds program is one of the effective measures that will help us maintain our balance as we move.

You have supported the Savings Bonds program in war and peace, contributing time, money, and talent. I am sure that the Treasury can count on your help in the future as we have relied on your advice and counsel in the past.

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

Treasury Department Circular No. 418 (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 27, 1962, (91 days remaining until maturity date on June 27, 1963) 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 28, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 28, 1963. Cash

Exhibit 2-A

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE X March 20, 1963

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(1)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing March 28, 1963 (3), in the amount of $2,009,186,000 (4), as follows:

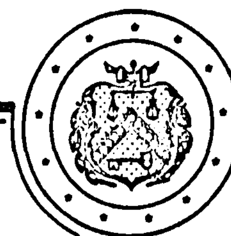
91 (5) -day bills (to maturity date) to be issued March 28, 1963 (6), in the amount of $1,300,000,000 (7), or thereabouts, representing an additional amount of bills dated December 27, 1962 (8), and to mature June 27, 1963 (9), originally issued in the amount of $801,567,000 X(10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $800,000,000 (12), or thereabouts, to be dated March 28, 1963 (13), and to mature September 26, 1963 (14).

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $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 25, 1963 (15)X. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



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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-800

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 27, 1962, (91-days remaining until maturity date on June 27, 1963) 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 28, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 28, 1963. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

Treasury Department Circular No. 418 (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 f: any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

March 20, 1963

FOR RELEASE AT 4:00 P.M., EST

TREASURY ANNOUNCES SECOND OFFERING OF
BONDS AT COMPETITIVE BIDDING

Treasury Secretary Douglas Dillon today issued a public notice of invitation for bids on $300,000,000 of Treasury bonds of 1989-94. This will be the second sale of Treasury bonds to an underwriter on the basis of competitive bidding for re-offering to the public. The first sale of bonds using the new technique was undertaken in January of this year.

Bids for the bonds will be received at the Federal Reserve Bank of New York not later than 11:00 a.m., Eastern Standard Time, on Tuesday, April 9, 1963. The successful bidder will be required to make a bona fide re-offering of all of the bonds to the investing public.

The bonds will mature on May 15, 1994, but may be called for payment on May 15, 1989, or any interest payment date thereafter. The bonds will be dated April 18, 1963. Interest will be payable on May 15 and November 15 of each year until the bonds mature or are called. The first interest coupon, payable November 15, 1963, will cover interest accrued between April 18, 1963 and November 15, 1963.

A supplemental notice, to be published on April 3, 1963, will set forth provisions relating to the coupon rate or rates of interest upon which bids will be received. Bidders must file a Notice of Intent to Bid at the Federal Reserve Bank of New York not later than 12:00 noon, Eastern Standard Time, on April 5, 1963.

Payment for the bonds must be made in immediately available funds not later than 11:00 a.m., Eastern Standard Time, on April 18, 1963.

The public notice of invitation to bid is attached.

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D-801

TREASURY DEPARTMENT

Washington

March 20, 1963

PUBLIC NOTICE OF INVITATION TO BID
on
Treasury Bonds of 1989-94

The Secretary of the Treasury, by this notice and under the terms and conditions prescribed in Treasury Department Circular, Public Debt Series No. 22-62, invites bids for an issue of bonds of the United States, designated as Treasury Bonds of 1989-94. The principal amount of the issue hereunder will be $300,000,000. These bonds will be offered only as a single block on a competitive bid basis.

I. Description of bonds

The bonds will be dated April 18, 1963, and will bear interest from that date payable on a semiannual basis on November 15, 1963, and thereafter on May 15 and November 15 in each year until the principal amount becomes payable. They will mature May 15, 1994, but may be redeemed at the option of the United States on and after May 15, 1989, at par and accrued interest, on any interest day, on four months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

If the bonds are owned by a decedent at the time of his death and thereupon constitute a part of his estate, they will be redeemed at par and accrued interest at the option of the representative of the estate, provided the Secretary of the Treasury is authorized by the decedent's estate to apply the entire proceeds of redemption to payment of the Federal estate taxes on such decedent's estate.

II. Notice of intent

Any individual, organization, syndicate, or other group intending to submit a bid must file written notice of such intent with the Federal Reserve Bank of New York on Form PD 3555 by 12:00 Noon, Eastern Standard Time, on April 5, 1963. Notices which are received postmarked to show they were mailed prior to that time will be treated as having been timely filed. Forms and envelopes therefor may be obtained from any Federal Reserve Bank or Branch or from the Bureau of the Public Debt, Treasury Department, Washington 25, D. C. The filing of such notice will not constitute a commitment to bid.

III. Submission of bids

Only bids submitted in accordance with the provisions of this invitation, or any supplement or amendment hereto, and of Treasury Department Circular, Public Debt Series No. 22-62, by bidders who have filed notice of their intent to bid as required by Sec. II hereof will be considered. Each bid must be submitted in duplicate on Form PD 3556, enclosed and sealed in an envelope which will be furnished with the form, and must be received in the Northwest

Conference Room of the Federal Reserve Bank of New York not later than 11:00 a.m., Eastern Standard Time, on April 9, 1963. Forms and envelopes may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt, Treasury Department, Washington 25, D. C.

A bid submitted by a syndicate must be supplemented by a list of its members which must specify the amount of each member's underwriting participation. This supplement must be filed by the representative on Form PD 3557 not later than 12:00 Noon on April 9, 1963, at the place designated for receipt of bids.

Each bidder may submit only one bid which must be for the purchase of all of the bonds described in this invitation. The price to be paid to the United States by the bidder must be expressed as a percentage of the principal amount of the bonds in not to exceed five decimals, e.g., 100.01038 percent. Provisions relating to the coupon rate of interest will be set forth in a supplemental notice hereto on April 3, 1963.

Each bid must be accompanied by a payment to the Federal Reserve Bank of New York, as fiscal agent of the United States, of an amount equal to 3 percent of the principal amount of the bonds in immediately available funds.

IV. Bids--Opening--Acceptance

Bids will be opened in the Northwest Conference Room of the Federal Reserve Bank of New York at 11:00 a.m., Eastern Standard Time, on April 9, 1963, and the accepted bid will be announced publicly not later than 2:00 p.m., Eastern Standard Time, on that date. The bids and the names of the bidders will be considered as matters of public record, including, in the case of a syndicate, the names of the members and the amount of each member's underwriting participation.

The bid to be accepted will be the one resulting in the lowest basis cost of money computed from the date of the bonds to the date of maturity determined in accordance with the terms of this invitation, or any supplement or amendment hereto, and the provisions of Treasury Department Circular, Public Debt Series No. 22-62. It shall be a condition of each bid that, if accepted by the Secretary of the Treasury, the bidder shall make a bona fide reoffering of all of the bonds to the investing public.

When the successful bidder has been announced, his deposit will be retained as security for the performance of his obligation and will be applied toward payment of the bonds. Thereafter, the deposits of all other bidders will be returned immediately. No interest will be allowed on any of the deposits. In the event that the supplemental notice does not specify a single coupon rate of interest and bids based on different coupon rates of interest result in identical basis costs of money computed to maturity, the Secretary of the Treasury will accept the bid resulting in the lowest basis cost to the first call date. Otherwise, if identical bids are submitted, the Secretary of the Treasury, in his discretion, shall determine the bid to be accepted by lot in a manner prescribed by him, unless he proposes and those who submitted the identical bids agree on a division of the bonds. In the event of a division of the bonds, the bids of the successful bidders will be amended accordingly, their deposits will be apportioned and the remainder refunded immediately.

The Secretary of the Treasury, or his representative, will accept the successful bid by signing the duplicate copy of the bid form and delivering it to the bidder, or his representative.

The Secretary of the Treasury, in his discretion, reserves the right to reject any or all bids.

V. Payment for and delivery of bonds

Payment for the bonds must be made in immediately available funds and must be completed by the successful bidder not later than 11:00 a.m., Eastern Standard Time, on April 18, 1963, at the Federal Reserve Bank of New York.

If the bidder desires any registered bonds to be shipped on the payment date, he must notify the Federal Reserve Bank of New York and furnish the necessary registration information within two days after the award. All other bonds will be delivered in bearer form and will be available on the payment date at Federal Reserve Banks and Branches. Shipment of the bonds will be made on the payment date, at the risk and expense of the United States, to any place or places in the United States designated by the bidder. If necessary, the Treasury will issue interim receipts for the bonds on the payment date.

Secretary of the Treasury

achieving our major long-range economic aim: a free market economy which utilizes all of its abundant resources of men, money, and machines -- and which offers to every American the incentives and the opportunities to prosper in accordance with his capacities.

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The President's program represents a fair balance between the goals of revenue, growth, equity, and simplicity. It does not satisfy those who have long recommended far-reaching reforms that would radically alter the nature of our tax system. Neither does it satisfy those who have cried for a "quickie" tax cut with no consideration for anything else. The President's program is a rounded program, a moderate program. Coupled with firm but realistic expenditure control, it can generate a strong upward lift throughout our economy, while still adhering to the requirements of fiscal responsibility.

Through a balanced combination of increased incentives to invest, and increased consumer demand, it will permit our citizens to produce more, earn more, buy more, and invest more. In this way it can set us well on the way toward

could not come down as much as we had hoped ~~...~~ ~~And ...~~ remain high ~~...~~ ~~...the President has proposed.~~

While talking of structural reforms, I should also point out that many of the reforms -- those, for example, that involve income-averaging, deductibility of moving expenses, more favorable tax treatment of expenditures on equipment used in research and development -- would either relieve hardship or encourage economic growth.

In addition, when we consider tax revision we cannot lightly dismiss the ever present need for equity and simplicity. A number of the provisions in our current tax code are justified primarily by our oppressively high rate structure. Since lower rates would remove the main reason for their existence, we have recommended that they be modified or repealed.

the program over a three-year period, and the revenue-raising reforms. As a result of these two measures -- and particularly the reforms -- the tax program is able to offer rate reductions far larger than would otherwise be acceptable.

The way to achieve the largest possible rate cuts -- and thus the greatest economic stimulus -- within the limits of fiscal responsibility, is to combine them with base-broadening tax reforms. And that is exactly what the President's program will do. The only fiscally responsible alternative -- as I pointed out to the House Ways and Means Commitee, and as was so clearly recognized in the recommendations submitted on your behalf by Mr. C. E. Connelly, Chairman of your Tax Committee -- would a substantially smaller reduction in rates than the President has recommended. Whether at the bottom of the scale, at the top, in the middle, or all along, tax rates simply

claims we have been hearing that meat axe cuts are possible -- claims that into thin air when the time for action comes.

The President is making good on his pledge. He is translating it into action. Since the submission of his 1964 budget only two months ago, he has sent to the Congress revisions which reduce his fiscal year 1964 requests by $126 million, and his 1964 requests by $236 million, or a total reduction of $362 million. These substantial stand in sharp contrast to the recent action of the House of Representatives in increasing the authorization for defense expenditures over and above the President's recommendations.

Built into the tax program itself are two vital safeguards against an excessive budgetary impact: the phasing of

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The Administration has presented its tax reduction program together with a budget for fiscal year 1964 in which civilian programs were stringently held below the levels of the current fiscal year. The entire budget increase was in response to the demands of defense, space, and interest on the national debt -- demands which have

The lesson is clear: With our heavy burden of free world leadership in the cold war -- a war that only last fall threatened to grow very hot indeed -- we simply cannot hope to achieve balanced budgets unless our economy operates at full capacity. Paradoxical as it may seem to some, lower tax rates can bring us larger government revenues from an economy operating at full speed, than can our present repressive rate structure from an economy that is prevented by that very rate structure from ever reaching its full potential. ~~tolerates the current waste of human and material resources.~~ That is why today true fiscal responsibility demands a reduction in our tax burden.

Certainly no one welcomes the prospect of a deficit in this fiscal year and the next. The Administration

growth within the economy.

For that reason, also, the President's tax program offers us an essential element of any long-range, realistic answer to the problem of Federal deficits. For, if we have learned anything from our postwar economic record, we have learned that our deficits result more from underproduction by the economy than from spending by the Government. In fiscal 1959, to cite an extreme example, an anticipated budget surplus of $466 million became, as a result of a recession, an actual deficit of $12.4 billion.

indefinitely at our present rate of growth without increasing the risk of recession and magnifying its impact should it occur. Certainly no one would predict a recession in the near future. But it would be a foolhardy man indeed who would rashly refuse to provide against its occurrence. Such provision is inherent in the President's tax program by the very fact that it offers a stron and permanent stimulus to the forces for

in our complex economy, these reductions would inter-act continually upon each other. Increased consumer demand creates greater investment which, in turn, creates additional jobs and profits and further demand for both consumer goods and investment. Through this kind of inter-action, the President's tax program would release within the economy its own inherent powers for expansion and would re-invigorate the market-place as the prime mover in our economic growth.

Our economy is undeniably growing -- and we have made genuine progress over the past two years. But we are gaining far too little ground toward our goal of a full employment economy at near capacity levels. Last year, for example, we set new records in nearly every area of aggregate economic activity. Yet, in effect, we marked time in our rates of employment and capacity utilization.

Our record of five postwar recessions -- two within the past five years -- should drive home the fact that we cannot continue

in the personal income tax

The proposed ~~personal rate~~ reductions would also greatly incr[e]

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long-range rise in business output. As leaders of an industry whi[ch]
depends heavily upon consumer demand, you are particularly well aw[are]
of how strongly business investment decisions turn upon present
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Philadelphia, the President of Botany Industries predicted that if
the proposed tax cuts become effective by July 1st of this year,
they could well result in a "boom year" for consumer goods industr[ies].
In fact, if as a result of the proposed tax program our economy
approaches estimated levels of full employment output, then by the
first quarter of 1966, we could expect annual personal consumption
expenditures for clothing and shoes to be $2-2.5 billion -- or som[e]
seven percent -- higher than it would otherwise be.

But to describe separately the impact of rate reductions upon
consumer demand and investment incentives ignores the fact that

47 percent by 1965 will reduce those liabilities by another $2.5 bi

lion. This total reduction in business tax liabilities will increa

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very foundation of our market economy.

But business will benefit perhaps even more from other measure

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taxes of millions of small firms which operate as individual pro-

prietorships or partnerships -- thus providing these businesses

with additional internally-generated funds to finance expansion anc

modernization. In addition, the reduction in individual rates will

raise incentives for increased effort and risk-taking and will enla

outside sources of money for business investment -- directly throug

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last year, again compared to a seven percent increase for all manu-facturing industries.

Good news, following your lead, manufacturing industries as a whol are beginning to respond to depreciation reform and the investment credit. Corporate appropriations and new orders for all types plant and equi are mounting, foreshadowing an early and substantial increase in overa plant and equipment expenditures.

But important as they are, and will continue to be, depreciati reform and the investment credit were only a significant first ste in the Administration's efforts to achieve a free market economy th could perform more nearly and more consistently at capacity levels.

Consider, for a moment, the direct effect of the President's tax program on the incentives for business investment: The combin effect of the seven percent investment credit and depreciation ref was to lower business tax liabilities by a total of $2.5 billion. President Kennedy's proposal to lower the corporate tax rate from

Coming from an enterprising and forward looking industry such a yours, support for a new concept was no surprise. The vitality of t textile industry has been amply demonstrated during the past year by its quick reaction to depreciation reform and the investment credit. You will recall that the Treasury, in accordance with the President's desire to give special attention to your difficult problems, put more liberal depreciation rates into effect for the textile industry in the fall of 1961, ~~rather than waiting for the overall reform which~~ nine months before the promulgation of the overall reform, ~~[illegible] until last July~~.

Your response was dramatic. Your expenditures during 1962 on new plant and equipment, excluding apparel, were $110 million, or twenty-two percent, higher than in the previous year -- whereas, in the Nation's manufacturing industries as a whole expenditures increa by only seven percent. And for the current quarter, your estimates of capital expenditures total $150 million -- 15 percent, or $20 million higher than your actual expenditures in the first quarter of

concerned with the important details -- such as the manner in which the forthcom rate reduction of the tax program should be applied, or the difficulties invo in various suggestions for structural reform -- the equally important remarkable unanimity of support for significant rate reductions has someti been obscured. As you know, the American Textile Manufacturers Institute joins in this consensus. Such support greatly eases always difficult and time-consuming task of tax reform.

Tax reform is a matter of deep concern to this Administrat One of its very first acts was to recommend a tax credit for ne investment designed to stimulate business modernization and exp a credit that would help to give American businessmen the same of tax incentives long enjoyed by many of their foreign competi You will recall the surprising difficulties we encountered in o acceptance of this concept, which was new to our tax system, bu well proved its worth to our competitors overseas. Your suppo

economy to compensate for the failure of the private sector to m

the basic needs of our people. That prospect, I can assure you

more attractive to those of us in Government than it is to you i

private industry. Therefore, the President has proposed a major

overhaul of our outmoded tax system designed to get our free ent

prise system back on the track at full speed so that it can prov

more jobs, increased productive capacity, and higher profits.

The President's proposal for a broad, top-to-bottom cut in

tax rates has met with a remarkably favorable response. There is a

growing national consensus that our economy must be released fro

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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE ANNUAL MEETING OF THE AMERICAN
TEXTILE MANUFACTURERS INSTITUTE
HOLLYWOOD BEACH HOTEL, HOLLYWOOD BEACH, FLORIDA
THURSDAY, MARCH 21, 1963, 2:00 P.M. EST

Last month, nearly five million Americans who were actively seeking jobs could not find them. More than six percent of our labor force was unemployed. Those are dark statistics, and they cast a long shadow over our future -- as was made quite clear in the recent testimony of President W. P. Gullander of the National Association of Manufacturers before the House Ways and Means Commit President Gullander pointed out that, should our economy create new no faster than it has over the past five years, then by 1970 our un employment rate would climb to a shocking 12.7 percent.

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This would be the terrible cost, in human terms, of our lagging growth rate -- to say nothing of the cost in idle plant capacity, lower Government revenues, and unrealized business profits.

Such a situation would inevitably create irresistible pressures for the Federal Government to play an increasingly larger role in our economy to compensate for the failure of the private sector to meet the basic needs of our people. That prospect, I can assure you, is no more attractive to those of us in Government than it is to you in private industry. Therefore, the President has proposed a major overhaul of our outmoded tax system designed to get our free enterprise system back on the track at full speed so that it can provide more jobs, increased productive capacity, and higher profits.

The President's proposal for a broad, top-to-bottom cut in our tax rates has met with a remarkably favorable response. There is a growing national consensus that our economy must be released from the shackles of an income tax structure that, having outlived its usefulness in restraining the inflationary tendencies of wartime, is now stifling our growth. For example, during the month-long public hearings on the President's tax proposals before the House Ways and Means Committee in Washington, not one, single witness has so far

disagreed with the need for significant rate cuts. Since the testimony has been primarily concerned with the important details of the tax program -- such as the manner in which the forthcoming rate reduction should be applied, or the difficulties involved in various suggestions for structural reform -- the remarkable and equally important unanimity of support for significant rate reductions has sometimes been obscured. As you know, the American Textile Manufacturers Institute joins in this consensus. Such support greatly eases the always difficult and time-consuming task of tax reform.

Tax reform is a matter of deep concern to this Administration. One of its very first acts was to recommend a tax credit for new investment designed to stimulate business modernization and expansion -- a credit that would help to give American businessmen the same sort of tax incentives long enjoyed by many of their foreign competitors. You will recall the surprising difficulties we encountered in obtaining acceptance of this concept, which was new to our tax system, but had well proved its worth to our competitors overseas. Your support was crucial in writing the investment credit into law.

Coming from an enterprising and forward looking industry such as yours, support for a new concept was no surprise. The vitality of the textile industry has been amply demonstrated during the past year by its quick reaction to depreciation reform and the investment credit. You will recall that the Treasury, in accordance with the President's desire to give special attention to your difficult problems, put more liberal depreciation rates into effect for the textile industry in the fall of 1961, nine months before the promulgation of the overall reform.

Your response was dramatic. Your expenditures during 1962 on new plant and equipment, excluding apparel, were $110 million, or twenty-two percent, higher than in the previous year -- whereas, in the Nation's manufacturing industries as a whole expenditures increased by only seven percent. And for the current quarter, your estimates of capital expenditures total $150 million -- 15 percent, or $20 million higher than your actual expenditures in the first quarter of last year, again compared to a seven percent increase for all manufacturing industries.

And now, following your lead, manufacturing industries as a whole are beginning to respond to depreciation reform and the investment credit. Corporate appropriations and new orders for all types of

plant and equipment are mounting, foreshadowing an early and substantial increase in overall plant and equipment expenditures.

But important as they are, and will continue to be, depreciation reform and the investment credit were only a significant first step in the Administration's efforts to achieve a free market economy that could perform more nearly and more consistently at capacity levels.

Consider, for a moment, the direct effect of the President's tax program on the incentives for business investment: The combined effect of the seven percent investment credit and depreciation reform was to lower business tax liabilities by a total of $2.5 billion. President Kennedy's proposal to lower the corporate tax rate from 52 to 47 percent by 1965 will reduce those liabilities by another $2.5 billion. This total reduction of $5 billion a year in business tax liabilities will not only increase cash flow, but will also increase the profitability of business -- hence offering a strong double stimulus to the incentives for investment that are the very foundation of our market economy.

But business will benefit perhaps even more from other measures in the tax program. The reductions in personal rates will lower the taxes of millions of small firms which operate as individual proprietorships or partnerships -- thus providing these businesses with additional internally-generated funds to finance their expansion and modernization. In addition, the reductions in individual rates will raise the incentives for increased personal effort and risk-taking and will enlarge outside sources of money for business investment -- directly through the stock purchases of individuals, and indirectly through their savings deposits and insurance policies.

The proposed reductions in the personal income tax would also greatly increase consumer demand which is the basic justification for any steady and long-range rise in business output. As leaders of an industry which depends heavily upon consumer demand, you are particularly well aware of how strongly business investment decisions turn upon present sales volumes and future sales prospects. Several weeks ago in Philadelphia, the President of Botany Industries predicted that if the proposed tax cuts become effective by July 1st of this year, they could well result in a "boom year" for consumer goods industries. In fact, if as a result of the proposed tax program our economy approaches estimated levels of full employment output, then by the first quarter of 1966, we could expect annual personal consumption expenditures for clothing and shoes to be $2-2.5 billion -- or some seven percent -- higher than it would otherwise be.

But to describe separately the impact of rate reductions upon consumer demand and investment incentives ignores the fact that in our complex economy, these reductions would inter-act continually upon each other. Increased consumer demand creates greater investment which, in turn, creates additional jobs and profits and further demand for both consumer goods and investment. Through this kind of inter-action, the President's tax program would release within the economy its own inherent powers for expansion and would re-invigorate the market-place -- the prime mover in our economic growth.

Our economy is undeniably growing -- and we have made genuine progress over the past two years. But we are gaining far too little ground toward our goal of a full employment economy at near capacity levels. Last year, for example we set new records in nearly every area of aggregate economic activity. Yet, in effect, we marked time in our rates of employment and capacity utilization.

Our record of five postwar recessions -- two within the past five years -- should drive home the fact that we cannot continue indefinitely at our present rate of growth without increasing the risk of recession and magnifying its impact should it occur. Certainly no one would predict a recession in the near future. But it would be a foolhardy man indeed who would rashly refuse to provide against its occurrence. Such provision is inherent in the President's tax program by the very fact that it offers a strong and permanent stimulus to the forces for growth within the economy.

For that reason, also, the President's tax program offers us an essential element of any long-range, realistic answer to the problem of Federal deficits. For, if we have learned anything from our postwar economic record, we have learned that our deficits result more from underproduction by the economy than from spending by the Government. In fiscal 1959, to cite an extreme example, an anticipated budget surplus of $466 million became, as a result of a recession, an actual deficit of $12.4 billion.

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Certainly no one welcomes the prospect of a deficit in this fiscal year and the next. The Administration had hoped to present its tax program in conjunction with a balanced budget. But the growth of our economy has simply not kept pace with our increased national needs -- and particularly with the needs forced upon us by considerations of national security. It can easily be demonstrated that if our economy had operated at relatively full capacity since 1957, the past five years would have shown an overall budget surplus, rather than the $30 billion deficit we have actually incurred.

The Administration has presented its tax reduction program together with a budget for fiscal year 1964 in which civilian programs were stringently held below the levels of the current fiscal year. The entire budget increase was in response to the demands of defense, space, and interest on the national debt -- demands which have accounted for nearly 73 percent of the total expenditure increases that have occurred during this Administration. The President has also accompanied his tax proposals with a firm commitment that, as the tax cut becomes effective and the economy expands in response, a substantial part of the resulting revenue increases must go toward eliminating budgetary deficits until balance is once more achieved.

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The President is making good on his pledge. He is already translating it into action. Since the submission of his 1964 budget only two months ago, he has sent to the Congress revisions which reduce his fiscal year 1964 requests by $126 million, and his 1963 requests by $236 million, or a total reduction of $362 million. These substantial cuts stand in sharp contrast to the recent action of the House of Representatives in increasing the authorization for defense expenditures over and above the President's recommendations.

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debt. The Payroll Savings plan is one of the best means of doing so.

I know that you are as deeply concerned as we are with the numerous problems that face us in our efforts to increase our economic rate of growth while maintaining sound fiscal and monetary policies to insure for the present and the future a stable dollar. We need to take great strides forward on all fronts. The Savings Bonds program is one of the effective measures that will help us maintain our balance as we move.

As industry leaders you are already contributing to the Nation's strength and growth. Your promotion of the Payroll Savings plan for the purchase of Savings Bonds is a further step in that direction and displays an exceptional sense of social and economic responsibility. I will be particularly interested in your results. Meanwhile, I wish you every success.

this as a deep reservoir of savings to be used to fulfill the needs of Savings Bond owners in the years ahead. As this money is spent, it will help maintain a level economy in thousands of communities. It will enter the spending stream to purchase goods and services, providing nourishment to business and industry alike.

The Savings Bonds program also contributes to sound Government financing and to a healthy debt structure. It is one of the most significant means of placing the ownership of the public debt in the hands of genuine savers. The $46 billion outstanding in Savings Bonds represent twenty percent of the publicly held portion of the debt. Because it represents savings that came out of earned income, it is a hard core of non-inflationary borrowing upon which our debt management relies, and the cornerstone upon which the entire debt structure rests. Now, more than ever, it is important to obtain through Savings Bonds the widest possible ownership of the public

the number of regular bond buyers. At present, some 8 million employees regularly purchase Savings Bonds through the Payroll Savings plan. Their combined purchases bring into the Treasury close to $2 billion yearly, which is 46 percent of our total Savings Bond sales. This, gentlemen, as you well know, is big business.

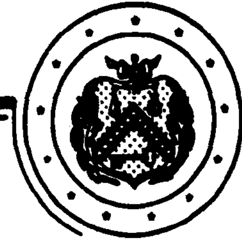
We would like to make it even bigger business. There is good reason for our desiring to do so. Upon our economic strength and stability depend not only our own security and our ability to fulfill the urgent needs of our people, but to a large extent the security and well-being of the Free World. The Savings Bonds program directly contributes to the economic strength and growth of our economy. It does this in several ways. It stores up in families and communities throughout the country future spending power. Right now this amounts to almost $46 billion -- the amount outstanding in Series E and H Savings Bonds. I like to look upon

REMARKS BY DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE A SAVINGS BONDS MEETING OF TEXTILE EXECUTIVES
HOLLYWOOD BEACH HOTEL, HOLLYWOOD BEACH, FLORIDA
MARCH 21, 1963, 8:00 A.M.

In January of this year, I asked 28 leading executives and industry leaders to serve on the U. S. Industrial Payroll Savings Committee. One of these executives is here beside me -- Charles F. Myers, Jr., President of Burlington Industries. Charley accepted my invitation to serve the industry you represent and to which many of you have devoted your entire working life.

The primary purpose of the Industrial Payroll Savings Committee is to encourage business leaders such as yourselves to initiate person -to-person Payroll Savings campaigns within your own companies for the regular purchase of Savings Bonds. Ultimately, close to 40 million workers in our country's major industries will be personally contacted by fellow employees. Through this 1963 Freedom Savings Bond campaign, we hope to increase substantially

TREASURY DEPARTMENT



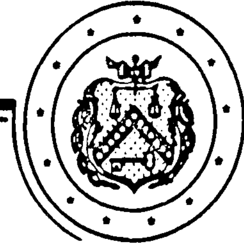
WASHINGTON, D.C.

March 20, 1963

FOR RELEASE A.M. NEWSPAPERS
THURSDAY, MARCH 21, 1963

Treasury Secretary Douglas Dillon thanked business executives in the textile industry for their support of the Savings Bonds program and urged them to initiate person-to-person Pay-Roll Savings campaigns during the 1963 Freedom Savings Bond Drive. The occasion was a breakfast meeting of 85 executives in attendance at the American Textile Manufacturers Institute's annual meeting in Hollywood Beach, Fla. Charles F. Myers, Jr., President of Burlington Industries and a member of the Treasury's U.S. Payroll Savings Committee, presided at the meeting.

TREASURY DEPARTMENT



WASHINGTON, D.C.

March 20, 1963

FOR RELEASE P.M. NEWSPAPERS
THURSDAY, MARCH 21,1963

TREASURY SECRETARY MEETS WITH
TEXTILE INDUSTRY LEADERS ON SAVINGS BONDS

Treasury Secretary Douglas Dillon thanked business executives in the textile industry for their support of the Savings Bonds program and urged them to initiate person-to-person Payroll Savings campaigns during the 1963 Freedom Savings Bond Drive.

The occasion was a breakfast meeting of executives in attendance at the American Textile Manufacturers Institute's annual meeting in Hollywood Beach, Florida. Charles F. Myers, Jr., President of Burlington Industries and a member of the Treasury's U. S. Payroll Savings Committee, presided at the meeting.

The text of the Secretary's remarks follows:

In January of this year, I asked 28 leading executives and industry leaders to serve on the U. S. Industrial Payroll Savings Committee. One of these executives is here beside me -- Charles F. Myers, Jr., President of Burlington Industries. Charley accepted my invitation to serve the industry you represent and to which many of you have devoted your entire working life.

The primary purpose of the Industrial Payroll Savings Committee is to encourage business leaders such as yourselves to initiate person-to-person Payroll Savings campaigns within your own companies for the regular purchase of Savings Bonds. Ultimately, close to 40 million workers in our country's major industries will be personally contacted by fellow employees. Through this 1963 Freedom Savings Bond campaign, we hope to increase substantially the number of regular bond buyers. At present, some 8 million employees regularly purchase Savings Bonds through the Payroll Savings plan. Their combined purchases bring into the Treasury close to $2 billion yearly, which is 46 percent of our total Savings Bond sales. This, gentlemen, as you well know, is big business.

We would like to make it even bigger business. There is good reason for our desiring to do so. Upon our economic strength and stability depend not only our own security and our ability to fulfill the urgent needs of our people, but to a large extent the security and well-being of the Free World. The Savings Bonds program directly contributes to the economic strength and growth of our economy. It does this in several ways. It stores up in families and communities throughout the country future spending power. Right now this amounts to almost $46 billion -- the amount outstanding in Series E and H Savings Bonds. I like to look upon this as a deep reservoir of savings to be used to fulfill the needs of Savings Bond owners in the years ahead. As this money is spent, it will help maintain a level economy in thousands of communities. It will enter the spending stream to purchase goods and services, providing nourishment to business and industry alike.

The Savings Bonds program also contributes to sound Government financing and to a healthy debt structure. It is one of the most significant means of placing the ownership of the public debt in the hands of genuine savers. The $46 billion outstanding in Savings Bonds represent twenty percent of the publicly held portion of the debt. Because it represents savings that came out of earned income, it is a hard core of non-inflationary borrowing upon which our debt management relies, and the cornerstone upon which the entire debt structure rests. Now, more than ever, it is important to obtain through Savings Bonds the widest possible ownership of the public debt. The Payroll Savings plan is one of the best means of doing so.

I know that you are as deeply concerned as we are with the numerous problems that face us in our efforts to increase our economic rate of growth while maintaining sound fiscal and monetary policies to insure for the present and the future a stable dollar. We need to take great strides forward on all fronts. The Savings Bonds program is one of the effective measures that will help us maintain our balance as we move.

As industry leaders you are already contributing to the Nation's strength and growth. Your promotion of the Payroll Savings plan for the purchase of Savings Bonds is a further step in that direction and displays an exceptional sense of social and economic responsibility. I will be particularly interested in your results. Meanwhile, I wish you every success.

A list of those attending is attached:

LIST OF TEXTILE EXECUTIVES ATTENDING BREAKFAST MEETING
HOLLYWOOD, FLORIDA
MARCH 21,1963

Mr. Henry A. Truslow, President
Ponemah Mills
Taftville, Connecticut

Mr. J. M. Cheatham, President
Dundee Mills
Griffin, Georgia

Mr. R. H. Jewell
Crystal Springs Bleachery, Inc.
Chicamauga, Georgia

Mr. Robert Train, President
Bibb Manufacturing Company
Macon, Georgia

Mr. J. L. Lanier, President
West Point Manufacturing Co.
West Point, Georgia

Mr. Edmund Rigby, Exec. Vice Pres.
Berkshire Hathaway, Inc.
New Bedford, Massachusetts

Mr. E. C. Drake, President
M. Lowenstein & Sons, Inc.
1430 Broadway
New York 18, New York

Mr. W. E. Reid, President
Riegel Textile Corp.
260 Madison Avenue
New York 16, N. Y.

Mr. John E. Reeves, President
Reeves Brothers, Inc.
1071 Avenue of the Americas
New York 18, N. Y.

Mr. Howard Richmond, President
Crompton-Richmond Company
1071 Avenue of the Americas
New York 18, N. Y.

Mr. Robert M. Schwarzenbach, Pres.
The Schwarzenbach Huber Co.
470 Fourth Avenue
New York 16, N. Y.

Mr. Harold Lineberger, Treasurer
Acme Spinning Company
Belmont, N. C.

Mr. Hugh G. Chatham, President
Chatham Manufacturing Co.
Elkin, North Carolina

Mr. R. Dave Hall, Sec. & Treas.
Climax Spinning Co.
Belmont, N. C.

Mr. Ceasar Cone, President
Cone Mills Corp.
Greensboro, N. C.

Mr. W. H. Ruffin, President
Erwin Mills, Inc.
Durham, North Carolina

Mr. Harold W. Whitcomb, President
Fieldcrest Mills, Inc.
Spray, N. C.

Mr. John K. P. Odell, President
Kerr Bleaching & Finishing Works, Inc.
Concord, N. C.

Mr. James L. Morgan, President
Morgan Mills, Inc.
Laurel Hill, N. C.

Mr. R. T. LeGrand, Jr., President
Shelby Mills, Inc.
Shelby, N. C.

Mr. Albert G. Myers, Jr., President
Textiles, Inc.
Gastonia, N. C.

Mr. R. A. Spaugh, President
Washington Mills Co.
Winston-Salem, N. C.

Mr. Halbert M. Jones, President
Waverly Mills, Inc.
Laurinburg, N. C.

Mr. Roger Milliken, President
Deering, Milliken, Inc.
234 S. Fairview Avenue
Spartanburg, S. C.

Mr. Walter S. Montgomery, President
Spartan Mills
Spartanburg, S. C.

Mr. D. Wellsman Johnson, President
Abney Mills
Greenwood, S. C.

Mr. H. W. Close, President
Springs Cotton Mills
Fort Mill, S. C.

Mr. R. S. Small, President
Woodside Mills
Greenville, S. C.

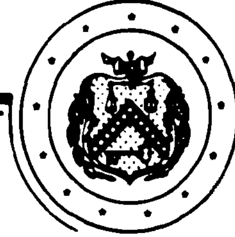
Mr. F. B. Dent, President
Mayfair Mills, Inc.
Arcadia, S. C.

Mr. James A. Chapman, President
Inman-Riverdale Mills
Inman, S. C.

Mr. Bryan C. Miller, President
Texas Textile Mills, Inc.
McKinney, Texas

Mr. W. J. Erwin, President
Dan River Mills, Inc.
Danville, Virginia

TREASURY DEPARTMENT



WASHINGTON, D.C.

March 21, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON STEEL WIRE MESH
UNDER THE ANTIDUMPING ACT

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

The dollar value of imports of the involved merchandise received during 1962 was approximately $1,300,000.

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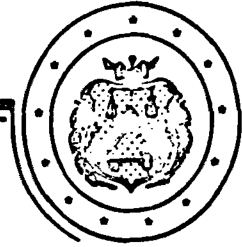

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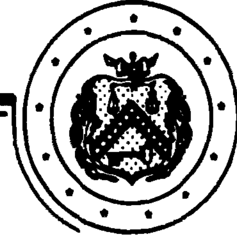


WASHINGTON, D.C.

March 21, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON STEEL WIRE RODS
UNDER THE ANTIDUMPING ACT

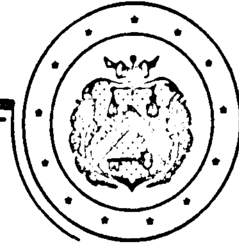
The Treasury Department has determined that hot-rolled carbon steel wire rods from Luxembourg, are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act.

Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

Notice of the determination and of the reference of the case to the Tariff Commission will be published in the Federal Register.

The total dollar value of the particular type of steel wire rods under consideration imported from Luxembourg during 1962 was approximately $500,000.

TREASURY DEPARTMENT



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necessarily limited. Certainly the more rapid expansion of the domestic economy, through increased productivity and the development of new products, together with the additional incentive to explore new markets, will be of major importance.

But in this area the exporters and potential exporters -- and these could include almost any manufacturer with reasonable access to port facilities -- can make the decisive difference. If their attitude is aggressive and enterprising, if their determination to operate at a profit includes a desire to explore foreign possibilities, then the measures which Government has provided -- both direct and indirect -- and the measures it will provide, will successfully meet the challenge posed by our balance of payments problem. And it will be met at a higher and growing level of trade for the U. S. and for the entire Free Worl

That is the message I would like to leave with you.

ooOoo

They serve the economy also, because they are built in American shipyards with American labor, a fact well known in this area, which produced the first atom-powered merchant ship in the world and many of the world's largest liners and fighting ships. In similar fashion, the earnings of American seamen are spent in this country. The ships on which they serve are good customers for large quantities of foodstuffs, paint and soaps -- a list too long to enumerate. Those things are not so in the case of many foreign flag ships, although they, too, contribute much more than mere carrier service to the economy of a port area such as this.

United States flag ships have contributed very particularly to our net earnings in international trade. In 1961, for instance, the estimated net dollar exchange savings through transport of U.S. exports on United States flag ships amounting to $758 million, $517 million of which was earned in the carriage of purely commercial cargoes while the rest resulted from the transport of military cargoes on both privately owned United States flag ships and vessels of the Military Sea Transportation Service. In fact, it can be said that our maritime service makes a most significant contribution to our international balance of payments.

Here we come to a point of great interest to those of you who depend upon a sale of shipping service by United States lines and it is a point worth mentioning again to our own shippers. In the carriage of general cargo or passengers in regular liner service, it does not cost one cent more to use an American flag ship. I call attention to a fact of which those of you in the trade are well aware, I am sure, but one which many potential new customers may not be -- the fact that through the various conferences covering the trade routes of the world, identical rates are set for ships in that service, regardles of the flag they fly.

Perhaps this is one reason for the significant fact that 54 percent of all the cargoes carried in United States flag ships, inbound and outbound, in 1961, was in the liner services provided by our own ship. The total ocean-borne tonnage of cargoes carried by ships of all flags in the foreign trade of the United States -- both exports and imports -- in 1961 amounted to 268,261,000 tons This included liner service, tankers, and tramps. Of this total, United States flag ships carried only 23,629,000 tons or 8.8 percent. However, United States flag ships carried 27 percent of the liner, or general cargo, for that same year. This amounted to 12,749,000 out of the 46,566,000 tons of liner cargo.

I have tried to outline, in the context of your particular interests, some main points about the two chief economic problems facing our nation today -- lagging domestic growth and persistent balance of payments deficits.

As I have indicated, our Government intends to make every effort on the tax front to accelerate economic growth. This is an area in which the decisions in the private sector are very important, but the decisive action, at the current stage, rests with Government.

Our balance of payments situation, however, is of a quite different characte What Government alone can do in the vital area of increasing our exports is

to have access to foreign markets -- once there we must compete, and compete successfully. This requires that our producers have the most modern equipment and that they be able to produce as efficiently or more efficiently than their overseas competitors. That is one of the main reasons why President Kennedy proposed the investment credit and called for depreciation reform.

Then, too, other export aids have been established: expanded services to exporters -- better information on foreign trade opportunities, improved credit and insurance facilities and other services -- which will prove of significant help in assisting and stimulating a higher level of exports. The tax provisions I have mentioned, operating in a climate of a more rapidly expanding economy, will provide further assistance in expanding exports.

But the most important force in raising our export level must be found in the determination of manufacturers themselves -- both those that now export and those who are potential exporters -- to take maximum advantage of the opportunitie of foreign markets. This is indeed a new frontier for American industry. There are great gains to be made here in terms of higher production and more jobs, and in business profits as well. Equally important are the gains to be made, through raising our total exports, in expanding our trade surplus and moving closer to balancing our international payments and helping to stem the loss of our gold.

It certainly should be clear to all of us -- particularly those with interest in the activities of this tremendous port and manufacturing area -- that President Kennedy's tax proposals, particularly in raising demand and investment levels and assisting the expansion of our exports, will improve the business outlook for this locality as well as the nation as a whole.

I realize that I am tonight talking to a group whose range of interest in shipping is very wide. Included in your numbers are United States business and industrial leaders whose interest lies principally in the shipping of various products. But also there are those of you whose business life is inextricably tied up with the operation and maintenance of foreign shipping. Nevertheless, I should like to say a few words about our own United States shipping.

I sometimes think we are not altogether mindful of the intent and purposes of the Merchant Marine Act of 1936. It behooves us to remind ourselves -- and our foreign associates -- that this legislation was written not with the intent of benefitting shipping companies as such.

It was written for the benefit of American business as a means of insuring that the products of our firms and factories would have a vehicle to reach foreign markets and that we would have the necessary facilities to assure carriage of our domestic commerce as well. The Congress was aware that without ships under our own flag we could not be certain of maintaining our foreign trade. So it was for trade and commerce that the 1936 Act was passed. The ships themselves, what they provide in their operation, are the servants of that trade.

They do other things as well. They are a form of control of shipping. By their very existence, United States flag ships make it impossible for any cartel or combine to set rates of its own. In this way United States ships serve in the interest of American business as a whole.

policy today -- closely related, of course, to the task of accelerating domestic economic growth. The new tax program should provide new incentives for investmen and intelligent risk-taking -- increasing profits directly through lower tax rate and indirectly through enlarged domestic markets and the establishment of a bette atmosphere of growth. It would appear to be abundantly clear that through the tax incentives there would be an enlarged domestic spending for plant and equipme that would help to employ the large supply of savings that today is aggressively seeking longer-run investment. To be sure, more rapid growth fostered by tax reduction will generate further increases in our imports. Neverhtless, the tax program can also help to sharpen the competitive position of our industries in world markets. It will do so by the encouragement that would be given to investment and growth. Thus, there are sound reasons for believing that the tax progra will, as it becomes fully effective, reinforce the fundamental longer-run factors that are moving our position toward equilibrium.

Sound as these reasons are, it still must be recognized that there are still substantial problems in the immediate outlook. The salutary effects of more profitable investment at home, continuing stable princes, and a dynamic modernize industry penetrating new export markets can work their cure only with time.

As most of you know, the balance of payments represents the net result of al transactions, government and private, between the United States and other countri For most of the postwar period, our balance of payments has been in deficit -- we have been paying out more than we have been getting back. Behind this deficit in our balance of payments lies the fact that our commercial surplus has not been large enough to offset our overseas expenditures for private investment, defense and foreign aid.

In the three years before President Kennedy took office, those deficits averaged more than $3.5 billion a year. In the past two years the trend of stead increase in these deficits has been reversed and now they have averaged less than $2.5 billion a year. Similarly, the average annual gold loss of more than $1.5 billion which persisted for the three years, 1958 through 1960, has been reduced to well under $1 billion for each of the last two years.

While this progress has been heartening, the basic problem remains. This problem is simply that our exports must be increased enough to give us the trade surplus we need to completely offset the balance of payments impact of our investment, defense and aid spending abroad. Certainly this is a realistic goal. We would only have to increase our exports a little more than 10 percent in order to achieve a reasonable equilibrium -- all other things being equal -- and this, for a great nation such as ours, should certainly be something we can accomplish. After all, our exports now represent the lowest proportion of total output of any major industrial nation in the world. Italy, for instance, exports three times as much in relation to its total output as we do and Germany almost four times as much.

The Government has done and intends to do everything it can to help increase exports. The Trade Expansion Act of 1962 was President Kennedy's bold answer to the challenge of the Common Market. It will do much to assist our producers in maintaining access to foreign markets all over the world. But it is not enough

dollars each year as a result of the investment credit.

But this was only a first urgent step in the attack on revising our tax structure. This year President Kennedy sent to the Congress his major tax proposals. The program he has recommended consisted principally of two parts: major tax rate reductions and tax reform. This was deemed necessary in order to free the economy from the drag of overly high taxes and to enable it to move forward at a pace that would awaken its basic, underlying vitality.

With respect to tax rate reduction, there is proposed a significant drop in the entire individual income tax rate schedule which now runs from 20 to 91 percent. The President's proposal is to reduce this to a range of 14 to 65 percent with corresponding cuts all along the line in between. At the same time, he has proposed reducing the maximum corporate tax rate from 52 to 47 percent. In this process the tax rate applying to small corporations, with profits of $25,000 a year or less -- and four out of every five corporations fall into that category -- would be cut from 30 to 22 percent. This would, of course, benefit larger corporations as well. At the same time capital gains tax rates would also be cut from the present range of 10 to 25 percent to a new range of from 4.2 to 19.5 percent. All the rate cuts proposed would cost a total of roughly $13.5 billion in tax revenue when fully in effect.

In addition to tax reduction, the President has proposed a number of other measures designed to relieve hardship and foster growth which would cost almost $1 billion more in revenue. To ease the budgetary impact of these provisions for rate reduction and hardship relief -- which altogether cost about $14.5 billion -- reforms have also been proposed which would purport to more fairly distribute the income tax burden. Also, there has been proposed the elimination of the current lag in corporate tax payments. This latter measure would bring corporations onto the same current payment basis individuals now have over a five-year period. As a result during this time, budget receipts would be increase by $1.5 billion a year.

The combined effect of this speedup in corporate tax payments, together with the revenue-raising reforms, would bring the total budgetary impact of the tax program down to $8.8 billion -- before account is taken of the budget effects of revenue increases resulting from increased economic activity. To further insure against budgetary strain, President Kennedy has proposed that the tax program be put into effect in three stages -- taking full effect January 1, 1965.

This is a sound program. It is a balanced program. It provides a maximum of rate reduction with a minimum of budgetary strain. It is a program which will move our nation closer to its economic potential. It is a program which will bring us closer to balanced budgets by bringing us closer to a balanced economy. In other words, it will raise the level of economic activity in this nation high enough to provide the tax revenues we need -- even at lower rates -- in order to meet our responsibilities both here and abroad.

It should be emphasized that these proposed tax changes should help reinforce and support those various developments that are contributing to longer-run balance of payments improvement. And the achievement of a reasonable equilibrium in our international balance of payments is a principal goal of United States economic

But it is with respect to other activities of the Treasury Department that I wish to address myself this evening. In recent years the Treasury has had an increasing role -- in matters affecting the Port of Philadelphia, all those who do business here, and the entire United States. I refer to the need of fostering a more rapidly expanding economy at home while moving closer toward a reasonable balance in our international payments.

As President Kennedy has noted, our economy is now producing some $30 to $40 billion less than it could produce. That gap includes $18 to $20 billion in wages and salaries and $7 to $8 billion in business profits. It is represented in many factories across this country that now lie idle or are only partially producing, and in an unemployment rate of more than 6 percent of our labor force.

This is the richest and most powerful country in the world. Will we accept that we are unable to provide work for six out of every hundred people who seek it? Will we tolerate this dismal statistic and the human hardship and misery and failure it represents as an economic fact of life? Will we admit that our free market economy lacks the vitality to fully employ the resources -- both human and material -- of this great nation? Clearly, the answer is that we will not. Clearly, the task of our Government in these times is to do all in its power to put idle workers and idle factories back to work. Clearly, we must bring our nation once again to the level of production commensurate not only with our ability but with the needs imposed by an expanding population, by a world of persisting international tension, and by the costly challenge of space exploration.

Although these are disturbing facts, it should be noted that we have nevertheless made substantial gains. When President Kennedy took office, we were in the midst of a recession. Since then, we have come through that recession well into recovery, Gross National Product has moved from its recession level of about $500 billion a year to an annual rate for the fourth quarter of 1962 of more than $563 billion -- a record high. Personal income and retail sales are also at reco highs, and yet this has been accomplished without inflation.

President Kennedy has, from the very outset of this Administration, done everything in his power to carry out this task. He early recognized the role of tax policy as a major factor in our nation's economic growth and set about to make our tax structure less restrictive than it had been. He recommended to the Congress a special tax credit to foster new business investment and last year that was passed into law. At the same time, he directed the Treasury to liberali the tax treatment of depreciable equipment, to bring it into line with our urgent national need to accelerate modernization. These two measures last year reduced business taxes by an estimated $2.5 billion.

It is too early to obtain the detailed effect of the new depreciation guide lines and the tax investment credit on the shipping and shipbuilding companies. Yet it can be said that in view of the current shipbuilding program, it is believ that the subsidized operators alone can expect savings of several millions of

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE JAMES A. REED
ASSISTANT SECRETARY OF THE TREASURY
AT THE ANNUAL DINNER MEETING OF THE
PHILADELPHIA MARITIME ASSOCIATION
THURSDAY, MARCH 21, 1963, 7:00 P.M., EST

Within the Delaware River area are representatives of more than 90 percent of all types of America's industries -- a most impressive reflection of our nation's vast range of manufacturing enterprises and business activities.

From the construction of atom-powered ships to the processing of xylene, there is hardly a commodity, a product, or a service that isn't exported, imported, or transhipped through the ports of Philadelphia and the Delaware River complex -- the heart of the USA's "megalopolis", that huge single community which stretches from Boston to Washington, D.C., the most productive area of its size in the entire world.

The Port of Philadelphia itself plays a significant part in the economic life of the single community. It is interesting to note that the total amount of goods shipped through the Port of Philadelphia amounts to about $1.5 billion a year. While this without question represents an impressive amount of economic activity, nevertheless, there are few who would doubt that this activity could be substantially increased -- to the benefit of all. Indeed, the Port of Philadelphia reflects our entire nation in the sense that while its economic progress is commendable, there still remains a considerable margin for greater growth.

Shipping, of course, is the common interest that binds us all together on this occasion tonight. Represented here are the American and foreign flag ship operators, the great shipyards and marine suppliers, and -- essential to the success of all those who make, sell and buy the cargoes -- the importers, the exporters, the shippers themselves.

The Treasury Department shares with the Port of Philadelphia two direct concerns. The Bureau of Customs and the Coast Guard play important parts in the life of this port. Customs has been seeking to modernize its operations so as to facilitate rather than impede the smooth functioning of commercial economic activity. It is gratifying to state that through the efforts of the present Commissioner a great deal has already been accomplished and further improvements are in the process of fruition.

With equal force can it be said that the Coast Guard is also rendering service of inestimable worth and value to the shipping interests in and around the Port of Philadelphia. Constant vigilance is a touchstone of its responsibilities and it, too, like Customs is fashioning its operations and activities to the rigorous requirements of today.

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With equal force can it be said that the Coast Guard is also rendering service of inestimable worth and value to the shipping interests in and around the Port of Philadelphia. Constant vigilance is a touchstone of its responsibilities and it, too, like Customs is fashioning its operations and activities to the rigorous requirements of today.

But it is with respect to other activities of the Treasury Department that I wish to address myself this evening. In recent years the Treasury has had an increasing role -- in matters affecting the Port of Philadelphia, all those who do business here, and the entire United States. I refer to the need of fostering a more rapidly expanding economy at home while moving closer toward a reasonable balance in our international payments.

As President Kennedy has noted, our economy is now producing some $30 to $40 billion less than it could produce. That gap includes $18 to $20 billion in wages and salaries and $7 to $8 billion in business profits. It is represented in many factories across this country that now lie idle or are only partially producing, and in an unemployment rate of more than 6 percent of our labor force.

This is the richest and most powerful country in the world. Will we accept that we are unable to provide work for six out of every hundred people who seek it? Will we tolerate this dismal statistic and the human hardship and misery and failure it represents as an economic fact of life? Will we admit that our free market economy lacks the vitality to fully employ the resources -- both human and material -- of this great nation? Clearly, the answer is that we will not. Clearly, the task of our Government in these times is to do all in its power to put idle workers and idle factories back to work. Clearly, we must bring our nation once again to the level of production commensurate not only with our ability but with the needs imposed by an expanding population, by a world of persisting international tension, and by the costly challenge of space exploration.

Although these are disturbing facts, it should be noted that we have nevertheless made substantial gains. When President Kennedy took office, we were in the midst of a recession. Since then, we have come through that recession well into recovery, Gross National Product has moved from its recession level of about $500 billion a year to an annual rate for the fourth quarter of 1962 of more than $563 billion -- a record high. Personal income and retail sales are also at reco highs, and yet this has been accomplished without inflation.

President Kennedy has, from the very outset of this Administration, done everything in his power to carry out this task. He early recognized the role of tax policy as a major factor in our nation's economic growth and set about to make our tax structure less restrictive than it had been. He recommended to the Congress a special tax credit to foster new business investment and last year that was passed into law. At the same time, he directed the Treasury to liberali the tax treatment of depreciable equipment, to bring it into line with our urgent national need to accelerate modernization. These two measures last year reduced business taxes by an estimated $2.5 billion.

It is too early to obtain the detailed effect of the new depreciation guide lines and the tax investment credit on the shipping and shipbuilding companies. Yet it can be said that in view of the current shipbuilding program, it is believ that the subsidized operators alone can expect savings of several millions of

dollars each year as a result of the investment credit.

But this was only a first urgent step in the attack on revising our tax structure. This year President Kennedy sent to the Congress his major tax proposals. The program he has recommended consisted principally of two parts: major tax rate reductions and tax reform. This was deemed necessary in order to free the economy from the drag of overly high taxes and to enable it to move forward at a pace that would awaken its basic, underlying vitality.

With respect to tax rate reduction, there is proposed a significant drop in the entire individual income tax rate schedule which now runs from 20 to 91 percent. The President's proposal is to reduce this to a range of 14 to 65 percent with corresponding cuts all along the line in between. At the same time, he has proposed reducing the maximum corporate tax rate from 52 to 47 percent. In this process the tax rate applying to small corporations, with profits of $25,000 a year or less -- and four out of every five corporations fall into that category -- would be cut from 30 to 22 percent. This would, of course, benefit larger corporations as well. At the same time capital gains tax rates would also be cut from the present range of 10 to 25 percent to a new range of from 4.2 to 19.5 percent. All the rate cuts proposed would cost a total of roughly $13.5 billion in tax revenue when fully in effect.

In addition to tax reduction, the President has proposed a number of other measures designed to relieve hardship and foster growth which would cost almost $1 billion more in revenue. To ease the budgetary impact of these provisions for rate reduction and hardship relief -- which altogether cost about $14.5 billion -- reforms have also been proposed which would purport to more fairly distribute the income tax burden. Also, there has been proposed the elimination of the current lag in corporate tax payments. This latter measure would bring corporations onto the same current payment basis individuals now have over a five-year period. As a result during this time, budget receipts would be increased by $1.5 billion a year.

The combined effect of this speedup in corporate tax payments, together with the revenue-raising reforms, would bring the total budgetary impact of the tax program down to $8.8 billion -- before account is taken of the budget effects of revenue increases resulting from increased economic activity. To further insure against budgetary strain, President Kennedy has proposed that the tax program be put into effect in three stages -- taking full effect January 1, 1965.

This is a sound program. It is a balanced program. It provides a maximum of rate reduction with a minimum of budgetary strain. It is a program which will move our nation closer to its economic potential. It is a program which will bring us closer to balanced budgets by bringing us closer to a balanced economy. In other words, it will raise the level of economic activity in this nation high enough to provide the tax revenues we need -- even at lower rates -- in order to meet our responsibilities both here and abroad.

It should be emphasized that these proposed tax changes should help reinforce and support those various developments that are contributing to longer-run balance of payments improvement. And the achievement of a reasonable equilibrium in our international balance of payments is a principal goal of United States economic

policy today -- closely related, of course, to the task of accelerating domestic economic growth. The new tax program should provide new incentives for investment and intelligent risk-taking -- increasing profits directly through lower tax rates and indirectly through enlarged domestic markets and the establishment of a better atmosphere of growth. It would appear to be abundantly clear that through the tax incentives there would be an enlarged domestic spending for plant and equipment that would help to employ the large supply of savings that today is aggressively seeking longer-run investment. To be sure, more rapid growth fostered by tax reduction will generate further increases in our imports. Neverhtless, the tax program can also help to sharpen the competitive position of our industries in world markets. It will do so by the encouragement that would be given to investment and growth. Thus, there are sound reasons for believing that the tax program will, as it becomes fully effective, reinforce the fundamental longer-run factors that are moving our position toward equilibrium.

Sound as these reasons are, it still must be recognized that there are still substantial problems in the immediate outlook. The salutary effects of more profitable investment at home, continuing stable princes, and a dynamic modernize industry penetrating new export markets can work their cure only with time.

As most of you know, the balance of payments represents the net result of all transactions, government and private, between the United States and other countries. For most of the postwar period, our balance of payments has been in deficit -- we have been paying out more than we have been getting back. Behind this deficit in our balance of payments lies the fact that our commercial surplus has not been large enough to offset our overseas expenditures for private investment, defense and foreign aid.

In the three years before President Kennedy took office, those deficits averaged more than $3.5 billion a year. In the past two years the trend of steady increase in these deficits has been reversed and now they have averaged less than $2.5 billion a year. Similarly, the average annual gold loss of more than $1.5 billion which persisted for the three years, 1958 through 1960, has been reduced to well under $1 billion for each of the last two years.

While this progress has been heartening, the basic problem remains. This problem is simply that our exports must be increased enough to give us the trade surplus we need to completely offset the balance of payments impact of our investment, defense and aid spending abroad. Certainly this is a realistic goal. We would only have to increase our exports a little more than 10 percent in order to achieve a reasonable equilibrium -- all other things being equal -- and this, for a great nation such as ours, should certainly be something we can accomplish. After all, our exports now represent the lowest proportion of total output of any major industrial nation in the world. Italy, for instance, exports three times as much in relation to its total output as we do and Germany almost four times as much.

The Government has done and intends to do everything it can to help increase exports. The Trade Expansion Act of 1962 was President Kennedy's bold answer to the challenge of the Common Market. It will do much to assist our producers in maintaining access to foreign markets all over the world. But it is not enough

to have access to foreign markets -- once there we must compete, and compete successfully. This requires that our producers have the most modern equipment and that they be able to produce as efficiently or more efficiently than their overseas competitors. That is one of the main reasons why President Kennedy proposed the investment credit and called for depreciation reform.

Then, too, other export aids have been established: expanded services to exporters -- better information on foreign trade opportunities, improved credit and insurance facilities and other services -- which will prove of significant help in assisting and stimulating a higher level of exports. The tax provisions I have mentioned, operating in a climate of a more rapidly expanding economy, will provide further assistance in expanding exports.

But the most important force in raising our export level must be found in the determination of manufacturers themselves -- both those that now export and those who are potential exporters -- to take maximum advantage of the opportunities of foreign markets. This is indeed a new frontier for American industry. There are great gains to be made here in terms of higher production and more jobs, and in business profits as well. Equally important are the gains to be made, through raising our total exports, in expanding our trade surplus and moving closer to balancing our international payments and helping to stem the loss of our gold.

It certainly should be clear to all of us -- particularly those with interest in the activities of this tremendous port and manufacturing area -- that President Kennedy's tax proposals, particularly in raising demand and investment levels and assisting the expansion of our exports, will improve the business outlook for this locality as well as the nation as a whole.

I realize that I am tonight talking to a group whose range of interest in shipping is very wide. Included in your numbers are United States business and industrial leaders whose interest lies principally in the shipping of various products. But also there are those of you whose business life is inextricably tied up with the operation and maintenance of foreign shipping. Nevertheless, I should like to say a few words about our own United States shipping.

I sometimes think we are not altogether mindful of the intent and purposes of the Merchant Marine Act of 1936. It behooves us to remind ourselves -- and our foreign associates -- that this legislation was written not with the intent of benefitting shipping companies as such.

It was written for the benefit of American business as a means of insuring that the products of our firms and factories would have a vehicle to reach foreign markets and that we would have the necessary facilities to assure carriage of our domestic commerce as well. The Congress was aware that without ships under our own flag we could not be certain of maintaining our foreign trade. So it was for trade and commerce that the 1936 Act was passed. The ships themselves, what they provide in their operation, are the servants of that trade.

They do other things as well. They are a form of control of shipping. By their very existence, United States flag ships make it impossible for any cartel or combine to set rates of its own. In this way United States ships serve in the interest of American business as a whole.

They serve the economy also, because they are built in American shipyards with American labor, a fact well known in this area, which produced the first atom-powered merchant ship in the world and many of the world's largest liners and fighting ships. In similar fashion, the earnings of American seamen are spent in this country. The ships on which they serve are good customers for large quantities of foodstuffs, paint and soaps -- a list too long to enumerate. Those things are not so in the case of many foreign flag ships, although they, too, contribute much more than mere carrier service to the economy of a port area such as this.

United States flag ships have contributed very particularly to our net earnings in international trade. In 1961, for instance, the estimated net dollar exchange savings through transport of U.S. exports on United States flag ships amounting to $758 million, $517 million of which was earned in the carriage of purely commercial cargoes while the rest resulted from the transport of military cargoes on both privately owned United States flag ships and vessels of the Military Sea Transportation Service. In fact, it can be said that our maritime service makes a most significant contribution to our international balance of payments.

Here we come to a point of great interest to those of you who depend upon a sale of shipping service by United States lines and it is a point worth mentioning again to our own shippers. In the carriage of general cargo or passengers in regular liner service, it does not cost one cent more to use an American flag ship. I call attention to a fact of which those of you in the trade are well aware, I am sure, but one which many potential new customers may not be -- the fact that through the various conferences covering the trade routes of the world, identical rates are set for ships in that service, regardles of the flag they fly.

Perhaps this is one reason for the significant fact that 54 percent of all the cargoes carried in United States flag ships, inbound and outbound, in 1961, was in the liner services provided by our own ship. The total ocean-borne tonnage of cargoes carried by ships of all flags in the foreign trade of the United States -- both exports and imports -- in 1961 amounted to 268,261,000 tons This included liner service, tankers, and tramps. Of this total, United States flag ships carried only 23,629,000 tons or 8.8 percent. However, United States flag ships carried 27 percent of the liner, or general cargo, for that same year. This amounted to 12,749,000 out of the 46,566,000 tons of liner cargo.

I have tried to outline, in the context of your particular interests, some main points about the two chief economic problems facing our nation today -- lagging domestic growth and persistent balance of payments deficits.

As I have indicated, our Government intends to make every effort on the tax front to accelerate economic growth. This is an area in which the decisions in the private sector are very important, but the decisive action, at the current stage, rests with Government.

Our balance of payments situation, however, is of a quite different characte What Government alone can do in the vital area of increasing our exports is

necessarily limited. Certainly the more rapid expansion of the domestic economy, through increased productivity and the development of new products, together with the additional incentive to explore new markets, will be of major importance.

But in this area the exporters and potential exporters -- and these could include almost any manufacturer with reasonable access to port facilities -- can make the decisive difference. If their attitude is aggressive and enterprising, if their determination to operate at a profit includes a desire to explore foreign possibilities, then the measures which Government has provided -- both direct and indirect -- and the measures it will provide, will successfully meet the challenge posed by our balance of payments problem. And it will be met at a higher and growing level of trade for the U. S. and for the entire Free World.

That is the message I would like to leave with you.

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2. The law "authorizes" rather than "directs" this protection of the Vice President. This provision is identical to that "authorizing" protection of the President. The purpose of last year's legislation was to give the Secret Service responsibility for protecting the Vice President in the exact same manner as it already had the responsibility for protecting the President.

3. Under the former law, Vice President Johnson refused to request full-time permanent protection. He made only occasional requests for overseas travel and where large crowds or other special circumstances made temporary protection necessary in domestic travel.

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.

March 22, 1963

FOR IMMEDIATE RELEASE:

The Treasury Department today said that the request of the Secret Service for 36 positions in order to fulfill its statutory responsibilities of protecting the Vice President has apparently been subject to misunderstanding because of the nature of protective work.

There will not be 36 agents accompanying the Vice President at once. There will normally be only 4 assigned at any one time to protective duties, which means advance work as well as on-the-spot protection. The protective organization would also include 2 agents assigned to the Vice President's Washington residence and 1 agent to his Texas home.

How, then, does the total figure come to 36? Because there are three eight-hour shifts to be filled, because the weekends must be covered as well as week days, and because sick and annual leave must be taken into account. The overall number includes supporting personnel bringing the total to 36.

Under the old law, Vice Presidents were furnished protection upon request (not necessarily the request of the Vice President, but also of the President or the Secretary of the Treasury.) This was unsatisfactory because a Vice President or other people acting on his behalf should not be required to make the decision as to whether or not he needs protection. That is the reason for the legislation giving this responsibility to the Secret Service through the Treasur Department. It was first proposed and passed by the Senate in 1960. It became law last October.

The following points will also help clarify recent discussions of this matter:

1. The Secret Service as an interim measure assigned 19 agents to the protection of the Vice President last fall after the new legislation was approved. In order to meet its responsibilities to the extent possible in the absence of any appropriated funds, it became necessary for the Secret Service temporarily to draw agents from the field for this purpose.

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, March 26, 1963.

March 25, 1963

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 27, 1962, and the other series to be dated March 28, 1963, which were offered on March 20, were opened at the Federal Reserve Banks on March 25. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, 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 27, 1963		182-day Treasury bills maturing September 26, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	98.502 a/	2.963%
Low	99.260	2.927%	98.492	2.983%
Average	99.262	2.919% 1/	98.495	2.977% 1/

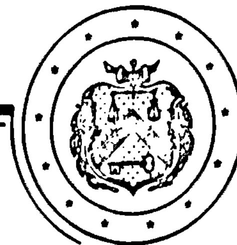
a/ Excepting two tenders totaling $233,000
96 percent of the amount of 91-day bills bid for at the low price was accepted
80 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 45,958,000	$ 45,958,000	$ 17,694,000	$ 17,[illegible]
New York	1,460,684,000	793,554,000	1,185,529,000	620,729,000
Philadelphia	29,376,000	14,376,000	6,430,000	1,430,000
Cleveland	34,240,000	32,240,000	22,435,000	20,240,000
Richmond	15,465,000	15,425,000	2,969,000	2,969,000
Atlanta	29,347,000	25,275,000	8,317,000	8,317,000
Chicago	274,737,000	177,457,000	100,592,000	58,192,000
St. Louis	34,315,000	29,131,000	12,258,000	10,258,000
Minneapolis	18,338,000	13,278,000	5,925,000	3,825,000
Kansas City	38,913,000	37,713,000	12,852,000	7,737,000
Dallas	27,622,000	19,582,000	9,078,000	4,878,000
San Francisco	124,000,000	97,320,000	74,663,000	43,857,000
TOTALS	$2,132,995,000	$1,301,309,000 b/	$1,458,742,000	$800,076,000 c/

b/ Includes $247,421,000 noncompetitive tenders accepted at the average price of 99.262
c/ Includes $50,430,000 noncompetitive tenders accepted at the average price of 98.495
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 2.98%, 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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Philadelphia	29,376,000	14,376,000	6,430,000	1,430,000
Cleveland	34,240,000	32,240,000	22,435,000	20,240,000
Richmond	15,465,000	15,425,000	2,969,000	2,969,000
Atlanta	29,347,000	25,275,000	8,317,000	8,317,000
Chicago	274,737,000	177,457,000	100,592,000	58,192,000
St. Louis	34,315,000	29,131,000	12,258,000	10,258,000
Minneapolis	18,338,000	13,278,000	5,925,000	3,825,000
Kansas City	38,913,000	37,713,000	12,852,000	7,737,000
Dallas	27,622,000	19,582,000	9,078,000	4,878,000
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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 3, 1963, (92 days remaining until maturity date on July 5, 1963) 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 4, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 4, 1963. Cash

~~Exhibit 2-A~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, March 27, 1963

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 $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 4, 1963, in the amount of $2,002,118,000, as follows:

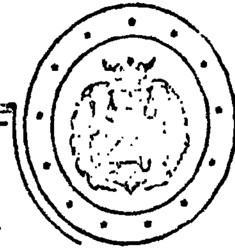
92 -day bills (to maturity date) to be issued April 4, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated January 3, 1963, and to mature July 5, 1963, originally issued in the amount of $800,502,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $800,000,000, or thereabouts, to be dated April 4, 1963, and to mature October 3, 1963.

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 1, 1963. 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'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 4, 1963, in the amount of $2,002,118,000, as follows:

92-day bills (to maturity date) to be issued April 4, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated January 3, 1963, and to mature July 5, 1963, originally issued in the amount of $800,502,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000 or thereabouts, to be dated April 4, 1963, and to mature October 3, 1963.

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 1, 1963. 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.

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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 January 3, 1963 (92-days remaining until maturity date on July 5, 1963) 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 4, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 4, 1963. 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 fro any Federal Reserve Bank or Branch.

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