TREASURY DEPARTMENT

Statement of Secretary Dillon

before the

Senate Treasury Subcommittee on Appropriations

on the Treasury Department Appropriation Bill

for the Fiscal Year 1964

Mr. Chairman and Members of the Treasury Subcommittee on Appropriation

It is a pleasure to appear again before you in connection with the Treasury Department appropriation request for fiscal year 1964. In the bill under consideration, H.R. 5366, the House provided $1,095,910,000 of our request for $1,153,230,000. This is a reduction of $57,320,000 below the budget estimates. The largest reductions are in the Internal Revenue Service, U.S. Coast Guard, Bureau of Customs, and Bureau of Engraving and Printing. Reductions in these four bureaus account for 94 percent of the total reduction.

As soon as the House completed action on the bill, the Treasury bureaus reviewed carefully the effects of the House reductions. After reviewing the analyses of these effects, I sent a letter to the Chairman of the Subcommittee on April 9, 1963, outlining my reactions to the House Bill and requesting restoration of certain appropriations. Since that letter focuses on the main issues to be considered in this hearing, I would like to offer it for the record at this point.

I would like to confine my remarks today to a brief summary of the situation involved in each of the reductions which we are appealing and give the Committee the opportunity to question the bureau chiefs in such further detail as it may desire. To supplement my remarks before this Committee, I have a copy of the statement I gave to the House Committee which provides a comprehensive review of the budgetary program in each of the Treasury bureaus. I will leave the statement with the Committee in case you wish to have it inserted in the record of these hearings.

REQUEST FOR RESTORATION

We are requesting restoration of $43,761,500 of the House reduction of $57,320,000. Attached to this statement is a table which reflects the

comparison between

the House Bill for 1964. I indicated in my letter to you of last week that we are not appealing many of the reductions. Generally, these reductions reflected absorption of a portion of the Pay Act costs. We will do our best to work out necessary program adjustments in order to live within the amounts in the House Bill. However, a great deal of the workload in some of our bureaus is generated outside the Department. In the event that these workloads increase significantly and we are unable to keep abreast, we will have no alternative but to come back for a supplemen request for additional funds

I would like to discuss now the specific areas which are most seriously affected by the House action. I will take them up in the order listed in my letter to the Chairman.

INTERNAL REVENUE SERVICE:

The House Bill provides $546 million for the Internal Revenue Service which is a reduction of $32. 3 million from the $578. 3 million requested in the 1964 Budget. We are requesting restoration of $30 million of the reduction.

The $578. 3 million budget estimate for 1964 reflected an increase of $74. 3 million over the 1963 appropriation and pending supplemental. $19. 1 million of the increase was for full-year costs of Public Law 87-793 which raised pay and postal rates. $55. 2 million and 3, 700 man-years were requested to (1) sustain operations of the current staff including the full year cost of Fiscal Year 1963 activities; (2) improve collection of delinquent accounts and returns; (3) maintain the current level of audit in the face of an expected two million additional tax returns; and (4) to continue, though at a slower pace than previously planned, the conversion to an integrated automatic data processing system. The data processing build-up required 1, 000 of the new man-years.

The House cut of $32.3 million, if sustained, would have a most undesirable impact on the Revenue Service. Current review, however, indicates that a small reduction can be absorbed.

In relation to the amounts collected, the cost of revenue collection in this country is already the lowest in the world. Nevertheless, emphasis throughout the Internal Revenue Service continues to be placed on maximum effectiveness at least cost. In considering the budget request for 1964, and the House action on it, the following evidences of efficient and economical operations should be borne in mind: (1) As the President stated in his Budget Message, the Service was commended for its "wide range of efficiency gains which translate into fiscal year 1963 savings of about $4.2 million"; (2) Estimated first year savings from Revenue Service employee suggestions in 1962 amounted to $1,400,000; (3) In the spring of 1962 the Service conducted a "belt-tightening" operation and diverted 280 man-years, worth $2.5 million from regional and National Office managerial and service operations into direct field operations; (4) The 1964 budget request was predicated on the basis that there would be no staff increases to raise the level of enforcement in 1964; considerably fewer man-year increases than had been estimated in the Long Range Plan which had forecast significant increase, to keep up with the growing taxpayer population at current enforcement levels; and deferring for one year some of the ADP Master File conversion previously scheduled for 1964; (5) Subsequent to the House hearings on this budget and in consideration of the House enjoinder for the Service to monitor carefully and restrict to an absolute minimum current staff maintenance cost increases, we have again reviewed the estimates for these expenses and propose to apply $1,225,000 of the House cut against the items of grade structure changes, travel for the field force and automobile replacement. These items are not being appealed.

These measures have been cited to emphasize that the Service has made, and continues to exert, strenous efforts to conduct its operations with the utmost economy. The efforts of the Service to improve voluntary compliance, to strengthen enforcement through the Master File ADP system, and to reduce costs wherever possible, will continue to keep down the cost of revenue collection.

We have given automation of data processing highest priority in our planning for the past several years because of the promise it gives of meeting the problems and workloads of revenue collection of the present and projected growth.

The House Committee has stated with regard to the master file automatic data processing system "that valuable experience to be gained from the ADP installation in Atlanta, Georgia, and Martinsburg, West Virginia, will not be fully realized unless the plan is extended and the other planned service centers are phased in on a more reasonable schedule."

As suggested by the House Committee last year, the 1964 budget request for ADP already represents a slow-down in conversion to the Master File system. Individual Master File processing at Philadelphia and Business Master File processing at Kansas City and Lawrence, Massachusetts, have been delayed one year (dropped from January 1964 to January 1965).

In addition, we have postponed final decision on two Regional Service Centers originally budgeted for activation in January 1964, and funds for them are not now included in the request before you. There was $1.0 million involved for these centers, and this amount has been applied against a portion of the House cut and is not being appealed.

At the Cincinnati and Dallas Regional Service Centers being activated under Congressional authority this year, the processing of business returns is scheduled to begin in January 1964, at which time we will have had two years of experience in Atlanta and one year of experience in Philadelphia.

The cost of delaying action, placing these Centers on a "stand-by" basis, would considerably reduce the contemplated savings and would be money expended without gain.

At this point it is appropriate to consider the House Committee statement "that the use of the high speed automatic data processing equipment should show some positive reductions in the number of personnel required for operation of the program."

If the workload of the Service were static and being performed entirely by manual methods, certainly the conversion of this work to automatic data processing machines would save personnel.

The Service has been using automatic data processing machines for some years in three Area Service Centers for certain returns processing and mathematical verification purposes, plus preparation of reports, payrolls, and statistics of income data. Much of the personnel saving to be achieved by mechanizing these processes has already occurred.

Moreover, the workload of the Service is not static, nor is all the work being done that should be done even on the present workload. It is estimated that there will be a two million increase in tax returns filed in 1964 over 1963. Mathematical verifications will increase by 586,000 and refunds by nearly 400,000; and information documents to be processed

will increase by about

will increase by about 20 million. In addition to this growth in workload, resulting from an increase in the number of taxpayers and the growth of our national economy, there is to be considered the work not previously done that should be done and that the machines and the integrated Master File system now make possible. It should be emphasized that the Service is not installing the Master File ADP system primarily to save personnel (except in manual clerical operations now being mechanized). This system is being installed primarily to improve tax administration and insure the safety of the financial structure of the Government. ADP systems provide a valuable tool in the development of leads for further enforcement actions. Development of additional leads results in a need for additional personnel in the enforcement activities.

What the Service is now doing is converting to a Master File ADP system which will strengthen tax administration and enforcement and produce specific benefits not attainable in any other way. Under this system, Regional Service Centers will establish and maintain Master Files for each taxpayer in each region. These regional Master Files will be integrated through a consolidated Master File (a single account for each taxpayer in the nation), established and maintained at the National Computer Center in Martinsburg, West Virginia.

Through the Master File system and the maintenance of a complete consolidated account and current tax status for every taxpayer, the Service will be able to: (a) reduce the possibility of erroneous refund payments; (b) identify possible non-filers for investigation; and (c) verify tax return data against information documents.

In short, the Service

In short, the Service will be able to do more work and work which it deems essential to be done to improve compliance and narrow the gap between taxes that should be paid and taxes that are paid.

In the face of these facts, it is evident that manpower savings to cover the House cut will not be generated by the Master File ADP system. It is also evident that it would be most unwise for the Service to delay still further its conversion to the Master File ADP system and forego the obvious and substantial benefits to be achieved. I, therefore, believe it to be of utmost importance to proceed with this conversion on the already slowed-down basis represented in the revised 1964 budget request.

The only way that the Service could continue with the conversion to the Master File ADP system even with the slow-down contained in the original request, and with the further reduction proposed by the House, would be to delete all increases which had been requested for the purpose of staying even with growing workload for 1964. Because the funds allowed by the House will produce only a total 358 man-years and over 900 are required for ADP, it will be necessary, if the House cut stands, to reduce 1963 staff levels by 600 man-years and $4,009,000.

We therefore appeal for restoration of $30 million of the $32.3 million reduction effected by the House in the 1964 budget request. This will provide for the following:

	M. Y.	Dollars
1. For the unfunded portion of ADP (which otherwise could be funded only by decreasing enforcement and related staff below the 1963 level)		$ 4,009,000
2. For other returns processing	124	1,544,000
3. For Delinquent Accts. & Rets.	661	5,836,000
4. For audit of tax returns	1,657	15,476,000
5. For other enforcement and related functions	263	3,135,000
Total restoration requested	2,705	$30,000,000

UNITED STATES COAST GUARD:

The House Bill recommends reductions in Coast Guard appropriations totaling $12.1 million of which $8.95 million is being appealed.

Operating Expenses

The House Report indicates that the entire program has been increasing too rapidly and recommends a cut of $3.1 million and further directs that $877,000 of the pay increases and related costs should be absorbed by reducing programs which have been proposed for expansion.

The Coast Guard increases for Operating Expenses in 1964 may be divided into three basic portions: (a) increased costs of new legislation; (b) operating the facilities in 1964 which were constructed or procured (with the approval of Congress) in prior years' appropriations for Acquisition, Construction and Improvements; and (c) program increases totaling $5.5 million. By necessity, we must look to the last area as the place where most of the $3.1 million reduction would be taken, if the House action stands.

Of the $5.5 million, almost $2.0 million is for costs which result from an increase in the number of expirations of enlistments in 1964 and from the operation of a Loran chain for the second half of fiscal 1964 which is now under construction, with Department of Defense funds. These costs must be met without administrative discretion. Therefore, the reduction of $3.1 million, if the House action stands, will of necessity be met by eliminating the increases for maintenance ($1.9 million increase was requested) and military readiness program. The condition of the Coast Guard physical facilities is the most serious problem facing the Service today. Until we can have enough funds in our capital appropriation sufficient to provide for an orderly replacement of our capital facilities,

we are faced

we are faced by the existing situation of having to maintain facilities in a deteriorating condition at a high cost. The cost of repairing our existing facilities has outgrown the availability of funds until we have today a backlog of many millions of dollars of repairs, and replacement of equipment and small boats.

The remaining programs (with increases totaling about $1.6 millioı would permit a higher degree of military readiness, a modest program of oceanography, improved service to the maritime industry through the elimination of delays in program of vessel plan review and approval, and more prompt disposition of increased workloads in contract administration, motor boat casualty investigation, and nuclear affairs.

As to military readiness, the program for 1964 would permit the operation of secure communications equipment on a portion of our major cutters and 22 principal communication centers ashore. The recent Cuban quarantine action demonstrated the need for this type of equipment if the Coast Guard is to operate effectively with the Department of Defense. The equipment itself is being provided without charge by the Department of Defense, while our program under Operating Expenses is for its operation. Without this increase of $1.2 million, the military readiness of the Coast Guard will be seriously impaired.

I do ask your careful consideration of the restoration of the $3.1 million in operating funds for the Coast Guard.

Acquisition, Construction and Improvements

Reductions by the House amounted to $9 million out of a total request of $60 million.

Application of the House reduction would require the elimination of certain projects, as follows: construction of a 210 foot medium

endurance cutter,

endurance cutter, $3,750,000; construction of 3 small inland tenders, $2,100,000; construction of third phase of air station at Boston, Massachusetts $2,243,000; collocation of Loran stations at Sitkinak and Spruce Cape, Alaska, $569,000; construction of warehouse at Terminal Island, California, $250,000; and development of certain designs and survey plans, $88,000.

Reduction of the vessel replacement program amounting to $5.85 million will have serious effects on current and future operational capability and restoration of funds is requested. The aviation and shore projects amounting to $3.15 million would not be ready for construction in any event until late in the fiscal year and can well be deferred; therefore, we are not appealing those items.

The over-all capability of Coast Guard vessels to accomplish their assigned mission has been decreasing for several years. The need for instituting a sound long-range vessel construction and improvement program is evidenced by the block obsolescence of Coast Guard vessels (many of which are over 30 years of age), difficult and costly repairs, and growing unseaworthiness of the fleet. In this regard, you are aware that I have approved, in principle, the revised report on the requirements of Coast Guard Vessels, 1962, after coordinating such approval with the Bureau of the Budget and the Department of Defense. This program shows that a marked acceleration in construction is necessary over the next ten years, with a moderate step up in 1964. If the program were stretched out an additional five years, as suggested in the House Report, more vessels would become overage during that period. Although the full effects of a stretch out will be studied, it is recognized that a reduction now would only serve to increase later requirements. In particular, a stretch out if approved should not affect the relatively modest sum requested for fiscal 1964. Basic designs for all of the vessels scheduled for construction in 1964 are available. Thus, the Service is capable of meeting workload demands required by a $36 million vessel construction program in 1964.

Failure to provide funds for the vessel program will have the effect of deferring, possibly at higher costs, construction needed to make up for deficiencies in replacement construction which have accumulated for many years. Vessels having marginal seaworthiness, increasing obsolescence, deteriorated hulls, poor habitability, and marginal operational capabilities will, if adequate funds are not available, have to be retained in operation at less than desired levels of operation or decommissioned without replacement. The latter may become necessary when the vessel can no longer be repaired within justifiable expenditure of funds.

The proposed reduction by the House of $9 million would require a reduction of $5.85 million in the vessel replacement program. An adequate vessel construction funding level is urgently required at this time. Accordingly, it is urged that the $5.85 million be restored to the Acquisition, Construction and Improvements appropriation to permit the replacement of vessels based upon the approved vessel replacement program.

BUREAU OF CUSTOMS:

The House recommended a reduction of $4.1 million in the $76.1 million requested by the Bureau of Customs. The $72,000,000 approved by the House will provide an increase of $725,000 above the amount needed to maintain the fiscal year 1963 level of employment through fiscal year 1964, together with related expenses. This increase will finance only about 70 percent of the requested increases for the Communist Propaganda Screening Progra[m] ($230,000) and the Statistical Data Verification Program ($800,000), and provides no funds for additional manpower urgently needed to cope with steadily increasing workload, and to strengthen Customs enforcement capabilities. Under the House allowance, Customs will be able to finance only 89 average positions of employment above the 1963 level of operations. Restoration of $3.9 million of the House reduction of $4.1 million is urgently requested.

More than 90 percent of Customs' operating expenses are for personal services and directly related expenses such as retirement contributions, health benefits, etc. The major portion of any reduction must come primarily from personal services funds and must result in fewer employees on the job to do the essential work facing Customs day in and day out at every port and station throughout the country. As you know, the volume of commercial imports, the numbers of vessels, aircraft, automobiles, busses, etc. and their passengers and pedestrians, all are wholly outside administrative control. The ability to vary the quality of Customs clearance of this merchandise, these carriers and these persons is limited because we must enforce the requirements not only of the Customs laws but also of numerous other agencies. Inadequate Customs manpower means delays in the examination of cargo, passengers, and their baggage, and increasing backlogs of work in essential Customs operations.
An inter-departmental group under the direction of the Administrative Secretary of the Treasury has just begun a complete study of the roles and missions of the Bureau of Customs, This group expects to report their findings to me in December, 1963.

The 1964 estimate

The 1964 estimate of $76,100,000 represented an increase of $11,325,000 over the regular 1963 appropriation of $64,775,000. The components of the increase, exclusive of minor reductions, follow:

1. Increase outside administrative control: ($6,715,000)

These increases, the major portion of which are pay increase costs, are essential if the 1963 level of operations is to be maintained through 1964. It would not be logical to increase the number of positions at a given location without first providing funds to finance those positions already allocated. In short, the present or 1963 staff must be funded before any increases are financed. The funds approved by the House have, therefore, been applied first to these costs which are outside administrative control.

2. Increases made necessary by new legislation: ($1,800,000)

a. Communist Propaganda Screening Program ($230,000)

Section 305 of Public Law 87-793 requires this Department to determine which mail matter, except sealed letters, is "Communist political propaganda," as defined in the Act. The Postmaster General then detains or releases such material as provided for in the Act. This legislation became effective January 7, 1963. It has been necessary to establish screening units at nine major postal ports of first receipt. The increase approved by the House, after provision is made for costs beyond administrative control described above, will finance only about 70 percent or 26 out of the average positions required and approved by the House for this item. Restoration of $68,000 is requested.

b. Rental of Space at Airports ($1,570,000)

Public Law 87-255, approved September 20, 1961, authorized the appropriation of funds to the four United States inspectional agencies--Customs, Immigration, Public Health, and the Agricultural

Research Service--for the payment of rental for space occupied by these agencies at public airports. Such space has heretofore been provided free of charge. Restoration of the reduction of this item, totaling $1,570,000, is requested in two parts. First, as indicated in testimony before the House Committee, funds for a Customs office at Newark, New Jersey, were included in the airport rental item simply because the office is to be located at the airport. The present office is in downtown Newark, is very inadequate and poorly located since substantially all of the Customs business is conducted at or in the vicinity of the airport. The amount needed for this project is $55,000. We also propose to rent space for liquidators at Honolulu, Boston, and Chicago at an estimated 1964 cost of $15,000. This type of space is not for inspectional purposes (for which free space is now being provided), but is for a function normally carried on in Government-owned or leased space. Similar space at New York and Los Angeles airports is currently leased by the Government. Assignment of liquidators to airports provides additional manpower to meet peak baggage inspectional workloads, while also accomplishing essential work during non-peak periods. The remaining $1.5 million is requested for rental of space occupied by Customs inspectional activities at more than 100 airports, great and small, throughout the United States. This request is part of a four agency project involving the Immigration and Naturalization Service (Justice), the Public Health Service (Health, Education and Welfare), and the Agricultural Research Service (Agriculture), as well as the Bureau of Customs in Treasury.

Most airport operators

Most airport operators are of the opinion that this law entitles them to rent for space now provided to the Government free of charge. As a result, increasing difficulties have been experienced by the inspection agencies in negotiations with airports to secure suitable, adequate space as the volume of air traffic has increased, and the inspectional requirements have grown concurrently. The House action, if sustained, will seriously compound these difficulties. Customs work at airports constitutes the fastest growing component of the many types of Customs operations. Good working space at airports is essential if Customs and the other Federal inspection agencies concerned are to be able to perform their functions economically and expeditiously.

Accordingly, restoration of the full amount of $1,570,000 is requested so that Customs may be in a position to negotiate effectively, through the General Services Administration, for suitable, properly located space at airports throughout the country.

3. Additional manpower and related expenses to meet increased workload: ($1,489,000)

The original estimate requested in this category, covers 173 new positions (152 average positions). Included were the amounts of $58,500 (9 positions, 8 average positions) for interpreter-hostesses. The House Committee expressed the belief that these jobs are "desirable, but not essential." No request for restoration is made. In line with the House Committee's comments, we will not expand our training of inspectors in 1964, and restoration of $152,000 (4 average positions) needed for that purpose is not requested.

Every other manpower

Every other manpower requirement in this category is based directly upon steadily and sharply increased workload faced by practically every Customs office throughout the country. The number of formal merchandise entries filed in fiscal year 1963 will exceed the 7 percent increase used in our estimates and would probably have approximated a 10 percent increase but for the January strike. We believe the 9 percent increase estimated for fiscal year 1964 is very conservative. Thus, with the volume of commercial importations increasing even more rapidly in 1963 than was estimated and with a conservative but higher estimate for 1964, our need for additional manpower in 1964 becomes increasingly acute.

Accordingly, restoration of $1,278,500 for additional liquidators, inspectors, entry officers, clerks, and many other types of employees directly associated with workload, is most urgently requested.

4. Statistical Data Verification Program: ($800,000)

This program requiring the checking for accuracy of the statistical data covering all imports began in January 1962. These verifications are essential to provide the information needed to carry on our trade program and to measure accurately the impact of imports on our domestic markets.

The increase approved by the House, after provision is made for all costs beyond administrative control, will finance only about 70 percent or 64 out of the 89 average positions required and approved by the House Committee for this item. Restoration of $237,000 is requested for this program which is vitally important to many

Government agencies

of our economy which is directly or indirectly involved with international trade and commerce.

5. Strengthening Customs' Enforcement Capabilities: ($736,000)

No mention of enforcement was made by the House Committee and there are no funds available within the approved total for any of the increases requested for this essential segment of Customs activities. The need for strengthening Customs' enforcement capabilities has been emphasized and re-emphasized. Three separate and independent studies made within the last year have recommended substantial enforcement manpower increases. Last summer a task force representing the Director of the Bureau of the Budget, the Secretary of the Treasury and the Commissioner of Customs made an exhaustive study of the functions, methods of operations and staffing of Customs' first line enforcement staff, the Port Investigators. The work of these men is concentrated on and around waterfront and airport areas in a preventative and detention capacity. The Budget-Treasury-Customs Task Force recommended a gradual increase of 600 men. The request for 1964 includes 72 new positions (64 average positions) to add a second step to the small increase in this staff which was approved for fiscal year 1963.

Supplementing the Port Investigator report, a complete study of the entire Customs Agency Service was made this past winter by an inter-bureau group under the direction of the Administrative Assistant Secretary of the Treasury. In addition to confirming the need for additional Port Investigators, this report also recommended that additional Customs Agents be provided. Customs agents conduct detailed, complicated and sometimes dangerous investigations of smuggling (including narcotics), false invoicing, underevaluation and many other criminal offenses and civil frauds. Funds for 30 additional agents (26 average positions) are requested for 1964.

The latest, completely independent report recommending an increase in Customs enforcement is that of the President's Advisory Commission on Narcotic and Drug Abuse, released April 3, 1963. The report stated: "The Commission believes that smuggled narcotics can be intercepted in significantly greater quantities if the Bureau of Customs and the Bureau of Narcotics substantially increase the number of properly trained and equipped agents at our ports of entry and along our borders."

Thus, there have been three separate evaluations made of Customs enforcement staff. All three have recommended a substantial strengthening of that staff. Accordingly, restoration of $736,000 is requested. This amount will finance 102 new positions (90 average positions).

The over-all situation in Customs is graphically shown in the following table which clearly indicates the improvements made in Customs efficiency over the past 15 years and the workload problems faced by Customs today.

Key Workload and Manpower Changes
1947 - 1963

	F.Y. 1947	F.Y. 1963	% Change
Formal merchandise entries filed (000's)	542	1,656	+206
Carriers arriving (vessels, aircraft, autos, busses, etc.) (000's)	18,149	46,275	+155
Persons arriving (passengers on vessels, aircraft, autos, etc. and pedestrians) (000's)	78,948	160,800	+104
Total customs collections (000's)	$623,234	$1,725,000	+177
Total customs manpower	8,787	7,779	-12

BUREAU OF THE MINT :

In assessing a $420,000 reduction in the $7,720,000 estimated for the Bureau of the Mint, the House indicated that the reduction was to be applied largely to the equipment replacement program. The House Committee also stated its desire that the Mint provide ample coinage-- a desire with which we are in full accord. If we are to produce 4,100 million coins as called for in our 1964 estimate, it will be necessary to maintain employment at the estimated levels and to absorb in our equipment replacement program not only the House reduction of $420,000 but also $81,000 in wage board increases granted after preparation of the 1964 estimates. Thus, our total reduction in equipment replacement funds amoun to $501,000.

Our budget request for equipment replacement totaled $710,000. A reduction of $501,000 will leave us only $209,000 of which $125,000 was specified by the House Committee Report to be for "installing an additional annealing furnace and related equipment and facility at the Denver Mint." The remaining funds available will permit us to replace only minor equipment items.

We are deferring, insofar as practical, replacement of equipment at the Philadelphia Mint pending the construction and equipping of the new Mint facilities; however, we are requesting restoration of $120,000 for the purchase of three coinage presses in Philadelphia. These new presses would contribute to an increased coinage capacity at the existing Mint and would later be used in equipping the new Mint. We are also requesting restoration of $209,000 for three new presses and other equipment items at the Denver Mint.

Our total restoration

Our total restoration request of $329,000 is a modest one and is vitally needed if the coin demands of the nation are to be satisfied.

UNITED STATES SECRET SERVICE:

The House Bill made a reduction of $500,000 in the 1964 estimate of $7,260,000 for the United States Secret Service.

The budget included a total of 76 new positions to provide 35 for field work in suppressing counterfeiting, forgery of checks and bonds and other field cases: 36 for protection of the Vice President in accordance with Public Law 87-829; three for establishing an office in Europe; and two technical specialists for protective measures relating to the President and the Vice President. The House allowed a total of 30 new positions, indicating that 10 were specifically for the protection of the Vice President and 20 were for the tremendous increase in counterfeiting and forgery of government checks and bonds. The Committee Report also indicated that the Secret Service should draw on its entire resources whenever the Vice President travels, in order to provide whatever protection for the Vice President that is considered advisable under the circumstances.

In accordance with the recommendation of the House, the Secret Service is not protesting the cut of 26 positions for protection of the Vice President, totaling $217,500. However, in the light of the House directive that additional personnel as deemed necessary when the Vice President travels should be drawn from the field, a protest is being made for the restoration of the 18 additional field positions that were cut by the House. It is obvious that the interruption of vital investigative functions will result whenever a need to augment protective details occurs. These additional protective responsibilities will hinder accomplishment of regular enforcement work if a restoration is not provided. In addition, request is being made for the restoration of two Technical Specialist positions for the Protective Research Section which are essential to the technical phase of protective activities.

Counterfeiting continues to be a matter of grave concern. The amount of counterfeit currency produced in fiscal year 1962 was the highest ever recorded in the history of the Secret Service. Over three and one-half million dollars in bogus currency was seized before it could be passed on the public. The loss to the public was confined to little more than one-half million dollars. The arrest of 737 persons for counterfeiting offenses, and the capture of 44 counterfeiting plants was accomplished in this same period. A backlog of 34,732 cases requiring investigation by the Secret Service was on hand on December 31, 1962. A total of 4,402 persons were arrested by this small and efficient force of Secret Service Agents in fiscal year 1962. In addition, in all Secret Service cases brought to trial, 98.3 percent resulted in convictions. Sufficient investigative personnel is vital to the suppression of this illegal activity and also to provide additional protective personnel to draw on in accordance with the directive of the House Report.

The Secret Service is therefore requesting restoration of $282,500 cut by the House for the 20 positions and needed equipment, and related costs.

BUREAU OF NARCOTICS:

The Bureau of Narcotics requested $5,450,000 in 1964 which

was reduced by

was reduced by $200,000 in the House Bill.

The major effect of this reduction will require curtailment of the foreign enforcement program which has proved beneficial in the suppression of illicit narcotic traffic destined for the United States. In October 1962, the Treasury Department assigned additional responsibilities to the Bureau of Narcotics in the foreign narcotic enforcement area. Responsibility for Europe and the Middle East had been within the Bureau's jurisdiction; the new responsibilities included all other areas of the world. As a preliminary step, agents were diverted from domestic operations to establish an office in Bangkok, Thailand with two agents to cover the Far East area. Another headquarters was established in Mexico City, Mexico with two agents to cover the Central and South American areas. Intelligence gathered in the preliminary efforts will dictate the assignment and location of additional offices.

The appropriation requested for 1964 included ten additional agent positions and two supporting positions for these foreign operations. Four agent positions were intended for assignment to the new foreign areas and the remaining six positions would replace positions that had been used to make assignments to foreign areas.

The effectiveness of the expanded foreign operations can be illustrated by the fact that one month after Narcotics agents had been stationed in Thailand, they were responsible for the seizure of one ton of raw opium. In another case, the agents assisted Thai authorities in the seizure of a complete heroin conversion laboratory including all the chemicals and 14 kilograms of pure heroin. Because of this proven effectiveness of the expanded foreign operations, restoration of the full amount reduced by the House is requested.

ADMINISTERING THE PUBLIC DEBT:

ADMINISTERING THE PUBLIC DEBT (Savings Bonds Division)

The House approved a reduction of $600, 000 in the appropriation "Administering the Public Debt" from $48, 600, 000. This appropriation provides funds for the Bureau of the Public Debt and for the U. S. Savings Bonds Division, a separate organizational unit charged with the responsibility of promoting the sale of savings bonds.

The Bureau of the Public Debt is one of those Treasury bureaus whose estimates of fund requirements are based essentially on probable work volume, as are some of our other Treasury bureaus. That organization is, accordingly, reprogramming its 1964 budget to reflect most recent trends in anticipated work volume relating to redemptions of Series E savings bonds and, further to take into account the $500, 000 portion of the proposed House reduction. It will bend every effort to effect the full $500, 000 reduction. Its ultimate achievement of that goal will be prevented only by substantial increases in sales of savings bonds. This eventuality, of course, would greatly benefit the Treasury's financing programs which would more than offset any requirements for additional funds which might be required to defray the administrative costs resulting from increased sales. Spreading the debt load to as broad a base as possible is sound financing.

The U. S. Savings Bonds Division is, however, in a different position with respect to the $100, 000 portion of the House reduction which applies to it. Over the past 10 years, from 1953 to 1963, the Division has been forced to absorb increases in operating costs relating to pay raises, travel expenses, and promotional materials to the point where it has been

necessary to reduce its

necessary to reduce its promotional staff to a degree where adequate coverage of the industrial and financial organizations promoting the sale of savings bonds is minimal, if not below. During this period, the staff complement has been reduced from 725 average man-years in 1953 to 526 man-years in 1963, a loss of almost 200 in staff. This occurred during a period when competition in the market for savings has become increasingly tight.

Because the Savings Bonds Program is so vital to the success of our debt management policy, it has been my feeling that this trend should be reversed and the staff strengthened to improve the Treasury's position in this area.

We proposed a most modest increase in our request to strengthen this staff during fiscal year 1964 in our efforts to begin a rebuilding program. Above the items of expense over which we have little administrative control, such as pay increases and administrative promotions provided for in law plus the extra work days during 1964, the increase requested was limited to $220,000. In this amount, funds were included to increase the size of the staff by only 10 average man-years, together with some slight increase in travel funds, and to provide for more adequate promotional materials.

The House Appropriations Committee appeared to give full recognition to the needs of this Division; however, the decision to require absorption of that portion of the Federal Pay Act, effective next January 4, would make impossible the employment of the much needed staff, and would reduce funds for travel and promotional materials below minimum requirements.

I am, therefore, requesting

I am, therefore, requesting that $100,000 of the proposed reduction f $600,000 be restored with the understanding that the remaining $500,000 ill be absorbed unless the workload involved in the sale or redemption of ecurities warrants reconsideration of the financial requirements later in ie fiscal year 1964.

RANSFER AUTHORITY LANGUAGE:

As I mentioned in my letter to the Chairman, the House failed to pprove language requested in the President's Budget that would permit funds › be moved between Treasury appropriations in order to take care of mergencies or program exigencies that might develop as the fiscal year rogresses. This authority, if granted, would greatly facilitate the manage- ient of the Department without the loss of Congressional control over the xpenditure of funds.

The language proposed in the President's Budget limits to 5 percent ie amount to be transferred in or out of an appropriation. It further rovides that it can be done only after the Secretary of the Treasury and ie Director of the Bureau of the Budget approve. It also requires that an nmediate report be made to the Senate and House Committees on ppropriations. I understand that some Members of the House Committee ive objected to this latter proviso because they would be notified only ter the action has taken place. I should be happy, if the Congress so stermines, to have the proposal changed to read as follows:

"Not to exceed 5 per centum

"Not to exceed 5 per centum of any appropriation herein made to the Treasury Department for the current fiscal year may be transferred, with approval of the Bureau of the Budget, and after consultation with the Subcommittees on Appropriations for the Treasury Department of the Senate and the House of Representatives, to any other appropriation of the Treasury Department, but no appropriation shall be thereby increased by more than 5 per centum."

This type of transfer authority is not new in Government, Very milar language exists in appropriations for the Post Office Department, omic Energy Commission, General Services Administration, and the itional Aeronautics and Space Administration. Other transfer authority ists, with varying limitations and modifications, in the appropriations r the Departments of Agriculture; Defense; Health, Education and elfare; and Interior. The Foreign Aid Authorization Act also permits insfer, when the President so determines, and requires a report to the ngress. I should be happy to pledge to the Congress that the authority uld not be used in the Treasury indiscriminately, or for purposes for ich the Congress has indicated it should not be used. I would expect authority to be used sparingly and with knowledge of the Committees forehand. You recall that we now notify the respective subcommittees ien we desire a significant reprogramming of funds within the same propriation that results in use of funds for a different purpose from it which was justified to the Subcommittee. This has worked well from standpoint, and I believe the limited transfer authority would work well.

There are a number of

There are a number of Treasury bureaus that are small in size of taff and appropriations. This does not permit flexibility in meeting udden or unexpected workload changes. The Bureau of Accounts, Public)ebt, Customs, Secret Service, Mint, Narcotics, Office of the Treasurer-- ll have largely uncontrollable workloads. Demands for services by these ureaus are generated by the public or other Government agencies. The bility to shift funds between bureaus would, subject to prior consultation 'ith the competent Subcommittees on Appropriations, give me administrative :exibility to meet unexpected demands without resorting to supplemental ppropriations. Such authority would save both money and time for 'reasury.

If we had had this authority over the past four or five years, we could ave saved the Government the expense of preparing and securing several upplemental appropriations by using unobligated balances which finally ipsed to the General Fund. We could have also saved the taxpayer, through eprogramming, some of the funds that because of the lack of the transfer ithority we were compelled to request in supplementals. If the authority id been available last June at the time of the delay in the passage of the econd Supplemental Appropriations Act, 1962, our Secret Service Agents ould not have had to face a payless pay day. Such an event was only fore-alled by the use of the President's Emergency Fund. The transfer ithority, had it existed, would have permitted the Secret Service to have rovided an orderly financing and avoided a number of administrative roblems. I believe the operation under such an authority actually would rovide more control by the Subcommittees of the House and Senate than

under present procedures

under present procedures

process, the requests are considered by different subcommittees. In summary, let me say I believe the transfer authority will contribute to more efficient operations of the Treasury Department; it will produce over-all savings to the Government; and its use will in no way diminish or reduce Congressional control over the appropriation process.

CLOSING

This concludes the remarks I wanted to make in this statement on these appropriation items. I thank the Committee for its consideration of them and urge most strongly favorable action on these appeals. I will be pleased to discuss any other matters in which the Committee may be interested, or to answer any questions that the Committee may have. Thank you, Mr. Chairman.

Bureau and Appropriation	1963 Appropriations (Adjusted) 1/ Av. Pos.	1963 Appropriations (Adjusted) 1/ Amount	1964 Budget Estimates Av. Pos.	1964 Budget Estimates Amount	Recommended in House Bill for 1964 Av. Pos.	Recommended in House Bill for 1964 Amount	Bill Compared With — 1964 Estimates Av. Pos.	Bill Compared With — 1964 Estimates Amount	Bill Compared With — 1963 Appropriations Av. Pos.	Bill Compared With — 1963 Appropriations Amount	Restor Av. Pos
Regular Annual Operating Appropriations:											
Office of the Secretary:											
Salaries and Expenses	471	$ 4,685,750	481	$ 5,080,000	476	$ 5,000,000	- 5	-$ 80,000	5	$ 314,250	—
Bureau of Accounts:											
Salaries and Expenses	297	3,882,170	291	4,100,000	286	4,050,000	- 5	- 50,000	- 11	167,830	—
Salaries and Expenses, Division of Disbursement	1,630	28,239,000	1,559	31,500,000	1,506	30,750,000	- 53	- 750,000	- 124	2,511,000	—
Bureau of Customs:											
Salaries and Expenses	7,815	67,883,000	8,156	76,100,000	7,877	72,000,000	- 279	- 4,100,000	62	4,117,000	267
Bureau of Engraving and Printing:											
Air Conditioning of Buildings	—	300,000	—	5,380,000	—	—	—	- 5,380,000	—	- 300,000	—
Bureau of the Mint:											
Salaries and Expenses	820	7,024,900	846	7,720,000	846	7,300,000	—	- 420,000	26	275,100	—
Bureau of Narcotics:											
Salaries and Expenses	424	4,767,150	436	5,450,000	421	5,250,000	- 15	- 200,000	- 3	482,850	15
Bureau of Public Debt:											
Administering the Public Debt	2,748	48,296,250	2,644	48,600,000	2,606	48,000,000	- 38	- 600,000	- 142	- 296,250	15
U. S. Coast Guard:											
Operating Expenses (Military positions)	27,569	222,536,000	30,693	251,100,000	30,635	248,000,000	- 58	- 3,100,000	3,066	25,464,000	58
(Civilian positions)	3,302		3,329		3,312		- 17		10		17
Acquisition, Construction and Improvements (Military positions)	28		28		28		—		—		—
(Civilian positions)	97	33,330,000	137	60,000,000	137	51,000,000	—	- 9,000,000	10	17,670,000	—
Retired Pay	—	32,350,000	—	33,600,000	—	33,600,000	—	—	—	1,250,000	—
Reserve Training (Military positions)	892	16,500,000	892	18,800,000	892	18,800,000	—	—	—	2,300,000	—
(Civilian positions)	138		138		138		—	—	—		—
Total, U.S. Coast Guard	32,026	304,716,000	35,217	363,500,000	35,142	351,100,000	- 75	-12,100,000	3,116	46,684,000	75
Internal Revenue Service:											
Salaries and Expenses	60,052	503,100,000	63,828	578,300,000	60,410	546,000,000	-3,418	-32,300,000	358	42,900,000	3,305
Office of the Treasurer, U. S.:											
Salaries and Expenses	848	16,450,000	844	16,800,000	828	16,700,000	- 16	- 100,000	- 20	250,000	—
U.S. Secret Service:											
Salaries and Expenses	538	5,784,000	602	7,260,000	556	6,760,000	- 46	- 500,000	18	976,000	20
Salaries and Expenses White House Police	199	1,524,000	213	1,732,000	209	1,700,000	- 4	- 32,000	10	176,000	—
Salaries and Expenses Guard Force	65	383,250	65	408,000	63	400,000	- 2	- 8,000	- 2	16,750	—
Total, Regular Annual Operating Appropriations (Military positions) ...	28,489		31,613		31,555		- 58		3,066		58
(Civilian positions) ...	79,444		83,569		79,671		-3,898		227		3,639
(Total positions)	107,933	997,035,470	115,182	1,151,930,000	111,226	1,095,310,000	-3,956	-56,620,000	3,293	98,274,530	3,697
Check Forgery Insurance Fund	—	—	—	50,000	—	50,000	—	—	—	50,000	—
Fund for payment of losses in shipment	—	2/ 525,000	—	1,250,000	—	550,000	—	- 700,000	—	25,000	—
Grand Total, Treasury Department	107,933	997,560,470	115,182	1,153,230,000	111,226	1,095,910,000	-3,956	-57,320,000	3,293	98,349,530	3,697

1/ Includes Supplemental Appropriation (H.R. 5517) as approved by the House. Does not reflect the following estimated appropriation transfers to General Services Administration for rental of general purpose sp

Salaries and Expenses, Division of Disbursement ....$	1,000
Salaries and Expenses, Bureau of Customs	11,000
Salaries and Expenses, Internal Revenue Service	1,391,000
Operating Expenses, Coast Guard	38,000
Total	$ 1,441,000

2/ Derived by transfer from the deposit fund "Unclaimed Partial Payments or United States Saving Bonds."

April 10, 1963

147

"As long as we have slack markets for our goods and services
dampened inventives for investment, the threat of recession
ains. Continued slow growth will not generate the revenue require
fiscal 1964 expenditures levels -- even at current tax rates --
some years. In the interim, the additional Gross National Produc
the wealth, the profits and the jobs that are expected to result
m the tax stimulus will be lost."

The Treasury also favors the President's tax program, Barr
led, because "the proposed tax reduction is accompanied by strong
straints on Federal spending -- holding expenditures other than
fense, space and interest outlays below fiscal 1963 levels. This
only the fourth time in 15 years that this has been done."

o0o

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 22, 1963

OR USE IN A.M. NEWSPAPERS
UESDAY, APRIL 23, 1963

DENVER, Colo., April 22-- President Kennedy's tax program now efore Congress is the key to speeding economic growth in this ecade, an Assistant to the Secretary of the Treasury told a usiness forum on fiscal policy and economic progress here today.

Joseph W. Barr, Secretary Douglas Dillon's assistant on ongressional relations, declared that the Administration's first tax evision measures which were enacted last Fall have "contributed to he recent improvement in our economic outlook."

He said that administrative liberalization of the tax treatment of depreciation and legislative enactment of the investment tax credit have "generated an additional cash flow which has resulted in increased business appropriation for investment and forecasts of a rising trend of outlays for new plant and equipment."

He spoke at a forum for businessmen, students and faculty sponsored by the University of Denver's College of Business Administration.

The Treasury, Barr said, supports President Kennedy's tax reduction program now before Congress "in the full knowledge that cutting taxes will temporarily add to a projected deficit." He pointed out that the tax program itself is "designed to keep budget deficits within manageable proportions by spacing out the proposed rate cuts over three calendar years and by offsetting a portion of the revenue loss through tax reforms."

He said that "to just sit back and wait for increasing revenues from slow growth to bring a balanced budget before enacting the President's tax proposals might be costly and self-defeating. In 1959, for example, a planned budget surplus became a record deficit of $12.4 billion, largely because of a recession.

-REASURY DEPARTMENT

WASHINGTON, D.C.

April 22, 1963

ι USE IN A.M. NEWSPAPERS
:SDAY, APRIL 23, 1963

DENVER, Colo., April 22-- President Kennedy's tax program now fore Congress is the key to speeding economic growth in this :ade, an Assistant to the Secretary of the Treasury told a siness forum on fiscal policy and economic progress here today.

Joseph W. Barr, Secretary Douglas Dillon's assistant on ıgressional relations, declared that the Administration's first tax vision measures which were enacted last Fall have "contributed to recent improvement in our economic outlook."

He said that administrative liberalization of the tax treatment depreciation and legislative enactment of the investment tax edit have "generated an additional cash flow which has resulted in :reased business appropriation for investment and forecasts of a sing trend of outlays for new plant and equipment."

He spoke at a forum for businessmen, students and faculty onsored by the University of Denver's College of Business ainistration.

The Treasury, Barr said, supports President Kennedy's tax luction program now before Congress "in the full knowledge that :ting taxes will temporarily add to a projected deficit." He .nted out that the tax program itself is "designed to keep budget :icits within manageable proportions by spacing out the proposed :e cuts over three calendar years and by offsetting a portion of revenue loss through tax reforms."

He said that "to just sit back and wait for increasing revenues m slow growth to bring a balanced budget before enacting the sident's tax proposals might be costly and self-defeating. In 9, for example, a planned budget surplus became a record deficit $12.4 billion, largely because of a recession.

"As long as we have slack markets for our goods and services dampened inventives for investment, the threat of recession ains. Continued slow growth will not generate the revenue required fiscal 1964 expenditures levels -- even at current tax rates -- some years. In the interim, the additional Gross National Product the wealth, the profits and the jobs that are expected to result m the tax stimulus will be lost."

The Treasury also favors the President's tax program, Barr ed, because "the proposed tax reduction is accompanied by strong traints on Federal spending -- holding expenditures other than ense, space and interest outlays below fiscal 1963 levels. This only the fourth time in 15 years that this has been done."

oOo

FOR RELEASE A.M. NEWSPAPERS
TUESDAY, APRIL 23, 1963

REMARKS BY JOSEPH W. BARR
ASSISTANT TO THE SECRETARY OF THE TREASURY
AT THE SCHOOL OF BUSINESS ADMINISTRATION,
UNIVERSITY OF DENVER, DENVER, COLORADO,
APRIL 22, 1963, 5:00 P.M., EST

THE PRESIDENT"S TAX PROPOSALS AND FISCAL RESPONSIBILITY

My introduction to taxes came in December, 1960, when I paid my first visit to the newly designated Secretary of the Treasury, Douglas Dillon. At that time, he mentioned to me that the Presider felt, and he agreed, that it was time to take a long look at the tax system of the United States. In April of 1961, we went forward with our first set of proposals for the tax reform. I need not remind you that these original proposals generated an extraordinary amount of controversy. However, we did see most of the President's proposals enacted into law in the fall of 1962.

For those of us in the Treasury Department, this experience has been highly illuminating -- and, I might add, very rewarding. I for one am firmly convinced that the revenue system of a nation must be kept in step with the times. We have a

Biblical exhortation to be careful about pouring new wine into old bottles. It seems to me that it is especially dangerous to saddle the economy of the 1960's with a tax system that was devised to meet the dangers of wartime inflation that existed in the mid-forties. No one can expect to win a popularity contest when he advocates a change in the tax laws. However, I have felt that the effort and the results have certainly been worth the criticism we have received.

In our original proposals for revision of the tax laws we attacked the problem of an increasing rate of obsolescence in the productive equipment of the United States. In addition, we closed many of the escape hatches that tended to contract our taxable base. The results of our first moves with the investment tax credit and with the depreciation reform are just beginning to make themselves felt. Frankly, they are excellent. The additional cash flow generated by these two measures has resulted in an increase of orders for machinery and equipment that has contributed to the recent improvement in our economic outlook. On the basis of this preliminary evidence, I am convinced that our tax policy is an effective means of moving the economy forward.

Already, sharply increased business appropriation for investment and forecasts of a rising trend of outlays this year indicate that these tax policies are playing a significant part in the move toward growth.

The rate of capital spending by business, a prime indicator of the nation's economic health, is reported by private surveys to be rising even higher than official government estimates. The Research Institute of America announced just a few days ago that on the basis of a poll of more than fifteen hundred of its thirty thousand members it believes spending for new plant and equipment for the last half of 1963 will increase 10 percent over the last half of 1962 for a seasonally adjusted rate of \$41.9 billion. The most recent Commerce Department estimate was \$39.9 billion, in itself a significant climb from the \$38 billion plateau of last summer. Also significant is the continued rise in manufacturing payrolls, which showed a sizable increase in February and March after having been relatively static for almost a year.

In addition, the President's tax proposals have stimulated a dialogue on taxation that can be heard nearly every day in the Congress of the United States and in most of the State legislatures across the land. Personally, I am delighted at this development and I hope that it continues. The revenue systems of our governments -- from the national to the local level -- cannot be ignored. However, it seems to me this dialogue can profitably be extended both in width and in depth.

First, let us look at the problem of the depth of the dialogue. There is a tendency for most individuals and in too many organizations to resist any change in the tax laws. If a change is proposed, there are too many of these individuals and associations who address themselves only to that portion of the proposal that affects them. I respectfully submit that, while these negative opinions should be expressed in the spirit of the democratic tradition, surely many of these individuals and organizations could look beyond their own interests and try to bring the whole set of tax proposals into a proper perspective.

Secondly, I would hope that the width of the ilogue would be broadened. Taxes and fiscal policy affect everyone, but there is a strong tendency to shrug these problems off and to leave them to legislators and to people who are supposed to have developed expertise in these matters.

I would guess that the percentage of any given body of citizens that has spoken up on any of the public issues of the day is fractional when it comes to fiscal policy. Here is the basic domestic issue confronting us today -- and yet public opinion -- or rather individual expression of opinion -- on fiscal policy reaches Washington as hardly more than a whisper. I would hope, in giving you today the Treasury Department view on our national fiscal policy, with particular attention to the President's tax proposals, that I might help increase just a fraction that segment of citizens who think and speak knowledgeably and effectively on fiscal issues.

The tax program alone cannot solve our pressing economic problem. It alone cannot bring us to our national goal of achieving adequate growth. The tax program is only one element. But its relationship to the expansion of demand the key to speeding economic growth in this decade. The Treasury Department supports the President's tax reduction program in the full knowledge that cutting taxes will temporarily add to a projected deficit. We believe that President Kennedy was right in refusing either to postpone his tax program or to cut heavily into essential national security programs in an attempt to present his tax program in the context of a balanced budget. We believe this was a fiscally responsible decision under the circumstances for the following reasons:

One -- The existing tax system is one of the primary causes of slow economic growth -- our major economic and financial problem. The acceleration of national economic growth requires measures that will increase aggregate demand for goods and services. More rapid growth also requires policies designed to increase the share of our national wealth and effort that is committed to expanding our technology and to increasing the formation of capital necessary to move technological developments from laboratory to production line to consumer. Thus the President's program, involving a top-to-bottom reduction of rates of tax on capital gains and on both individual and corporate income, would, if passed October 1, 1963, within the next 15 months provide $10 billion of tax reduction -- $10 billion worth of purchasing power and investment and profit potential.

Two -- The tax program now before Congress is the clearly preferable course to other alternatives designed to increase the rate of growth. To achieve growth by more massive increases in Federal spending well beyond the limits of the 1964 budget would have risked confidence at home and demand. But it would fail to increase the incentives to private investment and effort that the reduction of tax rates provides. There was another alternative -- increase the use of credit and monetary tools to provide still lower interest rates and substantially increased supplies of money and credit. This was not feasible because, as the President pointed out, "Our balance of payments situation today places limits on our use of those tools for expansion."

Three -- To just sit back and wait for increasing revenues from slow growth to bring a balanced budget before enacting the President's tax proposals might be costly and self-defeating. In 1959, for example, a planned budget surplus became a record deficit of 12.4 billion dollars, largely because of a recession. Continued slow growth will not generate the revenue required for fiscal 1964 expenditure levels -- even at current tax rates -- for some years. In the interim, the additional Gross National Product, and the wealth, the profits and the jobs that are expected to result from the tax stimulus will be lost.

Four -- The tax program itself is designed to keep budget deficits within manageable proportions. By spacing out the rate cuts over three calendar years -- beginning this year and extending into 1965 -- and by offsetting a portion of the revenue loss through some tax reforms; and also by putting collections from our largest corporations on a more current basis, the effect of the tax reduction on the budget is reduced.

Five -- Another reason why the Treasury Department supports the President's tax program is that the proposed tax reduction is accompanied by strong restraints on spending. The President's 1964 budget holds proposed government spending -- other than defense, space and interest outlays -- below fiscal 1963 levels. This is only the fourth time in fifteen years that this has been done. In fact, for the past nine years the average annual increase in this sector of the budget has been 7.5 per cent. Nor did the President relax his efforts to cooperate with the Congress in holding down expenditures after the submission of his budget in January. Since then, he has reduced spending requests for 1963 and 1964 by more than three-quarters of a billion dollars.

Six--More important--and this is perhaps the most overlooked aspect in discussions of fiscal responsibility--the President in his 1964 Budget Message proposed a policy of disciplined expenditure control. He said--and I quote:

> "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 moves 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 need to intensify, our effort to include in our fiscal program only those expenditures which meet strict criteria of fulfilling important national needs."

Seven--Finally, the new tax program, with related expenditure control, is compatible with, and can be coordinated effectively with, appropriate balance of payments policy and debt management--each of which forms a vital environmental factor in our overall financial plan.

Just let me summarize why this particular program will attack the root causes of the inadequate economic performance which we are witnessing today. This tax program will provide major support to economic growth from two general directions -- one, releasing 8 billion dollars of consumer purchasing power, thereby generating a multiplied demand for goods and services as these funds are spent and re-spent -- and, two, reducing corporate tax liabilities by approximately 2.5 billion dollars to provide new investment by reductions in capital gains rates and related reforms.

Thus, you have a program that is appropriately balanced. The impact on consumer demand will interact with the impact on investment incentives to produce a far greater total addition to incomes and to the Gross National Product than if the thrust of the tax program was concentrated on one or the other impact alone.

Adoption of the President's tax program is the most important legislative task confronting the nation in 1963 because it carries with it the most direct consequences for achieving a more adequate, a more orderly economic growth. Public policies play an important part in providing the type of economic climate in which a private enterprise system such as ours will work to advantage. Budgetary policies, debt management, monetary policy all play a role. Private policies by management and labor can affect the general economic climate for better or for worse. Also, buyer and investor confidence can be of decisive importance. But in a society where a large percentage of the annual income is drawn off by government -- national, state and local -- a tax policy designed to promote growth is fundamental if the nation is to benefit from rapid growth and the lags between invention and investment are to be minimized.

TREASURY DEPARTMENT

WASHINGTON, D.C.

[illegible]LEASE A. M. NEWSPAPERS,
[illegible]y, April 23, 1963.

RESULT OF TREASURY'S [illegible]

[illegible]

[illegible] ,000,000, or thereabouts, [illegible]
[illegible]-day bills. The details of the two series are as follows:

[illegible]	91-day Treasury bills maturing July 25, 1963		182-day Treasury bills maturing October 24, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	[illegible]	2.[illegible]	[illegible]	2.975%
Low	[illegible]	[illegible]	[illegible]	2.984%
Average	99.271	2.[illegible]	98.[illegible]	2.962%

a/ Excepting three tenders totaling [illegible],000

[illegible] percent of the amount of 91-day bills bid for at the low price was accepted
[illegible] 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
[illegible]	$ 6,[illegible]	[illegible]	[illegible]	$ 6,[illegible]
New York	[illegible]	[illegible]	[illegible]	651,070,000
Philadelphia	[illegible]	[illegible]	[illegible]	5,[illegible]
Cleveland	[illegible]	[illegible]	[illegible]	[illegible]
Richmond	[illegible]	[illegible]	[illegible]	2,[illegible]
Atlanta	[illegible]	[illegible]	[illegible]	11,[illegible]
Chicago	[illegible]	[illegible]	[illegible]	52,[illegible]
St. Louis	[illegible]	[illegible]	[illegible]	8,[illegible]
Minneapolis	[illegible]	[illegible]	[illegible]	3,[illegible]
Kansas City	[illegible]	[illegible]	[illegible]	[illegible]
Dallas	[illegible]	[illegible]	[illegible]	[illegible]
San Francisco	[illegible]	[illegible]	[illegible]	28,[illegible]
TOTALS	$2,258,555,000	$1,300,236,000 b/	$1,[illegible]	$[illegible],200,000 c/

b/ Includes $[illegible] noncompetitive tenders accepted at the average price of [illegible]
c/ Includes $[illegible] noncompetitive tenders accepted at the average price of [illegible]
[illegible]
of interest [illegible]
interest payment period [illegible]
compounding if more than one coupon period is [illegible]

D-828

ELEASE A. M. NEWSPAPERS,
ay, April 23, 1963.

April 22, 1963

RESULT OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of ury bills, one series to be an additional issue of the bills dated January 24, and the other series to be dated April 25, 1963, which were offered on April 17, opened at the Federal Reserve Banks on April 22. Tenders were invited for 0,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, 2-day bills. The details of the two series are as follows:

OF ACCEPTED TITIVE BIDS:	91-day Treasury bills maturing July 25, 1963		182-day Treasury bills maturing October 24, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.275	2.868%	98.496 a/	2.975%
Low	99.270	2.888%	98.491	2.985%
Average	99.271	2.884% 1/	98.492	2.982% 1/

a/ Excepting three tenders totaling $665,000
84 percent of the amount of 91-day bills bid for at the low price was accepted
46 percent of the amount of 182-day bills bid for at the low price was accepted

L TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

strict	Applied For	Accepted	Applied For	Accepted
ston	$ 26,961,000	$ 16,629,000	$ 24,697,000	$ 6,947,000
w York	1,663,967,000	893,375,000	1,315,216,000	654,076,000
iladelphia	33,273,000	17,973,000	11,505,000	5,435,000
eveland	32,176,000	32,053,000	25,749,000	15,649,000
chmond	17,663,000	11,663,000	10,225,000	2,198,000
lanta	23,635,000	19,260,000	11,419,000	11,044,000
icago	218,433,000	160,797,000	111,040,000	52,456,000
. Louis	34,293,000	27,061,000	9,950,000	8,180,000
nneapolis	21,160,000	14,420,000	6,435,000	3,695,000
nsas City	34,085,000	29,053,000	13,695,000	8,452,000
llas	23,793,000	16,273,000	10,169,000	4,969,000
n Francisco	129,116,000	61,679,000	120,359,000	28,099,000
TOTALS	$2,258,555,000	$1,300,236,000 b/	$1,670,459,000	$801,200,000 c/

Includes $243,114,000 noncompetitive tenders accepted at the average price of 99.27
Includes $62,023,000 noncompetitive tenders accepted at the average price of 98.49
On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 2.95%, for the 91-day bills, and 3.07%, 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-d year. In contrast, yields on certificates, notes, and bonds are computed in ter of interest on the amount invested, and relate the number of days remaining in a interest payment period to the actual number of days in the period, with semiann compounding if more than one coupon period is involved.

D-822

TREASURY DEPARTMENT

WASHINGTON, D.C.

LEASE A. M. NEWSPAPERS, y, April 23, 1963.

April 22, 1963

RESULT OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series o ury bills, one series to be an additional issue of the bills dated January 24, and the other series to be dated April 25, 1963, which were offered on April 17, opened at the Federal Reserve Banks on April 22. Tenders were invited for 0,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, 2-day bills. The details of the two series are as follows:

OF ACCEPTED TITIVE BIDS:	91-day Treasury bills maturing July 25, 1963		182-day Treasury bills maturing October 24, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.275	2.868%	98.496 a/	2.975%
Low	99.270	2.888%	98.491	2.985%
Average	99.271	2.884% 1/	98.492	2.982% 1/

a/ Excepting three tenders totaling $665,000
84 percent of the amount of 91-day bills bid for at the low price was accepted
46 percent of the amount of 182-day bills bid for at the low price was accepted

TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

trict	Applied For	Accepted	Applied For	Accepted
ton	$ 26,961,000	$ 16,629,000	$ 24,697,000	$ 6,947,000
York	1,663,967,000	893,375,000	1,315,216,000	654,076,000
ladelphia	33,273,000	17,973,000	11,505,000	5,435,000
veland	32,176,000	32,053,000	25,749,000	15,649,000
hmond	17,663,000	11,663,000	10,225,000	2,198,000
anta	23,635,000	19,260,000	11,419,000	11,044,000
cago	218,433,000	160,797,000	111,040,000	52,456,000
Louis	34,293,000	27,061,000	9,950,000	8,180,000
neapolis	21,160,000	14,420,000	6,435,000	3,695,000
sas City	34,085,000	29,053,000	13,695,000	8,452,000
las	23,793,000	16,273,000	10,169,000	4,969,000
Francisco	129,116,000	61,679,000	120,359,000	28,099,000
TOTALS	$2,258,555,000	$1,300,236,000 b/	$1,670,459,000	$801,200,000 c/

ncludes $243,114,000 noncompetitive tenders accepted at the average price of 99.27
ncludes $62,023,000 noncompetitive tenders accepted at the average price of 98.492
a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 2.95%, for the 91-day bills, and 3.07%, for t 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 tha 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 the amount invested, and relate the number of days remaining in an

international balance of power."

Far more then is at stake in current tax policy than a selfish scramble as to who pays taxes. The shape and direction of the American economy for years to come hangs in the balance on tax policy decisions just ahead.

o o O o o

longer be the handicap it has been to U. S. based producers in meeting and living with the competitive thrust of vigorou competitors in Europe and Japan. This adaptation should better enable the nation to continue to play its leading role in Free World security and development, without being forced to retreat because of an inability to achieve a balance of payments through an adequate trade surplus or the flow of capital into a dynamic economy.

Finally, the adaptation of our tax system to the achievement of more rapid growth and effective competitiveness will exemplify our continued determination to maintain the relative level of national strength that is the base of our national security. It is an essential part of a national answer to Chairman Khrushchev's asserted belief that:

"Development of Soviet economic might will give communism a decisive edge in the

These trends in tax policy are based on a confidence in the private enterprise system. In one vital respect, mounting an effective effort against high tax rates -- this program will be a major step toward reinvigorating the strengths and drives of that private sector. Much else in the way of complementary policies -- public and private -- exercised by management, labor unions and government at all levels -- may be necessary.

But the nation will have embarked on the essential task of updating our tax system to the challenge of the Sixties -- to the end that private economy can grow and prosper at a faster rate, fast enough to provide jobs for our citizens and the ever increasing standard of living for all who will work for it.

We will have further adapted our tax system to another ... external competition -- so that it will no

These trends in tax policy are based on a confidence in the private enterprise system. In one vital respect, mounting an effective effort against high tax rates this program will be a major step toward reinvigorating the strengths and drives of that private sector. Much else in the way of complementary policies -- public and private -- exercised by management, labor unions and government at all levels -- may be necessary.

But the nation will have embarked on the essential task of updating our tax system to the challenge of the Sixties -- to the end that private economy can grow and prosper at a faster rate, fast enough to provide jobs for our citizens and the ever increasing standard of living for all who will work for it.

We will have further adapted our tax system to another challenge -- external competition -- so that it will no effort and capital in economic activity as a means of spurring growth — the profit motive, personal and corporate, will be recognized and invigorated. As President Kennedy 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."

It is the belief of those who put forward and support these proposals that they will strengthen the economy. They believe that the returns from them will more than pay for the revenues lost in a few short years and provide a much larger measure of job opportunities, national income and national strength and competitiveness than would result from the maintenance of a status quo.

Seventh, the opportunities for the exercise of tax policy as a key weapon in the arsenal of fiscal policy -- to be used as an alternate to or along with Federal expenditures -- will have been broadened. Action this year on the policy premises proposed embraces the proposition that desirable reductions in income tax rates need not be confined to periods of budget balances or surpluses, providing that prudent policy of allocating a substantial share of the increasing revenues resulting from normal or stimulated growth to closing the deficit is faithfully followed by disciplined control over increased expenditures.

Eighth, the nation will have reincorporated in its tax system a reassuring allegiance to the principle of rewards -- the leaving of increased percentages of income to remain after taxes with those who invest additional responsible financing of government -- the design of the future would be the provision of necessary revenues at the lowest level of tax rates, rather than the opening of more "loopholes" in the existing structure.

Sixth, national tax policy would have arrested and reversed the process of eroding the tax base by allowing special preferences and privileges for certain groups of taxpayers able to pay their share of taxes, which are not likely to be enjoyed by their fellow taxpayers. A tax structure moving to lower levels of individual and corporate rates will be more resistant to devices whereby financially able taxpayers escape or minimize their share at the expense of fellow taxpayers. The practicality and desirability of combining rate reduction with base broadening reform that moves toward a more uniform distribution of the tax burden will have been established.

Third, additional revenues will be available to the states and localities at existing tax rate levels, as a result of a higher scale of economic activity, thereby enabling them to finance increasing state and local public needs with the minimum increased burden of higher rates of state and local tax. eroding the tax base by allowing

Fourth, the thirty-year policy of increasing tax rates on income in war and emergency -- and then allowing them to become fixed -- will have been set aside by reason of a national conviction, embodied into the tax code, that the current level of tax rates on income holds back the growth of our private economy, invoking the law of diminishing returns. pense of fellow taxpayers. The

Fifth, national tax policy would incorporate as the primary objective of income tax reform the reduction in tax rates without sacrificing revenues required for ished.

addition to incomes and GNP than if the thrust of the tax program was concentrated on one or the other, as a impact alone.

Second, the repressive weight of current high tax rates on the private economy will be removed as a part of our permanent tax structure. The high individual income tax rates, ranging from 20 to 91 percent, sweep too much out of private hands in relationship to our gross national product, so that consumer demand is throttled down in periods of recovery. The rate structure means high marginal tax rates that deter incentive, risk-taking and profit effort. The corporate tax rate, at 52 percent, unduly limits the profitability of corporate investment, making government the greater partner in the enterprises subject to the highest rates.

major sources of encouragement to private spending. A more dynamic economy will spur technological innovations and the introduction of new products.

The enlarged investment spending will itself have a "multiplier" effect, since it will generate higher incomes which will in turn expand consumer spending.

Thus, the program is an appropriately balanced one. The impact on consumer demand will interact with the impac on investment incentives to produce a far greater total

-- Business investment will be further stimulated by individual and corporate tax reductions, which will provide more funds for investment and raise after-tax profitability of new capital outlays. Taken together with last year's depreciation reform and investment tax credit, corporate tax liabilities will be reduced $4.5 billion and the profitability of new investment will be increased by nearly 30 percent. The pervasive, favorable effects of the tax cuts on business and consumer confidence and expectations, steadier employment, and attractive opportunities to exploit more rapidly growing consumer markets all will be

Individuals will receive larger after-tax incomes, part of which will be saved but by far the major part -- over 90 percent -- will be spent for consumer goods and services. Such additional spending, amounting to $8.5 billion of consumer purchasing power, will, in turn, add further to incomes, leading to higher spending and another round of increase in incomes, in a continuing process known as the "multiplier effect. Increased consumption will induce increased investment in both inventories and plant capacity and there will be increased requirements for residential construction. This is the so-called "accelerator effect.

bill incorporating tax reduction and reform that the experienced and informed legislators in the Congress can produce. We will drive for decisive action in 1963 whether business this spring and summer is good or bad. The program that we proposed was, in our judgment, the best one at the time. But, as is always the case with tax legislation, there is room for improvement and dogmatism is a vice and not a virtue. Hence, any opportunity to improve on the proposals will always be welcome

In the meantime, absent any expression of definitive legislative action on the President's tax proposals let us appraise their significance for the U S economy should they be adopted along the general lines proposed.

First, the program would result in a significant economic stimulus. That economic stimulus will proceed along four principal channels:

session of Congress of basic elements of the President's 1963 tax program.

Today this program is only a set of proposals advanced by the President and the Treasury; they depend for their acceptance upon the will of the Congress as its members reflect the opinion of their constituencies. As you know, public hearings have been completed before the House Ways and Means Committee, the tax writing committee of the House. For some weeks members of this expert and experienced body will sit in executive session considering whether to report a bill and, if so, what its contents should be. I would not predict the outcome of their deliberations or the future of tax legislation.

I do wish to underscore the continued conviction of this Administration that the national interest requires the enactment this year of the best possible

Other provisions of the Revenue Act of 1962, designed to correct abuses (the expense account and the failure to pay tax on interest and dividends) or to eliminate undue preferences (tax treatment of foreign income, special privileges for cooperative operations, mutual lending institutions and mutual fire and casualty companies) mark a real beginning in reversing the process that has led to the maintenance of a high rate structure and increasing preferential treatment. They embody legislative and public recognition of the fact that whenever one taxpayer is permitted to pay less someone else must be asked to pay more.

The significance of the other major trends of tax policy will depend upon whether they become law or established public policy by the acceptance at this

requires the enactment this year of the best possible trend of outlays this year indicate that these tax policies are playing a significant part in the move toward growth and increased efficiency. The resulting benefits of these changes in tax policy 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 stimulate investment for modernization and growth. They will give science and technology a broader opportunity to contribute to overall economic growth through both increased capacity and productivity . one taxpayer is perm Continued utilization and adaptation of these elements of tax policy will insure that the tax system will not become either a passive deterrent or an inactive stimulant to investment in capital equipment a main source of growth and competitive efficiency.

The Significance of these Trends in Tax Policy for the American Economy.

The significance of these new trends in tax policy for the American economy depends upon their acceptance, their effectiveness, and their continued adaptation and utilization.

The investment tax credit in the Revenue Act of 1962 and the administrative liberalization of depreciation allowances have been accepted as law and have been well received. The combined effect of these two measures which became effective, for the first time, in July and October of 1962, cannot yet be fully assessed.

For the first time in many years, these changes place investment in new equipment in the United States -- so far as taxes are a factor -- on a basis roughly comparable to that in other industralized countries. Already, however, sharply increased business appropriation for investment and forecasts of a rising

2. Barring an unexpected worsening of the cold war situation, the rate of increases in defense and space expenditures, characterizing the three years 1962-64, should begin to slow down as the nation reaches a new plateau of readiness and achievement in these vital areas; and

3. As the President stated in his Budget Message, "As the tax cut becomes fully effective and the economy moves toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit."

tax policy, for combining rate reduction with some structural changes broadening the tax base and accelerating tax collection of the larger corporations, which would keep revenue losses from rate reduction at reasonable levels during the period of deficit.

But a careful and controlled approach to revenue losses was only one side of the picture. The other requirement was the coordination of expenditure policy with the inauguration of the new tax program. The President and the Budget Director have stressed three aspects of this coordination:

1. Civilian expenditures will be firmly controlled, and in the 1964 budget expenditure projections have been reduced;

This situation gave tax policy a new dimension -- the need to coordinate it carefully into an overall financial plan. The principal objective of this phase of tax policy was to exercise great care so that the actual revenue losses from reduction in tax liabilities would be handled in a fiscally responsible manner to keep the deficit within prudent bounds. The tax program was designed to meet this requirement in two ways: revenue

losses *First*, the rate reductions are staged other

over three years, commencing in 1963, more policy

with that, taking into account the feedback. The

Pres from increased economic activity resulting three

aspe from the tax cut, the addition to the 1964

fiscal year deficit would be only $2.7 billion,

and controlled, and in the 1964 budget

Second, it included a stress upon the

fiscal importance, as well as reasons of a national debt that has grown larger as a result of these imperatives. The figures on Federal expenditures in the administrative budgets cited earlier reveal that these increased needs -- defense, space and interest on the debt -- account for approximately 72 percent of the increase in the budget expenditures in the fiscal years 1962-64. within present bounds. The tax program was

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, Viet Nam, Laos and Berlin -- is that the price of going forward this year with a tax reduction in the context of a balanced budget will be a substantial reduction in our defense and space programs. r deficit would be only $2.7 billion.

The President refused to cut into essential national security and space needs or to postpone a tax program needed to move the economy out of its slow growth pattern.

To help meet the cost of rate reduction and these structural changes to meet particular hardships totalling $14.4 billion — other structural changes — broadening the base of taxation, eliminating or the 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 when fully effective in 1965 at $10.3 billion per year.

Without any new tax program, the projected budget for the fiscal year 1964 would face the nation with an estimated deficit of $9.2 billion. This deficit results from two factors — the failure of the economy to expand to a full employment level and the compelling necessity — for our national security — to augment sharply in the last three years our nuclear and conventional armed forces, step up our efforts in space, and meet the cost of servicing with sharply fluctuating yearly income. The application of an averaging formula applicable to all would give fairer treatment to those with sharp fluctuations in yearly income such as authors, artists, actors, athletes, some ranchers, some fishermen, some farmers, some architects and some individual business proprietors

A fourth structural change involving additional revenue loss is aimed at meeting the hardship experienced by persons who must incur moving expenses for themselves and their families as a consequence of change of employment This burden can be severe and places an undesirable restriction on labor mobility. This deficit results

In sum, this group of structural reforms would involve a revenue cost of $740 million meeting some of the city persistent and well-founded complaints regarding hardships, resulting not only from the present rate scale but from the operation of the tax structure even under a reasonable

182

early postwar inflationary pressures -- and now arresting rowth. Averaging formula applicable to all would give fair. The major reform in this tax program is the large reduction in tax rates. The cost of rate reduction is $13.6 billion per annum when fully effective in 1965. In addition, some structural changes are proposed which would lose additional revenue. Some of these are substantial enough to be noted. Two are designed to rectify special hardships from taxes on the very poor and the elderly; a much greater percentage of these disadvantaged groups have become subject to the heavy weight of Federal income taxation, as war and postwar inflation have escalated subsistence level incomes into substantial tax liability areas in the lower brackets. The third structural change meets another hardship which ra reduction also cannot solve -- that faced by the person this limit.

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 of capital markets, and providing a higher net return on profitable investment.

In summary, the basic thrust of the proposed tax progra is a substantial reduction in rates on individual and corporate income and capital gains at all levels -- reversin a trend of over thirty years which has witnessed rates moving upwards in war and in peace -- lifting the repressive weight of tax rates imposed partly to constrain war and reduction would be 18 percent. The effect of lower individual 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 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 second part of the President's program is to provide additional direct incentives for investment by increasing the rate of return or profit after corporate tax 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 tax program is based on the principle that there is clear need for tax policy changes that will further increase demand and investment for growth. 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."

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 individual and corporate income and capital gains 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

percent rate, constituting a 27 per-

in tax liabilities for the 450,000

small companies whose corporate income does not exceed rate structure that would include a substantial net tax reduction and long needed structural reforms demanded by logic and equity. The position was clearly taken that our tax rates are so high as to weaken the very essence of the progress of a free system, incentive for additional return for additional effort. It was also recognized that the level of present taxes constituted a drag on recovery and growth, because during the expansion while Federal purchases were adding $7 billion to the economy, Federal taxes were siphoning out $12 billion. The stage was set for the second major phase of forging new trends in tax policy. In January 1963 the President in his State of the Union Message made a new tax program the number one legislative objective for 1963

Before these studies by the Treasury Department, inaugurated in an atmosphere of economic recovery, were completed, new developments changed the picture.

At the outset of 1962, after nine months of rapid recovery, the expansion slackened. Between the fourth quarter of 1961 and 1962 the gross national product rose barely enough to permit the nation to hold its own on rates of unemployment, profits and capital use. The overriding lesson of this 1962 slowdown was that the pattern of slow growth since 1957 rather than the temporary spurt in 1961 was the true measure of our economic problem.

Despite a break in the stock market and considerable pressure for an emergency temporary tax cut, it was determined in the summer of 1962 that the right approach was a permanent basic reform and reduction in our tax

1963.

some revenue producing measures designed to eliminate deficits, inequities and weaknesses in the law.

The Congress responded with the Revenue Act of 1962, containing both the investment tax credit and significant reform provisions in almost all the areas recommended by the President -- in all nearly a billion dollars of revenue raising reforms to match roughly the revenue lost by the investment credit. A significant first step in the revision of the tax structure was accomplished.

In his first Tax Message the President had directed the Secretary of the Treasury, building on tax studies of the Congress, to undertake the preparation of a comprehensive tax reform program to follow "the first though urgent" step in reform and reduction in our tax

There were other significant trends in tax policy in 1961-62. The tax proposals in the President's of first Message in April 1961 included recommendations designed to offset the tax reductions offered to stimulate the economy through the investment tax credit by [illegible] to match roughly the [illegible] investment credit

A significant first step in the revision of the tax structure was accomplished.

In his first tax message the President had directed the Secretary of the Treasury, building on tax studies of the Congress, to undertake the preparation of a comprehensive tax reform program to follow "the first though urgent" step.

line in an ever faster cycle; it adopted a new test that permits a businessman to fix his preferred life for machinery and equipment, provided only that his actual replacement pattern conforms to his estimate in a reasonable period of time.

The investment tax credit reduces current 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.

circumstances, President Kennedy gave first priority to the adoption of 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

 191 192

sustained economic growth through 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 policy to meet the problem of slow growth and decreasing competitiveness was to expand demand and unleash investment incentives through tax policy of

Specific Trends in Tax Policy

During the first year of the present administration, a reasonably satisfactory recovery and expansion from the recession gave hope that the nation was breaking the grip of slow growth and below capacity operations. Under those

A decision was taken to use tax policy to seek expansion through our free market process by placing increased spending power in the hands of consumers and investors and offering more incentive to private investment interests. of payments situation today places There was another alternative: the increased use of credit and monetary tools in an attempt to provide

So it was determined that the most desirable and feasible policy to meet the problem of slow growth and decreasing competitiveness was to expand demand and unleash investment incentives through tax policy.

Specific Trends in Tax Policy

During the first year of the present Administration, a reasonably satisfactory recovery and expansion from the recession gave hope that the nation was breaking the grip of slow growth and below capacity operations. Under these discharging governmental responsibilities -- had the incidental effect of supplying jobs and adding to the gross national product through contracts, salaries, purchases, pensions, grants-in-aid, etc. But these increased expenditures were not enough to produce an adequate rate of economic growth. Only a healthy, expanding, private sector could meet that national need in our system.

And, since 1957, gross private domestic investment is the one major component of economic activity which has shown no upward trend. It did not return to its 1955 peak of $75 billion (in 1962 prices) until 1962 -- when real gross national product had risen by 21 percent.

The President decided against reliance on massive increases in Federal expenditure because he felt that "In today's setting private consumers, employers and investors should be given a full opportunity first."

billion, of which $5.3 billion went to defense, space and interest and $4.9 billion to remaining programs -- minus $.1 billion for allowances and adjustments. The increase in administrative budget expenditures for the three fiscal years 1962 through 1964 will amount to $17.3 billion. Twelve point four billion dollars, or nearly 72 percent, of this total represents increases in defense, space and interest, while $4.5 billion represents increases in all remaining programs leaving $.4 billion for allowances and adjustments.

Increases in state and local governmental expenditures during the same six-year period will add approximately $26 billion to the total of public expenditures.

These substantial increases in public expenditures, approaching $50 billion, after allowing for intergovernmental transfers, in the interval of six years -- supplied for the primary purpose of budgets. But the performance of the overall economy during the past five years, when there have been substantial increases in Federal, state and local expenditures, did not suggest that increased public expenditures would give the vigor needed to our economy, unless there was also a dynamic growth in the private sector.

The Federal requirements for national security and domestic civilian services at the Federal level will have increased the administrative budget by $27.4 billion in the six years ending with the fiscal year 1964. This substantial trend upwards in Federal expenditures has been characteristic of both Republican and Democratic administrations as they sought to respond to the requirements of national security and domestic needs.

In the three fiscal years 1959-1961 there was a total increase in administrative budget expenditures of $10.1

Public policies play an important part in providing the type of economic climate in which this system will work to advantage. Budgetary policies, debt management, monetary policy all play a role in the scheme of things. Private policies by management and labor can affect the general economic climate for better or worse. Also, buyer and investor confidence can be of decisive importance.

But in a society where a large percentage of the annual income is drawn off by government -- national, state and local -- a tax policy designed to promote growth is fundamental if the lags between invention and investment are to be minimized. There are many who urge that growth could be more surely achieved by a massive increase in Federal expenditures well beyond the limits and scale of recent

But, education to utilize or participate in the production and distribution of new goods and services needs capital formation for practical application and translation into plants and jobs. Investment opportunities must be translated into reality to be meaningful.

Sometimes there are great lags in the pace of capital formation and investment in taking advantage of investment opportunities. The degree of lag between technological development and investment in a private enterprise society, such as ours, depends on general economic conditions i.e., adequacy of market demand, or purchasing power, profits, other incentives, and the availability of capital on reasonable terms. more

It also depends on what are sometimes called "animal spirits" --- optimistic attitudes ive and [illegible] le of recent to move the new technological developments from laboratory to production line and distribution or service center. This is the process whereby a fully employed society becomes increasingly productive.

There is and will be no shortage of investment opportunities in the United States as long as our growing population is educated to a more abundant life. The rising industry of discovery flowing from our science and technology can foster a large and growing demand for goods and services, improved or new.

Education and technology can multiply new investment opportunities by opening up new products, services and demands, as well as training both young and old to participate effectively in the creation and utilization of these new products and services. There is no place for the theory or practice of economic stagnation in America because of inadequate demand.

technology -- to name some of them -- can and will play a useful complementary role.

But these are not likely to be fully effective in ending the five-year period of sluggishness without the catalytic and dynamic influence of a new tax policy designed for growth and competitive efficiency.

The acceleration of national economic growth requires the adoption of policies designed to increase aggregate demand so as to fully utilize available manpower and facilities in the framework of an already developed technology. But full employment is not enough. More rapid growth, as well as competitive effectiveness, also requires policies designed to increase the share of our national wealth and effort committed to expanding technology and capital formation. For it takes investment

The essential element of this program is a new tax policy, designed to eliminate an unduly heavy drag on purchasing power and demand -- to provide new incentives for investment and effort -- to encourage the utilization of new technology and facilities -- and to take a giant step towards a tax structure which interferes as little as possible with the operation of the free market mechanism while supplying the revenues necessary to our national security and accepted national needs.

Other economic programs -- the coordination of fiscal and monetary policies to encourage full employment and growth, the provision of adequate resources for improved education, manpower retraining, enlarged opportunities for youth, area redevelopment, and the removal of limitations on and encouragement of civilian

The overall economic program of this Administration goes to the core of the problem of growth and productivity in our type of national economy. It is designed to release and encourage the inherent expansionary forces in our great private enterprise economy preserving and strengthening the free market.

President Kennedy has said:

"I regard the preservation and strengthening of the free market as a cardinal objective of this or any Administration's policies. It is well to remind ourselves from time to time of the benefits we derive from the maintenance of a free market system. The system rests on freedom of consumer choice, the profit motive, and vigorous competition for the buyer's dollar."

the specific trends in tax policy which have been developed to meet this situation? What is their significance for the American economy of tomorrow?

The Current Role of Tax Policy

A tax program alone cannot bring us to our national goal of achieving an adequate rate of economic growth or a resurgent competitiveness in markets at home and abroad; it is only one element. But its relationship to the expansion of demand and investment in the private sector of our economy makes it the key to speeding econom growth in the Sixties. And the relationship of tax policy to the intensification of our civilian technology and its translation into new products and services and new and mor efficient processes for established products and services make trends in that policy an important element in increasing our competitive efficiency in markets at home and abroad.

failure of the economy to approach its potential.

With the exception of the depression, no period in this century has witnessed such a persistent under-utilization of productive resources in the United States.

These are some of the facts that have joined every major segment of our economy in a consensus that a mild and sporadic prosperity with no strong and substantia push forward in over five years is less than we require and less than we can accept.

Against this background of hard, cold fact why do new trends in tax policy constitute the very heart of this Administration s overall economic program to move America forward? Why was a tax program chosen as the most appropriate tool under the circumstances to meet the problem of slow growth which has cast a shadow over so many facets of our national future? What are at four percent a year in the 1947-57 tial.

period. [illegible] of the depression, no period

(c) the rate of increase in the production under-

of business equipment has fallen far ted States.

behind the rate of increase have joined every

industrial production, a consensus that

(d) there has been a startling rise in the substantial

proportion of our machinery and equipment quire

which is over ten years old, and

(e) between 1954 and 1960 there was a sharply do

decline in the rate of increase of heart of

productivity per worker and per hour to move

from that of the earlier postwar period. the

There have been deficits in the administrative budget in all save one of the last five years totalling $24.[illegible] bill ranging down from the $12.4 billion deficit of 1959, result primarily from an unanticipated recession, and the estimate

The primary key to this balance of payments problem, as well as being an important element in achieving maximum economic growth, ~~is~~ the addition to our national stocks of plant and equipment upon which our productivity, efficiency and competitiveness are ~~is~~ largely dependent. The last half decade brought these developments:

(a) a diminishing percentage of our gross national product has been devoted to business fixed investment and particularly important to producers' durable equipment,

(b) increases in our stock of business plant and equipment have proceeded at a substantially receding rate in recent years in relation to other areas of the economy and other periods, increasing by only two 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, a considerable improvement over the $3-1/2 to $4 billion annual imbalance that characterized the years 1958-1960. But this situation is still a serious 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.years

in relation to other areas of the economy

and other periods, increasing by only two

After 60 months of unemployment in excess of five percent, save for one month, the new year finds unemployment running over five and one-half 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.

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,

Recent Past Performance

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.

In the world in which you are living and must assume leadership, taxes are more than a personal nuisance or the support of useful public service. Federal, state and local taxes in the United States drain from the fruits of private activity approximately 27 percent of national income. The amount and the method of extraction of this significant fraction of the fruits of our collective effort affects importantly, in the words of a commentator, "that compendium of things, patterns, choices, institutions and principles we call a civilization."

But why is it -- you may ask -- that tax policy is suddenly so impottant? Why, for the first time in your generation is the Federal tax structure the central point of any discussion of domestic policy?

To answer that question we must look at the performance of the U. S. economy over the last five years with the end of the tragic waste of unemployment and unused resources -- the step-up of the growth and vigor of our national economy -- the increase in job and investment opportunities and the incentives to use them to the hilt -- the increase in our productivity -- and the strengthening of our national ability to meet the nation's worldwide commitments for the defense and growth of freedom.

No doubt, many of you are still skeptical. You may think of taxes, as many do in mid-April, as little more than a great nuisance, recalling philosopher Edmund Burke aphorism that "to tax and to please, no more than to love and be wise, is not given to men." Or, you may think in more kindly vein with Justice Oliver Wendell Holmes that "taxes are what we pay for civilized society."

Surveying the vast panorama of challenge facing the United States at the beginning of this year in his State of the Union Message, President Kennedy spoke concerning the enactment this year of a substantial reduction and revision in Federal income taxes: increase in our productivity -- and

Now is the time to act. We cannot meet the afford to be timid or slow. For this is and the most urgent task confronting the Congress in 1963." you are still skeptical. You may

It is also the consensus of view of most of our more experienced leaders of business, labor and finance that is the revision of our Federal tax system is crucial to to the achievement of our national goals in which you think the leaders of tomorrow have such an important stake -- that "taxes are what we pay for civilized society."

in harmony with, rather than restrained and distorted by our tax system.

Our competitive efficiency, determining our trade balance, will be the decisive factor in achieving a proper balance in our international payments, without giving up t[illegible] role and responsibility for leadership in Free World security and development that destiny has placed upon the United States. Tax policy may restrict or encourage flows of investment in new machinery on which our relative competitive efficiency is dependent in view of the disparit[illegible] of labor costs in the United States and its competitors

Some of you young Americans, who will inherit in a few short years the responsibilities for your times and the future, may think that this is an exaggerated view of the impo-tance of tax policy because of a parochial departmental interest and preoccupation.

active consideration.

The very type of society for the future -- whether it will push upward the levels of income of the whole populati as in the past -- whether it will be predominantly a free market society looking primarily to our great private ente sector of the economy for its inherent expansionary force or dependent largely for its stimulus on public expenditur -- depends in great measure upon the design, adoption and success of a tax policy for growth which our relative

Tax policy affects the adequacy of public expenditure for national security in the face of the communist threat and for the national needs of a rapidly growing population in a swiftly evolving society, becoming largely urban and industrial. These enlarged public needs depend for their support upon the increasing tax revenues available from an ever expanding, vigorous private economy, operatin active consideration. ... than restrained and distorted to

our The very type of society for the future -- whether it will push upward the levels of income of the whole populat as in the past -- whether it will be predominantly a free market society looking primarily to our great private ente sector of the economy for its inherent expansionary force or dependent largely for its stimulus on public expenditur -- depends in great measure upon the design, adoption and success of a tax policy for growth which our relative

Tax policy affects the adequacy of public expenditure for national security in the face of the communist threat and for the national needs of a rapidly growing population in a swiftly evolving society, becoming largely urban and industrial. These enlarged public needs depend for their support upon the increasing tax revenues available from an ever expanding, vigorous private economy, operatin

REMARKS OF THE HONORABLE HENRY H. FOWLER,
UNDER SECRETARY OF THE TREASURY, AT
POMONA COLLEGE, CLAREMONT, CALIFORNIA,
TUESDAY, APRIL 23, 1963, 11:00 A.M. (PST)

NEW TRENDS IN FEDERAL TAX POLICY AND THE SIGNIFICANCE FOR THE AMERICAN ECONOMY.

New trends in Federal tax policy have great significance for the American economy of tomorrow and the future. American college students have an extraordinarily important stake in this dull sounding subject — Federal tax policy. It may affect importantly the creation, availability, and nature of jobs for 26 million young people, ages 14 to 24, who will enter the labor force in the decade of the Sixties.

But more than jobs are at stake.

Our national strength — the rate of economic growth which is the base for our national security — will be affected by the outcome of the issues of tax policy under

D-829

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

The primary key to this balance of payments problem, as well as being an important element in achieving maximum economic growth, is the addition to our national stocks of plant and equipment upon which our productivity, efficiency and competitiveness are largely dependent. The last half decade brought these developments:

(a) a diminishing percentage of our gross national product has been devoted to business fixed investment and, particularly important to producers' durable equipment,

(b) increases in our stock of business plant and equipment have proceeded at a substantially receding rate in recent years in relation to other areas of the economy and other periods, increasing by only two percent a year since 1957, compared with four percent a year in the 1947-57 period.

(c) the rate of increase in the production of business equipment has fallen far behind the rate of increase in industrial production,

(d) there has been a startling rise in the proportion of our machinery and equipment which is over ten years old, and

(e) between 1954 and 1960 there was a sharp decline in the rate of increase of productivity per worker and per hour from that of the earlier postwar period.

There have been deficits in the administrative budget in all save one of the last five years totalling $24.3 billion, 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.

With the exception of the depression, no period in this century has witnessed such a persistent under-utilization of productive resources in the United States.

These are some of the facts that have joined every major segment of our economy in a consensus that a mild and sporadic prosperity with no strong and substantial push forward in over five years is less than we require and less than we can accept.

Against this background of hard, cold fact why do new trends in tax policy constitute the very heart of this Administration's overall economic program to move America forward? Why was a tax program chosen as the most appropriate tool under the circumstances to meet the problem of slow growth which has cast a shadow over so many facets of our national future? What are the specific trends in tax policy which have been developed to meet this situation? What is their significance for the American economy of tomorrow?

The Current Role of Tax Policy

A tax program alone cannot bring us to our national goal of achieving an adequate rate of economic growth or a resurgent competitiveness in markets at home and abroad; it is only one element. But its relationship to the expansion of demand and investment in the private sector of our economy makes it the key to speeding economic growth in the Sixties. And the relationship of tax policy to the intensification of our civilian technology and its translation into new products and services and new and more efficient processes for established products and services make trends in that policy an important element in increasing our competitive efficiency in markets at home and abroad.

The overall economic program of this Administration goes to the core of the problem of growth and productivity in our type of national economy. It is designed to release and encourage the inherent expansionary forces in our great private enterprise economy, preserving and strengthening the free market.

President Kennedy has said:

> "I regard the preservation and strengthening of the free market as a cardinal objective of this or any Administration's policies. It is well to remind ourselves from time to time of the benefits we derive from the maintenance of a free market system. The system rests on freedom of consumer choice, the profit motive, and vigorous competition for the buyer's dollar."

The essential element of this program is a new tax policy, designed to eliminate an unduly heavy drag on purchasing power and demand -- to provide new incentives for investment and effort -- to encourage the utilization of new technology and facilities -- and to take a giant step towards a tax structure which interferes as little as possible with the operation of the free market mechanism while supplying the revenues necessary to our national security and accepted national needs.

Other economic programs -- the coordination of fiscal and monetary policies to encourage full employment and growth, the provision of adequate resources for improved education, manpower retraining, enlarged opportunities for youth, area redevelopment, and the removal of limitations on and encouragement of civilian technology -- to name some of them -- can and will play a useful complementary role.

But these are not likely to be fully effective in ending the five-year period of sluggishness without the catalytic and dynamic influence of a new tax policy designed for growth and competitive efficiency.

The acceleration of national economic growth requires the adoption of policies designed to increase aggregate demand so as to fully utilize available manpower and facilities in the framework of an already developed technology. But full employment is not enough. More rapid growth, as well as competitive effectiveness, also requires policies designed to increase the share of our national wealth and effort committed to expanding technology and capital formation. For it takes investment to move the new technological developments from laboratory to production line and distribution or service center. This is the process whereby a fully employed society becomes increasingly productive.

There is and will be no shortage of investment opportunities in the United States as long as our growing population is educated to a more abundant life. The rising industry of discovery flowing from our science and technology can foster a large and growing demand for goods and services, improved or new.

Education and technology can multiply new investment opportunities by opening up new products, services and demands, as well as training both young and old to participate effectively in the creation and utilization of these new products and services. There is no place for the theory or practice of economic stagnation in America because of inadequate demand.

But, education to utilize or participate in the production and distribution of new goods and services needs capital formation for practical application and translation into plants and jobs. Investment opportunities must be translated into reality to be meaningful.

Sometimes there are great lags in the pace of capital formation and investment in taking advantage of investment opportunities. The degree of lag between technological development and investment in a private enterprise society, such as ours, depends on general economic conditions, i.e., adequacy of market demand, or purchasing power, profits, other incentives, and the availability of capital on reasonable terms.

It also depends on what are sometimes called "animal spirits" -- optimistic attitudes.

Public policies play an important part in providing the type of economic climate in which this system will work to advantage. Budgetary policies, debt management, monetary policy all play a role in the scheme of things. Private policies by management and labor can affect the general economic climate for better or worse. Also, buyer and investor confidence can be of decisive importance.

But in a society where a large percentage of the annual income is drawn off by government -- national, state and local -- a tax policy designed to promote growth is fundamental if the lags between invention and investment are to be minimized.

There are many who urge that growth could be more surely achieved by a massive increase in Federal expenditures well beyond the limits and scale of recent budgets. But the performance of the overall economy during the past five years, when there have been substantial increases in Federal, state and local expenditures, did not suggest that increased public expenditures would give the vigor needed to our economy, <u>unless</u> there was also a dynamic growth in the private sector.

The Federal requirements for national security and domestic civilian services at the Federal level will have increased the administrative budget by $27.4 billion in the six years ending with the fiscal year 1964. This substantial trend upwards in Federal expenditures has been characteristic of both Republican and Democratic administrations as they sought to respond to the requirements of national security and domestic needs.

In the three fiscal years 1959-1961 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 $4.9 billion to remaining programs -- minus $.1 billion for allowances and adjustments. The increase in administrative budget expenditures for the three fiscal years 1962 through 1964 will amount to $17.3 billion. Twelve point four billion dollars, or nearly 72 percent, of this total represents increases in defense, space and interest, while $4.5 billion represents increases in all remaining programs -- leaving $.4 billion for allowances and adjustments.

Increases in state and local governmental expenditures during the same six-year period will add approximately $26 billion to the total of public expenditures.

These substantial increases in public expenditures, approaching $50 billion, after allowing for intergovernmental transfers, in the interval of six years -- supplied for the primary purpose of discharging governmental responsibilities -- had the incidental effect of supplying jobs and adding to the gross national product through contracts, salaries, purchases, pensions, grants-in-aid, etc. But these increased expenditures were not enough to produce an adequate rate of economic growth. Only a healthy, expanding, private sector could meet that national need in our system.

And, since 1957, gross private domestic investment is the one major component of economic activity which has shown no upward trend. It did not return to its 1955 peak of $75 billion (in 1962 prices) until 1962 -- when real gross national product had risen by 21 percent.

The President decided against reliance on massive increases in Federal expenditure because he felt that "In today's setting private consumers, employers and investors should be given a full opportunity first."

A decision was taken to use tax policy to seek expansion through our free market process by placing increased spending power in the hands of consumers and investors and offering more incentive to private investment interests.

There was another alternative -- the increased use of credit and monetary tools in an attempt to provide sustained economic growth through 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 policy to meet the problem of slow growth and decreasing competitiveness was to expand demand and unleash investment incentives through tax policy.

Specific Trends in Tax Policy

During the first year of the present Administration, a reasonably satisfactory recovery and expansion from the recession gave hope that the nation was breaking the grip of slow growth and below capacity operations. Under those circumstances, President Kennedy gave first priority to the adoption of 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 adopted a new test that permits a businessman to fix his preferred life for machinery and equipment, provided only that his actual replacement pattern conforms to his estimate in a reasonable period of time.

The investment tax credit reduces current 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.

There were other significant trends in tax policy in 1961-62. The tax proposals in the President's first Message in April 1961 included recommendations designed to offset the tax reductions offered to stimulate the economy through the investment tax credit by some revenue producing measures designed to eliminate deficits, inequities and weaknesses in the law.

The Congress responded with the Revenue Act of 1962, containing both the investment tax credit and significant reform provisions in almost all the areas recommended by the President -- in all nearly a billion dollars of revenue raising reforms to match roughly the revenue lost by the investment credit.

A significant first step in the revision of the tax structure was accomplished.

In his first Tax Message the President had directed the Secretary of the Treasury, building on tax studies of the Congress, to undertake the preparation of a comprehensive tax reform program to follow "the first though urgent" step.

Before these studies by the Treasury Department, inaugurated in an atmosphere of economic recovery, were completed, new developments changed the picture.

At the outset of 1962, after nine months of rapid recovery, the expansion slackened. Between the fourth quarter of 1961 and 1962 the gross national product rose barely enough to permit the nation to hold its own on rates of unemployment, profits and capital use. The overriding lesson of this 1962 slowdown was that the pattern of slow growth since 1957 rather than the temporary spurt in 1961 was the true measure of our economic problem.

Despite a break in the stock market and considerable pressure for an emergency temporary tax cut, it was determined in the summer of 1962 that the right approach was a permanent basic reform and reduction in our tax rate structure that would include a substantia net tax reduction and long needed structural reforms demanded by logic and equity. The position was clearly taken that our tax rates are so high as to weaken the very essence of the progress of a free system, incentive for additional return for additional effort. It was also recognized that the level of present taxes constituted a drag on recovery and growth, because during the expansion while Federal purchases were adding $7 billion to the economy Federal taxes were siphoning out $12 billion.

The stage was set for the second major phase of forging new trends in tax policy. In January 1963 the President in his State of the Union Message made a new tax program the number one legislative objective for 1963.

This tax program is based on the principle that there is clear need for tax policy changes that will further increase demand and investment for growth. 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."

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 individual and corporate income and capital gains 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 individual 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 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 second part of the President's program is to provide additional direct incentives for investment by increasing the rate of return or profit after corporate 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 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 of capital markets, and providing a higher net return on profitable investment.

In summary, the basic 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 -- lifting the repressive weight of tax rates imposed partly to constrain war and early postwar inflationary pressures -- and now arresting growth.

The major reform in this tax program is the large reduction in tax rates. The cost of rate reduction is $13.6 billion per annum when fully effective in 1965.

In addition, some structural changes are proposed which would lose additional revenue. Some of these are substantial enough to be noted. Two are designed to rectify special hardships from taxes on the very poor and the elderly; a much greater percentage of these disadvantaged groups have become subject to the heavy weight of Federal income taxation, as war and postwar inflation have escalated subsistence level incomes into substantial tax liability areas in the lower brackets. The third structural change meets another hardship which rate reduction also cannot solve -- that faced by the person with sharply fluctuating yearly income. The application of an averaging formula applicable to all would give fairer treatment to those with sharp fluctuations in yearly income such as authors, artists, actors, athletes, some ranchers, some fishermen, some farmers some architects and some individual business proprietors. A fourth structural change involving additional revenue loss is aimed at meeting the hardship experienced by persons who must incur moving expenses for themselves and their families as a consequence of change of employment. This burden can be severe and places an undesirable restriction on labor mobility.

In sum, this group of structural reforms would involve a revenue cost of $740 million meeting some of the persistent and well-founded complaints regarding hardships, resulting not only from the present rate scale but from the operation of the tax structure even under a reasonable rate scale.

To help meet the cost of rate reduction and these structural changes to meet particular hardships -- totalling $14.4 billion other structural changes -- broadening the base of taxation, eliminating or the 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 when fully effective in 1965 at $10.3 billion per year.

Without any new tax program, the projected budget for the fiscal year 1964 would face the nation with an estimated deficit of $9.2 billion. This deficit results from two factors -- the failure of the economy to expand to a full employment level and the compelling necessity -- for our national security -- to augment sharply in the last three years 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 figures on Federal expenditures in the administrative budgets cited earlier reveal that these increased needs -- defense, space and interest on the debt -- account for approximately 72 percent of the increase in the budget expenditures in the fiscal years 1962-64.

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, Viet Nam, Laos and Berlin -- is that the price of going forward this year with a tax reduction in the context of a balanced budget will be a substantial reduction in our defense and space programs.

The President refused to cut into essential national security and space needs or to postpone a tax program needed to move the economy out of its slow growth pattern. This situation gave tax policy a new dimension -- the need to coordinate it carefully into an overall financial plan. The principal objective of this phase of tax policy was to exercise great care so that the actual revenue losses from reduction in tax liabilities would be handled in a fiscally responsible manner to keep the deficit within prudent bounds. The tax program was designed to meet this requirement in two ways:

> First, the rate reductions are staged over three years, commencing in 1963, so that, taking into account the feedback from increased economic activity resulting from the tax cut, the addition to the 1964 fiscal year deficit would be only $2.7 billion, and
>
> Second, it included a stress upon the fiscal importance, as well as reasons of tax policy, for combining rate reduction with some structural changes broadening the tax base and accelerating tax collection of the larger corporations, which would keep revenue losses from rate reduction at reasonable levels during the period of deficit.

But a careful and controlled approach to revenue losses was only one side of the picture. The other requirement was the coordination of expenditure policy with the inauguration of the new tax program. The President and the Budget Director have stressed three aspects of this coordination:

1. Civilian expenditures will be firmly controlled, and in the 1964 budget expenditure projections have been reduced;

2. Barring an unexpected worsening of the cold war situation, the rate of increases in defense and space expenditures, characterizing the three years 1962-64, should begin to slow down as the nation reaches a new plateau of readiness and achievement in these vital areas; and

3. As the President stated in his Budget Message, "As the tax cut becomes fully effective and the economy moves toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit."

The Significance of these Trends in
Tax Policy for the American Economy.

The significance of these new trends in tax policy for the American economy depends upon their acceptance, their effectiveness, and their continued adaptation and utilization.

The investment tax credit in the Revenue Act of 1962 and the administrative liberalization of depreciation allowances have been accepted as law and have been well received. The combined effect of these two measures which became effective, for the first time, in July and October of 1962, cannot yet be fully assessed.

For the first time in many years, these changes place investment in new equipment in the United States -- so far as taxes are a factor -- on a basis roughly comparable to that in other industrialized countries. Already, however, sharply increased business appropriation for investment and forecasts of a rising trend of outlays this year indicate that these tax policies are playing a significant part in the move toward growth and increased efficiency. The resulting benefits of these changes in tax policy 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 stimulate investment for modernization and growth. They will give science and technology a broader opportunity to contribute to overall economic growth through both increased capacity and productivity.

Continued utilization and adaptation of these elements of tax policy will insure that the tax system will not become either a passive deterrent or an inactive stimulant to investment in capital equipment -- a main source of growth and competitive efficiency.

Other provisions of the Revenue Act of 1962, designed to correct abuses (the expense account and the failure to pay tax on interest and dividends) or to eliminate undue preferences (tax treatment of foreign income, special privileges for cooperative operations, mutual lending institutions and mutual fire and casualty companies) mark a real beginning. In reversing the process that has led to the maintenance of a high rate structure and increasing preferential treatment, they embody legislative and public recognition of the fact that whenever one taxpayer is permitted to pay less someone else must be asked to pay more.

The significance of the other major trends of tax policy will depend upon whether they become law or established public policy by the acceptance at this session of Congress of basic elements of the

Today this program is only a set of proposals advanced by the President and the Treasury; they depend for their acceptance upon the will of the Congress as its members reflect the opinion of their constituencies. As you know, public hearings have been completed before the House Ways and Means Committee, the tax writing committee of the House. For some weeks members of this expert and experienced body will sit in executive session considering whether to report a bill and, if so, what its contents should be. I would not predict the outcome of their deliberations or the future of tax legislation.

I do wish to underscore the continued conviction of this Administration that the national interest requires the enactment this year of the best possible bill incorporating tax reduction and reform that the experienced and informed legislators in the Congress can produce. We will drive for decisive action in 1963 whether business this spring and summer is good or bad. The program that we proposed was, in our judgment, the best one at the time. But, as is always the case with tax legislation, there is room for improvement and dogmatism is a vice and not a virtue. Hence, any opportunity to improve on the proposals will always be welcome.

In the meantime, absent any expression of definitive legislative action on the President's tax proposals, let us appraise their significance for the U. S. economy should they be adopted along the general lines proposed.

<u>First, the program would result in a significant economic stimulus</u>. That economic stimulus will proceed along four principal channels:

-- Individuals will receive larger after-tax incomes, part of which will be saved but by far the major part -- over 90 percent -- will be spent for consumer goods and services. Such additional spending, amounting to $8.5 billion of consumer purchasing power, will, in turn, add further to incomes, leading to higher spending and another round of increase in incomes, in a continuing process known as the "multiplier effect."

-- Increased consumption will induce increased investment in both inventories and plant capacity and there will be increased requirements for residential construction. This is the so-called "accelerator effect."

-- Business investment will be further stimulated by individual and corporate tax reductions, which will provide more funds for investment and raise after-tax profitability of new capital outlays. Taken together with last year's depreciation reform and investment tax credit, corporate tax liabilities will be reduced $4.5 billion and the profitability of new investment will be increased by nearly 30 percent. The pervasive, favorable effects of the tax cuts on business and consumer confidence and expectations, steadier employment, and attractive opportunities to exploit more rapidly growing consumer markets all will be major sources of encouragement to private spending. A more dynamic economy will spur technological innovations and the introduction of new products.

-- The enlarged investment spending will itself have a "multiplier" effect, since it will generate higher incomes which will in turn expand consumer spending.

Thus, the program is an appropriately balanced one. The impact on consumer demand will interact with the impact on investment incentives to produce a far greater total addition to incomes and GNP than if the thrust of the tax program was concentrated on one or the other impact alone.

Second, the repressive weight of current high tax rates on the private economy will be removed as a part of our permanent tax structure. The high individual income tax rates, ranging from 20 to 91 percent, sweep too much out of private hands in relationship to our gross national product, so that consumer demand is throttled down in periods of recovery. The rate structure means high marginal tax rates that deter incentive, risk-taking and profit effort. The corporate tax rate, at 52 percent, unduly limits the profitability of corporate investment, making government the greater partner in the enterprises subject to the highest rates.

Third, additional revenues will be available to the states and localities at existing tax rate levels, as a result of a higher scale of economic activity, thereby enabling them to finance increasing state and local public needs with the minimum increased burden of higher rates of state and local tax.

Fourth, the thirty-year policy of increasing tax rates on income in war and emergency -- and then allowing them to become fixed -- will have been set aside by reason of a national conviction, embodied into the tax code, that the current level of tax rates on income holds back the growth of our private economy, invoking the law of diminishing returns.

Fifth, national tax policy would incorporate as the primary objective of income tax reform the reduction in tax rates without sacrificing revenues required for responsible financing of government -- the design of the future would be the provision of necessary revenues at the lowest level of tax rates, rather than the opening of more "loopholes" in the existing structure.

Sixth, national tax policy would have arrested and reversed the process of eroding the tax base by allowing special preferences and privileges for certain groups of taxpayers able to pay their share of taxes, which are not likely to be enjoyed by their fellow taxpayers. A tax structure moving to lower levels of individual and corporate rates will be more resistant to devices whereby financially able taxpayers escape or minimize their share at the expense of fellow taxpayers. The practicality and desirability of combining rate reduction with base broadening reform that moves toward a more uniform distribution of the tax burden will have been established.

Seventh, the opportunities for the exercise of tax policy as a key weapon in the arsenal of fiscal policy -- to be used as an alternate to or along with Federal expenditures -- will have been broadened. Action this year on the policy premises proposed embraces the proposition that desirable reductions in income tax rates need not be confined to periods of budget balances or surpluses, providing that prudent policy of allocating a substantial share of the increasing revenues resulting from normal or stimulated growth to closing the deficit is faithfully followed by disciplined control over increased expenditures.

Eighth, the nation will have reincorporated in its tax system a reassuring allegiance to the principle of rewards -- the leaving of increased percentages of income to remain after taxes with those who invest additional effort and capital in economic activity as a means of spurring growth -- the profit motive, personal and corporate, will be recognized and invigorated. As President Kennedy 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."

It is the belief of those who put forward and support these proposals that they will strengthen the economy. They believe that the returns from them will more than pay for the revenues lost in a few short years and provide a much larger measure of job opportunities, national income and national strength and competitiveness than would result from the maintenance of a status quo.

These trends in tax policy are based on a confidence in the private enterprise system. In one vital respect, mounting an effective effort against high tax rates -- this program will be a major step toward reinvigorating the strengths and drives of that private sector.

Much else in the way of complementary policies -- public and private - exercised by management, labor unions and government at all levels -- may be necessary.

But the nation will have embarked on the essential task of up-dating our tax system to the challenge of the Sixties -- to the end that private economy can grow and prosper at a faster rate, fast enough to provide jobs for our citizens and the ever increasing standard of living for all who will work for it.

We will have further adapted our tax system to another challenge · external competition -- so that it will no longer be the handicap it has been to U. S. based producers in meeting and living with the competitive thrust of vigorous competitors in Europe and Japan. This adaptation should better enable the nation to continue to play its leading role in Free World security and development, without being forced to retreat because of an inability to achieve a balance of payments through an adequate trade surplus or the flow of capital into a dynamic economy.

Finally, the adaptation of our tax system to the achievement of more rapid growth and effective competitiveness will exemplify our continued determination to maintain the relative level of national strength that is the base of our national security. It is an essential part of a national answer to Chairman Khrushchev's asserted belief that

> "Development of Soviet economic might will give communism a decisive edge in the international balance of power."

Far more then is at stake in current tax policy than a selfish scramble as to who pays taxes. The shape and direction of the American economy for years to come hangs in the balance on tax policy decisions just ahead.

oOo

that there are times when the democratic process ~~does~~ not give its officials a free choice in such matters.

I wish you all every success in your deliberations, for upon your wisdom, your initiative, and your dedication to the goals of the Alliance for Progress depends the outcome of the massiv effort in which we are all engaged -- to realize for even the least privileged of ourpeople the spiritual and material fruits of the vast promise that is America's.

0000000000000

difficulties one inevitably encounters in attempting to bring about fundamental changes in whole societies. For your part, I am encouraged by the increasing realization throughout Latin America that the origins of the Alliance are essentially Latin American -- and that the extent of your own domestic efforts will, in the long run, determine the external resources which can be made available and successfully utilized.

The realization of the goals of the Alliance is a formidable task. Yet as President Kennedy said in his recent message to Congress on the foreign aid program, "the achievements of the Alliance for Progress in the coming years will be the measure of our determination, our ideals, and our wisdom".

Before ending these brief remarks, I want to say again how sorry I am that commitments to our Congress require me to leave this afternoon. I know you will understand, however, With regard to the overall effort of the Alliance for Progress, I think there is much to encourage us. I am particularly happy that some of our mutual friends in Europe are coming to realize the need to join with Latin America in its struggle for development. The funds that the Bank has raised in Italy, and the recent announcement of a significant contribution by France to the development of our great neighbor, Mexico, are good auguries for the future. As I have repeatedly said at so many Inter-American meetings, it is both logical and imperative that the prospering countries of Western Europe or ~~and~~ Japan, join more strongly in the great and challenging task of helping Latin America to grow and prosper. //

Looking back at the Mexico City meeting of the Inter-American Economic and Social Council last October, I think we all agree that it was helpful to all of us in realistically assessing the achievements and the failures of the Alliance thus far. For our part, we have a greater appreciation of the utilization of the resources made available to it. We look to it, as the principal financial institution of the Inter-American organization, to break the trail, to provide leadership in showing the way to the economic and social development of Latin America. // — pause

I have repeatedly expressed my own high opinion of the Bank's management, and I congratulate it on its successful flotation on the U.S. capital market of a $75 million bond issue. Additional evidence of our confidence in the Bank is the request we have made to our Congress to authorize U.S. support of a substantial enlargement of the Bank's resources, including a $1 billion increase in callable capital, a one-year expansion of the Fund for Special Operations by $73 million, and a replenishment of the resources of the Social Progress Trust Fund, which the Bank has managed so well. We look forward to working with the Bank during the coming year to develop a program for the further replenishment of its resources.

arrive tomorrow evening to serve as head of the United States delegation. In the meantime, my close personal associate, Mr. John Bullitt, the Assistant Secretary of the Treasury for International Affairs, will lead our delegation. I am also ~~pleased~~ happy to be able to inform you that yourold friend Teodoro Moscoso, United States Coordinator of the Alliance for Progress, who was detained in Washington by illness, will arrive to join you tonight.

Mr. Bell has worked closely with President Kennedy since the start of his administration. Before becoming the AID Administrator he served as Director of the Budget. He has also had a great deal of first hand experience in the development of national economies and enjoys the full confidence of the President. I know that he is anxious to learn more about the Bank's problems and progress and is looking forward to meeting all of you personally in many cases for the first time.

As Mr. Bell will emphasize when he speaks for the United States on Thursday, we believe that the Bank can and should continue to play a central and an essential role in the Alliance for Progress. We look to the Bank for vigorous and efficient beautiful setting on the shores of the Caribbean. We all owe a vote of thanks to the Government and to the people of Venezuela for making these admirable facilities available to us. And I am confident that all of you will join with me in expressing admiration for the manner in which Venezuela, under the leadership of her great President, Romulo Betancourt, is advancing so heroically toward the very same goals of prosperity and social justice to which the Bank is dedicated.

Our faith in the Bank's increasingly important role in the growth of this Hemisphere is underscored by the calibre of the United States delegation to this meeting, which includes key representatives of both the Executive and Legislative branches of my Government. Mr. David Bell, who was appointed only last January by President Kennedy as Administrator of the Agency for International Development -- the AID agency -- and who is also the permanent United States Alternate Governor of the Bank, will the past year, and his hopes and best wishes for its continued success.

I am sure that all of you were impressed, as I was, to hear the report on the Bank's achievements for the past year, and the ~~takx~~ tasks that lie ahead, which has just been so eloquently delivered by President Felipe Herrera. His presentation makes it amply clear why the Bank, in the two and a half short years of its actual operation has earned a reputation for sound administration and imaginative and effective action which is as enviable as it is well deserved.

It has been my privilege to attend all four of the Bank's annual meetings, and I regret that it will not be possible for me to remain for the entire meeting this year. ~~since~~ But I must be in Washington tomorrow morning to discuss with our Congress pending legislation of major importance. My regret is reinforced by the fact that we are meeting in such an extraordinarily

REMARKS OF THE HONORABLE
DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
DURING THE FOURTH ANNUAL MEETING OF THE
INTER-AMERICAN DEVELOPMENT BANK
CARACAS VENEZUELA
TUESDAY APRIL 23, 1963

I feel very much at home here today, for it is always a pleasure to renew old friendships -- especially when the many friends I see around me are dedicated, as are we, to raising the level of social and economic progress of a whole continent within the framework of free and liberal democracy. I welcome this opportunity to say a few words of what is in my heart and on my mind when I contemplate the Inter-American Development Bank and its work. As you know, the United States Alternate Governor of the Bank Mr. David Bell, will formally outline the U.S. views when he speaks on Thursday.

But first of all, I take great pleasure in delivering a message; Before I left Washington, President Kennedy asked me to convey to you his full and active support for the Inter-American Development Bank, his admiration for its progress during

REMARKS OF THE HONORABLE
DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
DURING THE FOURTH ANNUAL MEETING OF THE
INTER-AMERICAN DEVELOPMENT BANK
CARACAS, VENEZUELA
TUESDAY, APRIL 23, 1963

I feel very much at home here today, for it is always a pleasure to renew old friendships -- especially when the many friends I see around me are dedicated, as are we, to raising the level of social and economic progress of a whole continent within the framework of free and liberal democracy. I welcome this opportunity to say a few words of what is in my heart and on my mind when I contemplate the Inter-American Development Bank and its work. As you know, the United States Alternate Governor of the Bank, Mr. David Bell, will formally outline the U. S. views when he speaks on Thursday.

But first of all, I take great pleasure in delivering a message: Before I left Washington, President Kennedy asked me to convey to you his full and active support for the Inter-American Development Bank, his admiration for its progress during the past year, and his hopes and best wishes for its continued success.

I am sure that all of you were impressed, as I was, to hear the report on the Bank's achievements for the past year, and the tasks that lie ahead, which has just been so eloquently delivered by President Felipe Herrera. His presentation makes it amply clear why the Bank, in the two and a half short years of its actual operation has earned a reputation for sound administration and imaginative and effective action which is as enviable as it is well deserved.

It has been my privilege to attend all four of the Bank's annual meetings, and I regret that it will not be possible for me to remain for the entire meeting this year. But I must be in Washington tomorrow morning to discuss with our Congress pending legislation of major importance. My regret is reinforced by the fact that we are meeting in such an extraordinarily beautiful setting on the shores of the Caribbean. We all owe a vote of thanks to the Government and to the people of Venezuela for making these admirable facilities available to us. And I am confident that all of you will join with me in expressing admiration for the manner in which Venezuela, under the leadership of her great President, Romulo Betancourt, is advancing so heroically toward the very same goals of prosperity and social justice to which the Bank is dedicated.

Our faith in the Bank's increasingly important role in the growth of this Hemisphere is underscored by the calibre of the United States delegation to this meeting, which includes key representatives of both the Executive and Legislative branches of my Government. Mr. David Bell, who was appointed only last January by President Kennedy as Administrator of the Agency for International Development -- the AID Agency -- and who is also the permanent United States Alternate Governor of the Bank, will arrive tomorrow evening to serve as head of the United States delegation. In the meantime, my close personal associate, Mr. John Bullitt, the Assistant Secretary of the Treasury for International Affairs, will lead our delegation.

Mr. Bell has worked closely with President Kennedy since the start of his administration. Before becoming the AID Administrator he served as Director of the Budget. He has also had a great deal of first hand experience in the development of national economies and enjoys the full confidence of the President. I know that he is anxious to learn more about the Bank's problems and progress and is looking forward to meeting all of you personally in many cases for the first time. I am also happy to be able to inform you that your old friend Teodoro Moscoso, United States Coordinator of the Alliance for Progress, who was detained in Washington by illness, will arrive to join you tonight.

As Mr. Bell will emphasize when he speaks for the United States on Thursday, we believe that the Bank can and should continue to play a central and an essential role in the Alliance for Progress. We look to the Bank for vigorous and efficient utilization of the resources made available to it. We look to it, as the principal financial institution of the Inter-American organization, to break the trail, to provide leadership in showing the way to the economic and social development of Latin America.

I have repeatedly expressed my own high opinion of the Bank's management, and I congratulate it on its successful flotation on the U. S. capital market of a $75 million bond issue. Additional evidence of our confidence in the Bank is the request we have made to our Congress to authorize U. S. support of a substantial enlargement of the Bank's resources, including a $1 billion increase in callable capital, a one-year expansion of the Fund for Special Operations by $73 million, and a replenishment of the resources of the Social Progress Trust Fund, which the Bank has managed so well. We look forward to working with the Bank during the coming year to develop a program for the further replenishment of its resources.

With regard to the overall effort of the Alliance for Progress, I think there is much to encourage us. I am particularly happy that some of our mutual friends in Europe are coming to realize the need to join with Latin America in its struggle for development. The funds that the Bank has raised in Italy, and the recent announcement of a significant contribution by France to the development of our great neighbor Mexico, are good auguries for the future. As I have repeatedly said at so many Inter-American meetings, it is both logical and imperative that the prospering countries of Western Europe and Japan, join more strongly in the great and challenging task of helping Latin America to grow and prosper.

Looking back at the Mexico City meeting of the Inter-American Economic and Social Council last October, I think we all agree that it was helpful to all of us in realistically assessing the achievements and the failures of the Alliance thus far. For our part, we have a greater appreciation of the difficulties one inevitably encounters in attempting to bring about fundamental changes in whole societies. For your part, I am encouraged by the increasing realization throughout Latin America that the origins of the Alliance are essentially Latin American -- and that the extent of your own domestic efforts will, in the long run, determine the external resources which can be made available and successfully utilized.

The realization of the goals of the Alliance is a formidable task. Yet as President Kennedy said in his recent message to Congress on the foreign aid program, "the achievements of the Alliance for Progress in the coming years will be the measure of our determination, our ideals, and our wisdom."

Before ending these brief remarks, I want to say again how sorry I am that commitments to our Congress require me to leave this afternoon. I know you will understand, however, that there are times when the democratic process does not give its officials a free choice in such matters.

I wish you all every success in your deliberations, for upon your wisdom, your initiative, and your dedication to the goals of the Alliance for Progress depends the outcome of the massive effort in which we are all engaged -- to realize for even the least privileged of our people the spiritual and material fruits of the vast promise that is America's.

oOo

FOR IMMEDIATE RELEASE   April 24, 1963

TREASURY ANNOUNCES $9.5 BILLION MAY 15 REFUNDING

The Treasury is offering holders of Treasury securities maturing May 15, aggregating $9,495 million, the right to exchange them for any of the following securities:

A 3-1/4% Treasury Certificate of Indebtedness of Series B-1964, to be dated May 15, 1963, and to mature May 15, 1964, at par; or

An additional amount of 3-5/8% Treasury Notes of Series B-1968, dated May 15, 1962, and maturing February 15, 1968, of which $2,380 million are now outstanding, at par and accrued interest from February 15 to May 15, 1963.

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

$5,284 million of 3-1/4% Treasury Certificates of Indebtedness of Series B-1963, dated May 15, 1962,

$1,183 million of 4% Treasury Notes of Series B-1963, dated April 1, 1959, and

$3,027 million of 3-1/4% Treasury Notes of Series D-1963, dated May 15, 1961.

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

The subscription books will be open only on April 29 through May 1 for the receipt of subscriptions. Subscriptions for either issue addressed to a Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States, s placed in the mail before midnight, May 1, will be considered as timely. The pay ment and delivery date for the new securities will be May 15, 1963. The new cer tificates of indebtedness will be available only in bearer form. The new notes will be made available in registered as well as bearer form. All subscribers re questing registered notes 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% certificate will be payable on November 15, 1963, and May 15, 1964. Interest on the 3-5/8% notes is payable on February 15 and August 1

D-830

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE April 24, 1963

TREASURY ANNOUNCES $9.5 BILLION MAY 15 REFUNDING

The Treasury is offering holders of Treasury securities maturing May 15, aggregating $9,495 million, the right to exchange them for any of the following securities:

A 3-1/4% Treasury Certificate of Indebtedness of Series B-1964, to be dated May 15, 1963, and to mature May 15, 1964, at par; or

An additional amount of 3-5/8% Treasury Notes of Series B-1966, dated May 15, 1962, and maturing February 15, 1966, of which $2,380 million are now outstanding, at par and accrued interest from February 15 to May 15, 1963.

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

$5,284 million of 3-1/4% Treasury Certificates of Indebtedness of Series B-1963, dated May 15, 1962,

$1,183 million of 4% Treasury Notes of Series B-1963, dated April 1, 1959, and

$3,027 million of 3-1/4% Treasury Notes of Series D-1963, dated May 15, 1961.

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

The subscription books will be open only on April 29 through May 1 for the receipt of subscriptions. Subscriptions for either issue addressed to a Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States, and placed in the mail before midnight, May 1, will be considered as timely. The payment and delivery date for the new securities will be May 15, 1963. The new certificates of indebtedness will be available only in bearer form. The new notes will be made available in registered as well as bearer form. All subscribers requesting registered notes 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% certificate will be payable on November 15, 1963, and May 15, 1964. Interest on the 3-5/8% notes is payable on February 15 and August 15.

D-830

oOo

Estimated Ownership of May 15, 1963 Maturities
as of March 31, 1963

(In millions of dollars)

	3-1/4% Cert.	4% Note	3-1/4% Note	Total
Commercial banks	1,130	505	1,450	3,085
Mutual savings banks	19	47	15	81
Insurance companies:				
Life	4	2	3	9
Fire, casualty and marine	60	25	30	115
Total, insurance companies	64	27	33	124
Corporate pension funds	30	15	10	55
Corporations	550	50	75	675
Savings & loan associations	40	20	60	120
State & local governments	450	45	200	695
All other private investors	444	415	347	1,206
Total, privately held	2,727	1,124	2,190	6,041
Federal Reserve banks and Government Investment Accounts	2,558	60	836	3,454
Total outstanding	5,284	1,183	3,027	9,495

Office of the Secretary of the Treasury — April 24, 1963

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

OPTIONAL FORM NO. 10
5010-104

UNITED STATES GOVERNMENT

Bob Chambers

247

Memorandum

SCM OD

FYI

TO : Mr. Roy Cahoon

DATE: April 25, 1963

FROM : Evan Hannay EBH 5897
OIA

SUBJECT: Press Release

The various U.S. Departments and Offices concerned have agreed that the Treasury Department should make a press release as indicated below, as soon as word is received from the Tariff Commission staff confirming that the Tariff Commission will make public today, an announcement of its intention to hold hearings concerning a proposed 6th Supplementary Report to Congress on the Revised Tariff Schedules. Mr. Trued and Mr. Hendrick have cleared the following text. Will you, therefore, prepare to ~~issue the following release tomorrow morning, but do not make the release until you have heard from my office that the Tariff Commission has made its announcement?~~

Immediate Release

April 26, 1963

"The Treasury Department announced today that the Revised Tariff Schedules of the United States, which were authorized in the Tariff Classification Act of 1962, will not be made effective before the end of August at the earliest. Due notice will be given concerning the effective date."

cc: Mr. Hendrick
Mr. Kempe
Mr. Bullitt
Mr. Trued
Mr. Rains
Mr. Willis
Mr. Diehl

TREASURY DEPARTMENT

WASHINGTON, D.C.
April 26, 1962
~~December 3, 1962~~

FOR IMMEDIATE RELEASE

Announcement Concerning
EFFECTIVE DATE OF NEW
TARIFF SCHEDULES [redacted]

The new United States tariff schedules provided for in the Tariff Classification Act of 1962 will not go into effect on January 1, 1963, as originally planned.

The decision to delay the effective date of the new schedules was reached on an inter-agency level, with representation by the Departments of State, Treasury, Defense, Interior, Agriculture, Commerce and Labor.

The date on which they will be made effective will be announced later.

oOo

D-831
~~D-686~~

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 26, 1963

FOR IMMEDIATE RELEASE

ANNOUNCEMENT CONCERNING EFFECTIVE DATE
OF NEW TARIFF SCHEDULES

The Treasury Department announced today that the Revised Tariff Schedules of the United States, which were authorized in the Tariff Classification Act of 1962, will not be made effective before the end of August at the earliest. Due notice will be given concerning the effective date.

oOo

D-831

250

D-8

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 30, 1963.

April 29, 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 January 31, 1963, and the other series to be dated May 2, 1963, which were offered on April 24, were opened at the Federal Reserve Banks on April 29. 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 August 1, 1963		182-day Treasury bills maturing October 31, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.274	2.872%	98.494 a/	2.979%
Low	99.266	2.904%	98.488	2.991%
Average	99.268	2.898% 1/	98.489	2.988% 1/

a/ Excepting one tender of $500,000
78 percent of the amount of 91-day bills bid for at the low price was accepted
83 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 24,251,000	$ 14,251,000	$ 19,342,000	$ 4,342,000
New York	1,507,966,000	909,246,000	1,350,575,000	644,376,000
Philadelphia	29,746,000	14,746,000	8,333,000	3,333,000
Cleveland	21,948,000	21,948,000	19,602,000	8,577,000
Richmond	11,938,000	11,938,000	10,672,000	5,682,000
Atlanta	28,052,000	25,041,000	7,127,000	5,925,000
Chicago	206,224,000	133,684,000	109,835,000	53,606,000
St. Louis	31,191,000	24,191,000	10,413,000	8,413,000
Minneapolis	18,280,000	12,840,000	7,566,000	5,066,000
Kansas City	29,762,000	27,071,000	10,444,000	7,810,000
Dallas	23,826,000	17,386,000	9,349,000	7,179,000
San Francisco	121,179,000	89,310,000	104,231,000	46,509,000
TOTALS	$2,054,363,000	$1,301,652,000 b/	$1,667,489,000	$800,747,000 c/

b/ Includes $218,315,000 noncompetitive tenders accepted at the average price of 99.[illegible]
c/ Includes $57,265,000 noncompetitive tenders accepted at the average price of 98.[illegible]
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 3.08%, 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 period is involved.

TREASURY DEPARTMENT

D-832

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 30, 1963.

April 29, 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 January 31, 1963, and the other series to be dated May 2, 1963, which were offered on April 24, were opened at the Federal Reserve Banks on April 29. 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 August 1, 1963		182-day Treasury bills maturing October 31, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.274	2.872%	98.494 a/	2.979%
Low	99.266	2.904%	98.488	2.991%
Average	99.268	2.898% 1/	98.489	2.988% 1/

a/ Excepting one tender of $500,000
78 percent of the amount of 91-day bills bid for at the low price was accepted
83 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 24,251,000	$ 14,251,000	$ 19,342,000	$ 4,342,000
New York	1,507,966,000	909,246,000	1,350,575,000	644,376,000
Philadelphia	29,746,000	14,746,000	8,333,000	3,333,000
Cleveland	21,948,000	21,948,000	19,602,000	8,577,000
Richmond	11,938,000	11,938,000	10,672,000	5,621,000
Atlanta	28,052,000	25,041,000	7,127,000	5,915,000
Chicago	206,224,000	133,684,000	109,835,000	53,606,000
St. Louis	31,191,000	24,191,000	10,413,000	8,413,000
Minneapolis	18,280,000	12,840,000	7,566,000	5,066,000
Kansas City	29,762,000	27,071,000	10,444,000	7,810,000
Dallas	23,826,000	17,386,000	9,349,000	7,179,000
San Francisco	121,179,000	89,310,000	104,231,000	46,509,000
TOTALS	$2,054,363,000	$1,301,652,000 b/	$1,667,489,000	$800,747,000 c/

b/ Includes $218,315,000 noncompetitive tenders accepted at the average price of 99.268
c/ Includes $57,265,000 noncompetitive tenders accepted at the average price of 98.489
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 3.08%, 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.

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 price for a long time to come. It repeals the 50 per cent silver transfer tax prospectively. This tax remains applicable only to transfers of silver bullion made prior to the date of enactment.

It does not in any way debase or weaken the currency of the United States; ~~[illegible]~~. The Federal Reserve notes which will ~~ultimately~~ replace the silver certificates in circulation ~~are, as is well known,~~ have been our basic ~~[illegible]~~ circulating medium for many years; they are a sound and time tested form of currency; they must 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. The only difference will be that 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.

The provision in the present bill authorizing the Secretary of the Treasury at his option to redeem silver certificates by paying out silver bullion is solely to avoid the wasteful expense of redeeming such certificates in silver dollars when the persons presenting them for redemption desire the silver for industrial uses. It would obviously be ~~foolhardy~~ foolish for the Government to mint silver dollars just so that they could be melted down as soon as they were received in redemption of silver certificates.

Incidentally, the Government has no hidden stockpile of silve. other than the silver indicated as being in the monetary and free stocks of the Treasury. A certain amount of silver, 64.7 million ounces, is presently on loan to the Atomic Energy Commission for non-~~consumptive~~ consumption uses, but this silver is part of our silver stocks which are included in the present backing for silver certificates. Thus, it is not an extra amount of silver available to meet our coinage needs.

Conclusion

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 most important item in this bill. 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.

standing ready to settle our international accounts with foreign governments and central banks through the purchase and sale of gold, the only internationally accepted monetary metal for this purpose, at its monetary value of $35 per ounce. Action with regard to the use of silver in our monetary system does not affect in any way the exchange value of the dollar.

The claim has been made that in using silver now backing silver certificates we would be selling off a capital asset to finance the budget. There is absolutely no validity to this claim. The net effect of the operations permitted by this legislation will be the purchase of silver certificates with subsidiary silver coin manufactured from the silver bullion standing behind such certificates. We will derive no budgetary gain from this except for a small ~~budgetary~~ profit resulting from the fact that by law the silver behind silver certificates is valued at $1.29-plus per ounce and, when used in manufacturing subsidiary silver coins, at $1.38 per ounce. The silver now standing behind the silver certificates is presently subject to claim by every one of us with a silver certificate in his pocket. If this bill passes, the only change will be that this silver will also become available to put into our pockets in the form of coins as they are needed. There is no question here of selling off an asset of the Government.

Silver dollars will not vanish from circulation. We have a stock at present of about $81 million which will be issued as required. If and when more are needed, ~~additional silver dollars~~ they will be minted.

Some Misconceptions About the Bill

I would like at this point to put to rest some misconceptions about this bill which became apparent in the course of its consideration on the floor of the House. First, the ultimate replacement of silver certificates with Federal Reserve notes does not in any way debase our currency. The value of silver certificates has never depended upon the silver backing for them. The value of these certificates, as well as that of all other currency of the United States, has depended upon the fiscal and financial integrity of the Government. At no time since 1934 has the market value of the silver behind silver certificates equalled its monetary value of $1.29-plus per ounce. In fact, it has generally been far below that figure. As an example, in 1940, when silver had an average market value of under 35 cents per ounce, the 77/100 ounce of silver behind each $1 silver certificate was worth just about 27 cents.

Secondly, enactment of this bill is not a step toward devaluation of the dollar. The President on a number of occasions has emphasized that we have absolutely no intention of devaluing the dollar. It is the view of this Administration that such a step would be extremely harmful to the United States, and to the rest of the Free World, in view of the dollar's position as the leading reserve currency of the world. Moreover, there is absolutely no connection between the action proposed in this bill and the question of devaluation. The international exchange value of the dollar is maintained through our policy of

Obviously the public must have an adequate supply of $1 bills which is not subject to constant shrinkage as bills are turned in for their silver value. And it must have a supply of subsidiary coins which ~~are~~ are not ~~apt~~ constantly ~~to be~~ being melted down for their silver ~~value.~~ content.

This legislation provides ~~for~~ the most appropriate and practical way ~~to assure a~~ a supply of silver ~~supply available~~ for coinage, without drying up the supply of $1 bills. ~~and at the same time to prevent the occurrence of such situations.~~ We wish ~~The Treasury plans~~ to continue the use of silver in the coinage system, but for this to be workable ~~it is essential that this be accomplished by making it~~ it must be possible to use the silver standing behind all silver certificates, including $1 bills.

Repeal of Existing Silver Legislation

As I have pointed out, events have long since ~~outstripped the necessity for the~~ made obsolete our existing silver legislation, the Silver Purchase Act of 1934 and the Acts of July 6, 1939, and July 31, 1946. The market price for silver has gone ~~way beyond~~ far above the floor prices fixed by the 1939 and 1946 Acts. The authority in the Silver Purchase Act of 1934 has not been used since 1942. There have been no sales to industry under the 1946 Act since November 1961, when the President stopped sales because our stocks of free silver were nearly exhausted. ~~Thus,~~ It is high time that this obsolete and inoperative legislation ~~be~~ is repealed. The repeal will not result in a demonetization of silver, as has been claimed. Silver was demonetized ~~way back~~ in 1900, when we went on the gold standard. We will continue to use silver in our monetary system, but only in the form of coins, instead of as backing for paper money.

are United States notes. Since we are required to maintain in circulation a specified amount of United States notes, it will probably prove convenient to continue to use the United States note authority to supply all of the country's needs for $2 bills.

Problems Arising if $1 Federal Reserve Note Not Authorized

If the $1 Federal Reserve note is not authorized, the Treasury will soon be forced into the untenable position of entering the market to buy silver for its coinage needs. Since United States production is less than ~~only one-third of~~ our industrial requirements, silver for coinage would have to be acquired from abroad, thus increasing the ~~putting an unnecessary~~ strain on our balance of payments. Assuming it were necessary to buy the estimated 75 million ounces needed yearly for coinage - and assuming this could be purchased at the monetary value of $1.29-plus an ounce - the annual rate of drain on our balance of payments would be $97 million.

But silver for coinage could not for long be bought abroad at its monetary value of $1.29-plus. Such purchases would drive the price of silver up to its monetary value and beyond. This would increase the balance of payments drain. In addition, it would become profitable for the public to turn in $1 silver certificates, to obtain the silver standing behind them. While this would tend to reduce the balance of payments drain, it would at the same time lead to the gradual but certain withdrawal of all $1 bills from circulation.

At a price of $1.38 per ounce for silver, 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.

notes will have to be issued in their place, as they are retired. 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 $1 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.~~ Federal Reserve notes for silver certificates.

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~~ $35 to $40 million annually. This gold will come from our existing stocks of free gold. Thus, there will be no depreciation of the reserve standing behind presently outstanding Federal Reserve notes, and the new $1 Federal Reserve notes will have exactly the same types of reserves behind them as Federal Reserve notes of other denominations.

While H.R. 5389 also provides for the issuance of Federal Reserve notes in $2 denominations, this is primarily for the purpose of putting on the law books authority to issue Federal Reserve notes in any of the denominations in which we now have currency. This authority will not release any silver for coinage because except for a very small amount of the old large size bills, all of the $2 bills now in circulation

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~~ including the 30 mil ounces of free silver and the ~~1,[illegible],000,000 ounces of~~ silver back of silver certificates we have just over 1,600 that could be used for coinage. Of this amount, over 1,300,000,000 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.

<u>Effect of Issuance of Federal Reserve Notes</u>

In view of the fact that silver certificates are a circulating medium, it must be assumed that ~~over the long run~~ Federal Reserve

Retirement of Silver Certificates

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 in needed quantities can only be issued in the form of silver certificates, this leads to a further annual requirement for silver, 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 285 million ounces of silver presently available behind our dwindling supply of $5 and $10 silver certificates will be exhausted some time during 1965. (We cannot expect to receive all of these for retirement.)

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.

There is no end-use breakdown of world industrial consumption. In the United States there are no statistics compiled either by industry or by the Government on the end use of silver since it is difficult for the seller to identify the final use of silver. For example, silver solder may be used in any number of operations. From what information is available on United States consumption, we can make the following breakdown of the estimated industrial and artistic uses of silver for the years 1961 and 1962:

	1961	1962
	(In thousands of troy ounces)	
Batteries	5,000	6,000
Brazing alloys, solders, electrical contacts and other electrical uses	35,000	38,000
Photographic film, plates and sensitized paper	32,300	33,300
Silverware and jewelry	25,000	22,000
Miscellaneous	8,200	10,700
	105,500	110,000

The current situation regarding domestic production and consumption is: Annual newly-mined production runs around 35 million ounces, and net industrial consumption amounts to a little over 100 million ounces--about three times our current production. The excess over and above domestic production must be imported. 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.

Silver Situation Today

Today, ~~silver is at a point where~~ current world production of silver is not sufficient to meet current coinage and industrial demands. ~~Most~~ ~~Recently~~ Annual Free World production of newly mined silver ~~has~~ amounts ~~amounted~~ to about 200 million ounces, ~~compared to a~~ and total consumption is ~~of~~ around 350 million ounces, including both industrial and coinage uses.

Growth in Industrial Uses

Free World industrial consumption of silver (exclusive of coinage) has increased over 80 per cent during the last 14 years. In 1949, it amounted to 132.5 million ounces and in 1962 it was 239.3 million ounces. Exclusive of the United States, ~~the~~ Free World industrial consumption rose from ~~was~~ 44.5 million ounces in 1949 to a current level of about 130 million ounces. ~~in 1961~~ [illegible]

In 1933, when the first Presidential proclamation taking newly mined domestic silver off the market was issued, U. S. industrial consumption amounted to only 10.8 million ounces. During the eight-year period from 1933 through 1940, annual average industrial consumption in the United States was 23 million ounces. In 1941, at the start of the war, it jumped to 72.4 million ounces and then to 107 million ounces during the war period 1941 through 1945. Consumption in the United States since the war has been up and down from a low of 85.5 million ounces to a high of 110 million ounces. In 1961 it was 105.5 million ounces and in 1962, 110 million ounces.

In those days it was necessary for the Government to support the price for newly mined domestic silver by taking 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 $1.27-1/2.

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 $1.27-1/2 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~~ other silver-using 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 appropriate time for repealing the silver legislation to which I h[illegible]erred and taking the Government out of the silver bus[illegible]xcept as a consumer in the manufacture of its coins.

for silver dollars or, at the option of the Secretary, for silver bullion of equivalent monetary value.

Title II repeals the silver transfer tax which was needed only because of the provisions calling for the purchase of silver by the Government. Since these provisions are being repealed by section 1 of the bill, the silver tax should also be repealed at the same time.

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. (There are approximately $2 billion in silver certificates in circulation, of which approximately $1.5 billion are in $1 certificates, compared with over $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 worldwide demand for silver for industrial, professional, and artistic uses. This 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.

---

* As of February 28, 1963, Federal Reserve notes in circulation amounted to $29.2 billion and silver certificates, $1.8 billion. However, the amount of currency in circulation fluctuates seasonally and the figures given are considered to be more representative for this year.

needs for silver for coinage and with the significant changes which have occurred in the silver demand and supply situation since 1934, when the enactment of the existing silver legislation commenced. In the House consideration of the bill, there appeared to be no opposition to the provisions of sections 1 and 2 of Title I ~~and~~ or to Title II.

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 that may be 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.

Section 2 retains the present law which 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 its monetary value, 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 the $1.29-plus monetary value, he may supply silver to the market (in exchange for such silver certificates as may be presented for exchange), since ~~they~~ silver certificates ~~silver certificates~~ will continue to be exchangeable the and approximately 30 million ounces of free silver

silver certificates are retired, the needs of the country for $1 bills can be met by issuing $1 Federal Reserve notes.

f used ly for inage, 0 million nces on on will xt 20 years.

We presently hold 1,300,000,000 ounces of silver as backing for $1 certificates. This plus the 285,000,000 ounces remaining as backing for silver certificates in denominations of $5 and above ~~now in the process of retirement~~ , which are now being retired, will assure an adequate supply of silver to meet our coinage needs for the next 10 to ~~15~~ 20 years.

If section 3 of the bill were not enacted, we would be unable to retire $1 silver certificates for the purposes I have indicated, because we presently have no alternative form of currency which could be issued in $1 denominations in amounts adequate to meet the public needs. This would necessitate our going into the market in the very near future in competition with industrial users of silver to obtain the necessary supplies of silver for our coinage. Based upon ~~our~~ our present estimates of ~~our~~ coinage requirements and of the additional amounts of silver that present law requires as backing for the expected increase in the amount of currency which will need to be issued in $1 denominations, our present stocks of silver available for this purpose will run out some time in 1965. This underlines the urgent need for action by the Congress this year to assure an adequate source of supply of silver for coinage.

The remaining provisions of the bill, sections 1 and 2 of Title I and Title II, would bring our silver legislation more in line with our

~~Draft~~ Statement of the Secretary of the Treasury
Before the Senate Banking and Currency Committee
(To be given on April 29, 1963)

Mr. Chairman and Members of the Committee:

The main purpose of H.R. 5389 is to provide adequate supplies of silver to meet the coinage needs of the United States and to repeal certain obsolete silver legislation. This bill implements recommendations made by the President in his January Economic Report to the Congress. H.R. 5389 was reported out by the House Banking and Currency Committee by a vote of 18 - 1 with one abstention and was approved by the House of Representatives, with bipartisan support, by a substantial majority. It incorporates desirable amendments made in the House Committees which eliminated ~~controversial~~ features in the original administration bill, which some found controversial, and it is my hope that your Committee will see fit to adopt the bill as amended in the House of Representatives.

The key provision of this bill is section 3, which amends the Federal Reserve Act to authorize the issuance of Federal Reserve notes in denominations of $1 and $2. This will make it possible for the Treasury gradually to retire $1 silver certificates, thereby making available for our coinage requirements the silver bullion presently held as backing for these silver certificates. As the

D-833

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE
ON H.R. 5389, MONDAY, APRIL 29, 1963, 10:00 A.M., EDT

Mr. Chairman and Members of the Committee:

The main purpose of H. R. 5389 is to provide adequate supplies of silver to meet the coinage needs of the United States and to repeal certain obsolete silver legislation. This bill implements recommendations made by the President in his January Economic Report to the Congress. H. R. 5389 was reported out by the House Banking and Currency Committee by a vote of 18 - 1 with one abstention and was approved by the House of Representatives, with bipartisan support, by a substantial majority. It incorporates desirable amendments made in the House Committees which eliminated features in the original Administration bill, which some found controversial, and it is my hope that your Committee will see fit to adopt the bill as amended in the House of Representatives.

The key provision of this bill is section 3, which amends the Federal Reserve Act to authorize the issuance of Federal Reserve notes in denominations of $1 and $2. This will make it possible for the Treasury gradually to retire $1 silver

D-833

certificates, thereby making available for our coinage requirements the silver bullion presently held as backing for these silver certificates. As the silver certificates are retired, the needs of the country for $1 bills can be met by issuing $1 Federal Reserve notes.

We presently hold 1,300,000,000 ounces of silver as backing for $1 certificates. This plus the 285,000,000 ounces remaining as backing for silver certificates in denominations of $5 and above, which are now being retired, and the approximately 30 million ounces of free silver will assure an adequate supply of silver to meet our coinage needs for the next 10 to 20 years.

If section 3 of the bill were not enacted, we would be unable to retire $1 silver certificates for the purposes I have indicated, because we presently have no alternative form of currency which could be issued in $1 denominations in amounts adequate to meet the public needs. This would necessitate our going into the market in the very near future in competition with industrial users of silver to obtain the necessary supplies of silver for our coinage. Based upon our present estimates of coinage requirements and of the additional amounts of silver that present law requires as backing for the expected increase in the amount of currency which will need to be issued in $1 denominations, our present stocks of silver available for this purpose will run out some time in 1965. This underlines the urgent need for action by the Congress this year to assure an adequate source of supply of silver for coinage.

The remaining provisions of the bill, sections 1 and 2 of Title I and Title II, would bring our silver legislation more in line with our needs for silver for coinage and with the significant changes which have occurred in the silver demand and supply situation since 1934, when the enactment of the existing silver legislation commenced. In the House consideration of the bill, there appeared to be no opposition to the provisions of section 1 and 2 of Title I or to Title II.

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 that may be 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.

Section 2 retains the present law which 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 its monetary value, 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 the $1.29-plus monetary value, he may supply silver to the market in exchange for such silver certificates as ~~my~~ may be presented for exchange, since silver certificates will continue to be exchangeable for silver dollars or, at the option of the Secretary, for silver bullion of equivalent monetary value.

Title II repeals the silver transfer tax which was needed only because of the provisions calling for the purchase of silver by the Government. Since these provisions are being repealed by section 1 of the bill, the silver tax should also be repealed at the same time.

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 (There are approximately $2 billion in silver certificates in circulation, of which approximately $1.5 billion are in $1 certificates, compared with over $30 billion in Federal Reserve notes*). Our basic currency is the Federal Reserve note which is backed by 100 per cent collateral, 25 percent in the form of gold.

---

*As of February 28, 1963, Federal Reserve notes in circulation amounted to $29.2 billion and silver certificates, $1.8 billion. However, the amount of currency in circulation fluctuates seasonally and the figures given are considered to be more representative for this year.

Recent years have seen a sharply increasing worldwide demand for silver for industrial, professional, and artistic uses. This 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 it off the market at an artifically 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 $1.27-1/2.

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 $1.27-1/2 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 other silver-using industries have had to cope as best they could with these increased costs. 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 appropriate 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.

Silver Situation Today

Today, current world production of silver is not sufficient to meet current coinage and industrial demands. Annual Free World production of newly mined silver amounts to about 200 million ounces, and total consumption is around 350 million ounces, including both industrial and coinage uses.

Growth in Industrial Uses

Free World industrial consumption of silver (exclusive of coinage) has increased over 80 per cent during the last 14 years. In 1949, it amount~~s~~ to 132.5 million ounces and in 1962 it was 239.3 million ounces. Exclusive of the United States, Free World industrial consumption rose from 44.5 million ounces in 1949 to a current level of about 130 million ounces.

In 1933, when the first Presidential proclamation taking newly mined domestic silver off the market was issued, U. S. industrial consumption amounted to only 10.8 million ounces. During the eight-year period from 1933 through 1940, annual average industrial consumption in the United States was 23 million ounces. In 1941, at the start of the war, it jumped to 72.4 million ounces and then to 107 million ounces during the war period 1941 through 1945. Consumption in the United States since the war has been up and down from a low of 85.5 million ounces to a high of 110 million ounces. In 1961 it was 105.5 million ounces and in 1962, 110 million ounces.

There is no end-use breakdown of world industrial consumption. In the United States there are no statistics compiled either by industry or by the Government on the end use of silver since it is difficult for the seller to identify the final use of silver. For example, silver solder may be used in any number of operations. From what information is available on United States consumption, we can make the following breakdown of the estimated industrial and artistic uses of silver for the years 1961 and 1962:

	1961	1962
	(In thousands of troy ounces)	
Batteries1........................	5,000	6,000
Brazing alloys, solders, electrical contacts and other electrical uses	35,000	38,000
Photographic film, plates and sensitized paper..................	32,300	33,300
Silverware and jewelry.............	25,000	22,000
Miscellaneous......................	8,200	10,700
	105,500	110,000

The current situation regarding domestic production and consumption is: Annual newly-mined production runs around 35 million ounces, and net industrial consumption amount to a little over 100 million ounces -- about three times our current production. The excess over and above domestic production must be imported. In addition, our coinage requirements last year ran 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 percent comes from mines in which silver is the primary product.

Retirement of Silver Certificates

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.

	1961	1962
	(In thousands of troy ounces)	
Batteries[1]........................	5,000	6,000
Brazing alloys, solders, electrical contacts and other electrical uses	35,000	38,000
Photographic film, plates and sensitized paper..................	32,300	33,300
Silverware and jewelry.............	25,000	22,000
Miscellaneous......................	8,200	10,700
	105,500	110,000

The current situation regarding domestic production and consumption is: Annual newly-mined production runs around 35 million ounces, and net industrial consumption amount to a little over 100 million ounces -- about three times our current production. The excess over and above domestic production must be imported. In addition, our coinage requirements last year ran 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 percent comes from mines in which silver is the primary product.

Retirement of Silver Certificates

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 in needed quantities can only be issued in the form of silver certificates, this leads to a further annual requirement for silver, 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 285 million ounces of silver presently available behind our dwindling supply of $5 and $10 silver certificates will be exhausted some time during 1965. (We cannot expect to receive all of these for retirement.)

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, including the 30 million ounces of free silver and the silver back of silver certificates, we have just over 1,600,000,000 ounces that could be used for coinage. Of this amount, over 1,300,000,000 ounces stand in back of the $1 silver certificates.

Outside of the possible redemption of silver certificates by the public, the only 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.

Effect of Issuance of Federal Reserve Notes

In view of the fact that silver certificates are a circulating medium, it must be assumed that Federal Reserve notes will have to be issued in their place as they are retired. These are issued by the Federal Reserve, not the Treasury.

The business community, through the commercial banks, will obtain $1 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 Federal Reserve notes for silver certificates.

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 $35 to $40 million annually. This gold will come from our existing stocks of free gold. Thus, there will be no depreciation of the reserve standing behind presently outstanding Federal Reserve notes, and the new $1 Federal Reserve notes will have exactly the same types of reserves behind them as Federal Reserve notes of other denominations.

While H. R. 5389 also provides for the issuance of Federal Reserve notes in $2 denominations, this is primarily for the purpose of putting on the law books authority to issue Federal Reserve notes in any of the denominations in which we now have currency. This authority will not release any silver for coinage because except for a very small amount of the old large size bills, all of the $2 bills now in circulation are United States Notes. Since we are required to maintain in circulation a specified amount of United States Notes, it will probably prove convenient to continue to use the United States Note authority to supply all of the country's needs for $2 bills.

Problems Arising if $1 Federal Reserve Note Not Authorized

If the $1 Federal Reserve note is not authorized, the Treasury will soon be forced into the untenable position of entering the market to buy silver for its coinage needs. Since United States production is less than our industrial requirements, silver for coinage would have to be acquired from abroad, thus increasing the strain on our balance of payments. Assuming it were necessary to buy the estimated 75 million ounces needed yearly for coinage -- and assuming this could be purchased at the monetary value of $1.29-plus an ounce -- the annual rate of drain on our balance of payments would be $97 million.

But silver for coinage could not for long be bought abroad at its monetary value of $1.29-plus. Such purchases would drive the price of silver up to its monetary value and beyond. This would increase the balance of payments drain. In addition, it would become profitable for the public to turn in $1 silver certificates, to obtain the silver standing behind them. While this would tend to reduce the balance of payments drain, it would at the same time lead to the gradual but certain withdrawal of all $1 bills from circulation.

At a price of $1.38 per ounce for silver, 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 constant shrinkage as bills are turned in for their silver value. And it must have a supply of subsidiary coins which are not constantly being melted down for their silver content.

This legislation provides, in the most appropriate and practical way a supply of silver for coinage without drying up the supply of $1 bills. We wish to continue the use of silver in the coinage system, but for this to be practicable it must be possible to use the silver standing behind all silver certificates, including $1 bills.

Repeal of Existing Silver Legislation

As I have pointed out, events have long since made obsolete our existing silver legislation, the Silver Purchase Act of 1934 and the Acts of July 6, 1939, and July 31, 1946. The market price for silver has gone far above the floor prices fixed by the 1939 and 1946 Acts. The authority in the Silver Purchase Act of 1934 has not been used since 1942. There have been no sales to industry under the 1946 Act since November 1961, when the President stopped sales because our stocks of free silver were nearly exhausted. It is high time that this obsolete and inoperative legislation is repealed. The repeal will not result in a demonetization of silver, as has been claimed. Silver was demonetized in 1900, when we went on the gold standard. We will continue to use silver in our monetary system, but only in the form of coins, instead of as backing for paper money.

Some Misconceptions About the Bill

I would like at this point to put to rest some misconceptions about this bill which became apparent in the course of its consideration on the floor of the House. First, the ultimate replacement of silver certificates with Federal Reserve notes does not in any way debase our currency. The value of silver certificates has never depended upon the silver backing for them. The value of these certificates, as well as that of all other currency of the United States, has depended upon the fiscal and financial integrity of the Government. At no time since 1934 has the market value of the silver behind silver certificates equalled its monetary value of $1.29-plus per ounce. In fact, it has generally been far below that figure. As an example, in 1940, when silver had an average market value of under 35 cents per ounce, the 77/100 ounce of silver behind each $1 silver certificate was worth just about 27 cents.

Secondly, enactment of this bill is not a step toward devaluation of the dollar. The President on a number of occasions has emphasized that we have absolutely no intention of devaluing the dollar. It is the view of this Administration that such a step would be extremely harmful to the United States, and to the rest of the Free World, in view of the dollar's position as the leading reserve currency of the world. Moreover, there is absolutely no connection between the action proposed in this bill and the question of devaluation. The international exchange value of the dollar is maintained through our policy of standing ready to settle our international accounts with foreign governments and central banks through the purchase and sale of gold, the only internationally accepted monetary metal for this purpose, at its monetary value of $35 per ounce. Action with regard to the use of silver in our monetary system does not affect in any way the exchange value of the dollar.

The claim has been made that in using silver now backing silver certificates we would be selling off a capital asset to finance the budget. There is absolutely no validity to this claim. The net effect of the operations permitted by this legislation will be the purchase of silver certificates with subsidiary silver coin manufactured from the silver bullion standing behind such certificates. We will derive no budgetary gain from this except for a small profit resulting from the fact that by law the silver behind silver certificates is valued at $1.29-plus per ounce and, when used in manufacturing subsidiary silver coins, at $1.38 per ounce. The silver now standing behind the silver certificates is presently subject to claim by every one of us with a silver certificate in his pocket. If this bill passes, the only change will be that this silver will also become available to put into our pockets in the form of coins as they are needed. There is no question here of selling off an asset of the Government.

Silver dollars will not vanish from circulation. We have a stock at present of about $81 million which will be issued as required. If and when more are needed, they will be minted. The provision in the present bill authorizing the Secretary of the Treasury at his option to redeem silver certificates by paying out silver bullion is solely to avoid the wasteful expense of redeeming such certificates in silver dollars when the persons presenting them for redemption desire the silver for industrial uses. It would obviously be foolish for the Government to mint silver dollars just so that they could be melted down as soon as they were received in redemption of silver certificates.

Incidentally, the Government has no hidden stockpile of silver other than the silver indicated as being in the monetary and free stocks of the Treasury. A certain amount of silver, 64.7 million ounces, is presently on loan to the Atomic Energy Commission for non-consumption uses, but this silver is part of our silver stocks which are included in the present backing for silver certificates. Thus, it is not an extra amount of silver available to meet our coinage needs.

Conclusion

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 most important item in this bill. 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 price for a long time to come. It repeals the 50 per cent silver transfer tax prospectively. This tax remains applicable only to transfers of silver bullion made prior to the date of enactment.

It does not in any way debase or weaken the currency of the United States: The Federal Reserve notes which will replace the silver certificates in circulation have been our basic circulating medium for many years; they are a sound and time-tested form of currency; they must 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. The only difference will be that 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.

oOo

It is a program designed to meet our needs today, and to lay the foundation for a better tomorrow. It responds to the challenge of our time in a responsible manner. Some of us may disagree with parts of the program, and with the details of the separate provisions, but all of us will recognize that effective action is vital if we are to meet today's economic realities. I am sure the bill that will come out of the Ways and Means Committee will provide that action, and I am sure that the overwhelming majority of our people will support it wholeheartedly.

oOo

the tax program, for example, became effective in October, then within nine months the economy would benefit from roughly $6 billion in tax relief, and within fifteen months the entire 10 billion dollar reduction would be in ~~operation.~~ effect.

The President's tax program offers strong encouragement to both consumption and investment, to every income group and to every sector of our economy. It meets the need for prompt and effective action to lower rates, to foster incentives and effort, at the same time that it meets the need to keep the budgetary deficit within ~~safe and~~ a tolerable limit~~s~~. It offers ~~the~~ our private economy the freedom it needs to draw upon its own inherent resources for growth, to create the job opportunities we will need in the years ahead, and to provide the revenues necessary to preserve our national security and answer our critical national needs.

has ever known; YET, because of the economies he is effecting, he is under attack from many directions. No man has the right to claim that additional defense economies are possible unless he is willing to spell out exactly where and how they can be made. [To sum up,] we welcome the ADVICE AND help of all our citizens in assuring the most frugal conduct of the nation's business, but we reject the counsel of those who would sacrifice major national interests and even endanger our national security, merely because our economy has not operated near enough to capacity to produce the needed revenues.

In a further effort to minimize the effect of tax reduction on the budget, its impact has been spread over three fiscal years. This does not mean, however, that we have to wait three years to feel the economic impact of tax reduction. Quite the contrary. The President's tax program would release a very large amount of money throughout the economy in a very short period of time. If

I recognize that there are some who believe that the Administration favors budget deficits as being good in and of themselves. This is simply not so. We dislike deficits as much as anyone. But, we are prepared to accept them if necessary to preserve our national security. And we are not prepared to sacrifice effective job-producing programs such as the emergency public works bill, during a period when unemployment remains at unacceptably high levels. We are solidly against waste in government and welcome efforts to reduce it. But we do not accept the claims of those who would make meat axe cuts in the budget but are not prepared to justify the details. For instance, it is downright irresponsible to claim, as some have done, that defense expenditures can be cut 5% merely because they amount to over $50 billion a year. Secretary McNamara has given us the most efficient operation of the Defense Department that our nation 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 toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit." This means that as revenues increase through the stimulus of the tax program and the normal growth of our economy, expenditures will not be permitted to rise as rapidly, leaving a substantial portion of each year's increase available to reduce our present budgetary deficit. Third the President has already begun to translate his pledges into action. Since January, he has cut expenditure requests by over $750 million, including the recent cut of $400 million in his foreign aid request. This is sure proof of the effectiveness of the program of expenditure control that is such an important and integral part of the President's tax reduction program the new, lower rate structure will be larger than if we were to continue with our present rate structure, which stifles economic growth. Nevertheless, the first and immediate fiscal impact of tax reduction will be lower revenues and a somewhat larger deficit. This calls for the most careful expenditure control. And that is just what the President has pledged. First of all, since increases in defense, space and interest on the public debt are unavoidable, he has held fiscal 1964 expenditure levels below those of the current year in the overall civilian programs of the government. Second, he has specifically stated on more than one occasion that a substantial part of the increased revenues from our expanding economy will be set aside to reduce the deficit until such time as it is eliminated. The significance of this pledge has apparently not been fully understood. As the President stated in his Budget Message, "The prospect

The substantial rate reductions in the middle and upper income brackets offer a genuine spur to incentives for effort, initiative and investment. Yet the rate reductions could not be as large as they are -- and remain within the limits of fiscal responsibility in the absence of ~~without~~ the revenue-raising reforms. Without this additional revenue, tax rate reduction would have to be ~~fiscal responsibility would demand a~~ more modest ~~scale of rate reductions.~~

~~And it is~~ THE ~~this~~ question of fiscal responsibility ~~that~~ has given our people the ~~provided the~~ greatest concern in their consideration ~~during the public discussion~~ of the tax program -- a concern IMPLICIT ~~implied~~ in the theme you have choseN ~~today~~. That is a concern we in the Administration fully share. Indeed, it is clearly spelled out in the President's Budget Message, as well as in his Tax Message.

As I have said, ~~It~~ it is our belief that the tax reduction we have proposed will so invigorate the economy that, in a few years, our revenues under the simple fact that a free market economy requires both supply and demand. It also recognizes the fact that our economy consists of a complex and interdependent network of forces -- and that we cannot lift the entire economy onto a new and higher plane of activity by lifting merely one sector of it.

Consider for a moment how the tax reductions are distributed in the President's program. Virtually one-half of the $10.3 billion in net tax reduction would go to taxpayers with incomes of $10,000 and under -- and the other half to individuals with incomes higher than $10,000 and to corporations. When you include last year's investment credit and depreciation reform, the corporate share amounts to 40 percent of the Administration's long-range tax reduction program. And roughly one-third, or nearly 32 percent, of the net tax reduction goes to middle-income taxpayers -- those in the $10,00-$50,000 brackets.

equipment that marked the opening months of the year, and the recent striking increase in business appropriations for modernization and expansion, can be traced largely to these two actions. Most of you, I am sure, have seen the ~~recent~~ report in the magazine, "Iron Age", ~~magazine on~~ of the effect of these measures on the steel industry -- an increase of 32% in depreciation writeoffs.

The investment credit and new depreciation guidelines were a preliminary part of the tax program now under consideration by the House Ways and Means Committee. That program, as you know, offers a broad, top-to-bottom reduction in tax rates, both corporate and personal, accompanied by a number of structural reforms. The over-all result would be a reduction of $10.3 billion in taxes, designed to unleash our economy and allow it to reach its full potential.

The President's program is not weighted in favor of any one sector of the economy at the expense of any other. It recognizes

Insert H — been the record in the past, and there is no reason to expect that it will not prove to be the case again. We are not alone in this analysis of the results of tax reduction. One of the clearest statements of this thesis that I have ever seen reads as follows:

"Any appreciable downward revision in tax rates will, of course, cause an immediate reduction in revenues. But there is substantial evidence from the history of tax relief measures, particularly with respect to income taxes, that the initial revenue loss is soon made up by an increase in the tax base against which the lower rates are charged. There is evidence of this not only in our own experience but also in the experience of such countries as Canada, West Germany, and Austria, each of which has enacted several tax relief measures in the post-World War II period."

That statement was made by the National Council of State Chambers of cCommerce in its bulletin on Federal Tax Facts, June 4, 1958.

Last year, - - - - - -

READS AS FOLLOWS:

[~~7 It reads~~] " ", [3 ha]

[~~Authors of that statement were~~]

~~THIS STA~~

THAT ~~THE~~ STATEMENT WAS MADE BY THE NATIONAL COUNCIL OF STATE CHAMBERS OF COMMERCE IN ~~ITS~~ ITS FEDERAL TAX FACTS BULLETIN ON JUNE 4, 1958 more economic activity, and higher tax revenues, to result. This has

Insert A

~~Upon this kind of economic activity depends the freedom of our country, and its capacity to bear the costs of freedom. The President's tax program can produce such economic activity.~~

Last year, we took our first important steps in ~~that direction~~ tax relief. They were the enactment of the investment credit and the complete revision and extensive liberalization -- for the first time in twenty years -- of the tax rules dealing with depreciation. The combined effect of these two actions was to reduce the tax load on business by some $2.5 billion a year -- the equivalent of a five-point reduction in corporate taxes.

Today, business is reacting to these two measures as we had anticipated. The enlarged flow of new orders for machinery and

been the record in the past, and there is no reason to expect that it will not prove to be the case again. We are not alone in this analysis of the results of tax reduction. One of the clearest statements of this thesis ~~ever~~ that ~~ever~~ I have ever seen was made in 1932. (cont

But the harsh truth is, that unless we release the drag which our tax system now exerts on our economy, we cannot hope to move significantly closer to a balanced budget. In fact, the experiece of recent years has shown that exactly the opposite will take place.

Thus, we are faced with what might seem at first to be a paradox: that while our present tax rates are so high that they would produce a substantial budget surplus at reasonably full employment, we have little hope of ever achieving that surplus unless we first reduce our tax rates.

Actually, this should not be very mysterious. The secret EXPLANATION is that ~~a potent~~ the major factor in our economic progress -- and, indeed, in the progress of any free market economy such as ours -- is the vitality of ~~our~~ the private sector, both the business community and the consuming public. The across-the-board reduction in our tax rates recommended by the President will stimulate both, of these areas. We can expect

These two decisions in defense and space, along with relatively normal increases in other programs vital to the needs of our growing population, have combined to push our expenditures substantially higher than the revenues we collect from our under-employed economy. I mean exactly what I say when I characterize these other increases as relatively normal. Because, for all programs except defense, space, and interest on the public debt, President Kennedy's current 1964 budget recommendations exceed actual 1961 expenditures by only \$4.5 billion -- as compared to an increase of \$4.9 billion in these same programs during ~~the~~ three preceding years, 1958-61. There can be no question that, if our economy were operating at reasonably full capacity, our tax system would today be producing more than enough revenue to finance our current national needs within a balanced budget. Instead of worrying about deficits we would be enjoying budgetary surpluses.

In addition to their military threat, the Soviets have also challenged us in the vast new arena of space. Thanks to a considerable head start and rockets far larger than ours, they have been able -- up to now -- to out-perform us in manned space flight and to capture the imagination of the world by their feats. But our Congress agreed with President Kennedy, in the spring of 1961, that we were no longer willing to continue second best in space. It approved a program designed to put an American on the moon before the end of the decade, and hopefully before the arrival of any Soviet space explorer. That decision was extremely costly, but it involved far more than a symbolic race to the moon. It represented our clear determination as a nation that we will not permit the Soviet Union to pre-empt world leadership in a new and unknown environment whose potential we have scarcely begun to foresee.

we now face ~~in the current fiscal year and in the next are~~ is the result of an economy which produces too little — rather than of a government which spends too much. Let us briefly review that record:

We are all well aware that within the past two years the Soviet rulers felt enough confidence in their power to confront us with a military challenge on a scale we have not seen since the Berlin blockade, fifteen years ago. Fortunately President Kennedy had -- in one of the very first moves of his Administration -- ordered a rapid and substantial build-up of our military power. It was this increased military strength and the steadfastness of our citizens that enabled us to withstand both the Berlin crisis of 1961 and the Cuban crisis of last fall. That military build-up was vital to preserve our freedoms. It was also expensive. Our annual defense budget grew by some $10 billion.

of achieving the great and sustained momentum we need in the years ahead. In terms of both our future needs and our economic potential, the likelihood is that without a program of substantial tax reduction our plants will continue to operate below the levels that businessmen themselves feel they need for most efficient production -- that there will be no let-up in the pressure upon profit margins -- that new investment which, in real terms, is ~~still below~~ just equalling the levels reached six years ago will continue to lag -- that we will, in short, continue to suffer from the many ills that accompany an economy whose resources and incentives for growth are hampered by ~~a~~ an overly restrictive tax system.

As long as our economy is so hampered, we are likely to continue to suffer as well from the chronic budgetary deficits that grow BECAUSE [as] our economy fails to grow. The record is clear that the deficits if our economy continues to create jobs no faster than it has during the past five years, then, by 1970, our unemployment rate would soar to a shocking 12.7 percent.

The American people could never tolerate such a result. It would inevitably call forth massive governmental action to provide the jobs that our private economy had ~~[illegible]~~ not provided. The President's tax program is proof enough that such a prospect is as unwelcome to us in Washington as it must be to you.

~~But if~~ high unemployment is at once the most enduring and the most unendurable result of our slow growth over the past five years, BUT ONLY ~~it is but~~ one of many ills which flow from an inadequate economic ~~[illegible]~~ ~~would continue to afflict us. For while many~~ record of ~~agree that the heartening performance of our economy [illegible]~~ is ~~seems more than a sympathetic response to the pleasant spring weather, I think we can also agree that it does~~ our economy shows not as yet ~~show~~ signs

We welcome the progress of automation. But we cannot accept the unemployment that too often accompanies it. We can -- and we must -- take steps to meet, with a many-sided response, the twin challenge of automation and a rapidly growing labor force. The Government has a clear and direct responsibility in this area. But it will act only to the extent that the private economy cannot, or does not, meet this challenge.

The President's tax program is evidence of his belief that a free and vigorous private economy can provide our citizens with abundant job opportunities. Should we fail to achieve this kind of economy, let no one imagine that the result would be anything but catastrophic. For instance, Mr. W. P. Gullander, President of the National Association of Manufacturers, recently estimated that, full employment. Last month, four and a half million of our citizens could not find the jobs they sought.

Unless we do something now, the prospects are that many more millions will be unable to find jobs in the future. Next year those young people who were born in 1946 -- the first year of the postwar baby boom -- will turn eighteen and begin to enter our labor force in large numbers. During the mid-sixties our labor force will have to absorb an average annual inflow of around 2 million 700 thous young people, compared to 1 million 800 thousand during the mid-fifties -- an increase of 50 percent. We must be able to provide jobs for all of these young men and women. And we must do it in a time of ever-increasing automation. For the impact of automation that has long been felt among our blue-collar factory workers is now spreading rapidly in the white-collar and service areas.

As you are well aware, the aim of the President's tax ~~program~~ proposal is to break the iron grip upon our economy of a tax system which helped control inflation during the Second World War and its aftermath, but which now throttles growth. It is a program ~~therefore~~ to promote economic growth by promoting economic freedom. And by economic freedom I mean not only the freedom of the market place, of investment, and of enterprise -- but the freedom that is the right of every American, to have the opportunity to work, to grow, and to prosper in accordance with his talents.

Far too many Americans have not had that opportunity for far too long a time. Not for a single month in the past five years has unemployment fallen below five percent. Yet for the greater part of the preceding five years, unemployment was either below or only slightly above the four percent level that many regard as reasonably the year are relatively better than most observers had expected. If the improvement continues, our estimated ~~budget deficit~~ revenues for fiscal 196 may well be ~~less~~ more than we ~~have~~ estimated in January -- perhaps by as much as a billion dollars, thus reducing the ~~expected~~ defi

Even more important, a tax cut when the economy is reasonably buoyant would be far more effective in carrying us toward full employment than a tax cut when the economy is merely limping along. For the tax program that the President has proposed ~~-- and with whose general objectives nearly everyone can agree --~~ is designed as a long-range program a program not merely to shield us from ~~any~~ an economic downturn, but to accelerate our economic growth well into the future. The present stat of our economy ~~makes~~ is ideal for the inauguration of that kind of program ~~more feasible than~~

In fact, you have made it very clear that you strongly support the principle of tax reduction as vital to the ~~achievement of the~~ continuation of a free ~~burgeoning~~ economy~~, that alone can enable us to meet our growing national needs~~. The practical question is: What can you actively do to make that goal a reality when you do not agree with all the means proposed to reach it? An excellent answer to that question has just been given by the group of distinguished business leaders who last week, here in Washington, formed the "Business Committee for Tax Reduction in 1963" and who drew up a statement of principles upon which businessmen can unite in support of meaningful tax ~~cuts~~ reduction in 1963.

Certainly, the time is ripe. Four or five months ago, few of us could have realistically expected that the economic conditions for a tax cut would be as favorable as they now seem. For, based upon the performance of our economy in the last few months, our prospects for is no surprise that, on an issue so complex, so far-reaching and that so deeply affects so many people, there is no unanimity of agreement. What is genuinely remarkable is that the understandable and sometimes sharp disagreement on details has in no way weakened the strong and widespread consensus that only a thorough overhaul of our tax system can provide the lasting impetus our economy needs.

More than two hundred witnesses have testified before the House Ways and Means Committee on the President's tax proposals. While their views have differed widely on specifics, only two of these witnesses have disagreed with the central thesis of the President's program -- the need for a substantial tax reduction to encourage economic growth. While your organization, for example, has questioned certain details in the President's proposals, it has not questioned its aim.

~~In~~ fact, you ~~have~~

T D
WASH

309

For Release Upon Delivery.

~~DRAFT~~ ~~April 26, 1963~~

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE CHAMBER OF COMMERCE OF THE UNITED STATES
AT THE STATLER HILTON HOTEL, WASHINGTON, D. C.
TUESDAY, APRIL 30, 1963, 9:30 A.M., EDT

For this second general session of your annual meeting, you have chosen the theme -- "Taxes, Spending, and Freedom." It is a theme both timely and significant. Timely, because in a relatively few ~~short~~ weeks ~~from now~~ the House Ways and Means Committee will report on the Tax Bill it is now working on in executive session. And significant, because there is~~, in truth,~~ no more urgent task confronting the ~~this~~ nation today than the adoption of a program of tax reduction and reform ~~such as President Kennedy has proposed~~ -- a program that is at once fair, substantial, and fiscally responsible.

There is no doubt in my mind that such a program will be enacted into law this year. The public testimony on the tax proposals has strengthened my earlier belief that tax reduction is essential. It

D-834

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE CHAMBER OF COMMERCE OF THE UNITED STATES
AT THE STATLER HILTON HOTEL, WASHINGTON, D.C.
TUESDAY, APRIL 30, 1963, 9:30 A.M., EDT

For this second general session of your annual meeting, you have chosen the theme -- "Taxes, Spending, and Freedom." It is a theme both timely and significant. Timely, because in a relatively few weeks the House Ways and Means Committee will report out the Tax Bill it is now working on in executive session. And significant, because there is no more urgent task confronting the nation today than the adoption of a program of tax reduction and reform -- a program that is at once fair, substantial, and fiscally responsible.

There is no doubt in my mind that such a program will be enacted into law this year. The public testimony on the tax proposals has strengthened my earlier belief that tax reduction is essential. It is no surprise that, on an issue so complex, so far-reaching and that so deeply affects so many people, there is no unanimity of agreement. What is genuinely remarkable is that the understandable and sometimes sharp disagreement on details has in no way weakened the strong and widespread consensus that only a thorough overhaul of our tax system can provide the lasting impetus our economy needs.

More than two hundred witnesses have testified before the House Ways and Means Committee on the President's tax proposals. While their views have differed widely on specifics, only two of these witnesses have disagreed with the cental thesis of the President's program -- the need for a substantial tax reduction to encourage economic growth. While your organization, for example, has questioned certain details in the President's proposals, it has not questioned its aim.

In fact, you have made it very clear that you strongly support the principle of tax reduction as vital to the continuation of a healthy free economy. The practical question is: What can you actively do to make that goal a reality when you do not agree with all the means proposed to reach it? An excellent answer to that question has just been given by the group of distinguished business leaders who, last week, here in Washington, formed the "Business Committee for Tax Reduction in 1963" and who drew up a statement of principles upon which businessmen can unite in support of meaningful tax reduction in 1963.

Certainly, the time is ripe. Four or five months ago, few of us could have realistically expected that the economic conditions for a tax cut would be as favorable as they now seem. For, based upon the performance of our economy in the last few months, our prospects for the year are relatively better than most observers had expected. If the improvement continues, our estimated revenues for fiscal 1964 may well be more than we estimated in January -- perhaps by as much as a billion dollars -- thus reducing the deficit.

Even more important, a tax cut when the economy is reasonably buoyant would be far more effective in carrying us toward full employment than a tax cut when the economy is merely limping along. For the tax program that the President has proposed is designed as a long-range program -- a program not merely to shield us from an economic downturn, but to accelerate our economic growth well into the future. The present state of our economy is ideal for the inauguration of that kind of program.

As you are well aware, the aim of the President's tax proposals is to break the iron grip upon our economy of a tax system which helped control inflation during the Second World War and its aftermath, but which now throttles growth. It is a program to promote economic growth by promoting economic freedom. And by economic freedom I mean not only the freedom of the market place, of investment, and of enterprise -- but the freedom that is the right of every American, to have the opportunity to work, to grow, and to prosper in accordance with his talents.

Far too many Americans have not had that opportunity for far too long a time. Not for a single month in the past five years has unemployment fallen below five percent. Yet for the greater part of the preceding five years, unemployment was either below or only slightly above the four percent level that many regard as reasonably full employment. Last month, four and a half million of our citizens could not find the jobs they sought.

Unless we do something now, the prospects are that many more millions will be unable to find jobs in the future. Next year, those young people who were born in 1946 -- the first year of the postwar baby boom -- will turn eighteen and begin to enter our labor force in large numbers. During the mid-sixties our labor force will have to absorb an average annual inflow of around 2 million 700 thousand young people, compared to 1 million 800 thousand during the mid-fifties -- an increase of 50 percent. We must be able to provide jobs for all of these young men and women. And we must do it in a time of ever-increasing automation. For the impact of automation that has long been felt among our blue-collar factory workers is now spreading rapidly in the white-collar and service areas.

We welcome the progress of automation. But we cannot accept the unemployment that too often accompanies it. We can -- and we must -- take steps to meet, with a many-sided response, the twin challenge of automation and a rapidly growing labor force. The Government has a clear and direct responsibility in this area. But it will act only to the extent that the private economy cannot, or does not, meet this challenge.

The President's tax program is evidence of his belief that a free and vigorous private economy can provide our citizens with abundant job opportunities. Should we fail to achieve this kind of economy, let no one imagine that the result would be anything but catastrophic. For instance, Mr. W. P. Gullander, President of the National Association of Manufacturers, recently estimated that, if our economy continues to create jobs no faster than it has during the past five years, then, by 1970, our unemployment rate would soar to a shocking 12.7 percent.

The American people could never tolerate such a result. It would inevitably call forth massive governmental action to provide the jobs that our private economy had not provided. The President's tax program is proof enough that such a prospect is as unwelcome to us in Washington as it must be to you.

High unemployment is at once the most enduring and the most unendurable result of our slow growth over the past five years, but it is only one of the many ills which flow from an inadequate economic performance. The likelihood is that without a program of substantial tax reduction, our plants will continue to operate below the levels that businessmen themselves feel they need for most efficient production -- that there will be no let-up in the pressure upon profit margins -- that new investment which, in real terms, is just equalling the levels reached six years ago, will continue to lag -- that we will, in short continue to suffer from the many ills that accompany an economy whose resources and incentives for growth are hampered by an overly restrictive tax system.

As long as our economy is so hampered, we are likely to continue to suffer as well from the chronic budgetary deficits that grow because our economy fails to grow. The record is clear that the deficit we now face is the result of an economy which produces too little -- rather than of a government which spends too much. Let us briefly review that record:

We are all well aware that within the past two years the Soviet rulers felt enough confidence in their power to confront us with a military challenge on a scale we have not seen since the Berlin blockade, fifteen years ago. Fortunately President Kennedy had -- in one of the very first moves of his Administration -- ordered a rapid and substantial build-up of our military power. It was this increased military strength and the steadfastness of our citizens that enabled us to withstand both the Berlin crisis of 1961 and the Cuban crisis of last fall. That military build-up was vital to preserve our freedoms. It was also expensive. Our annual defense budget grew by some $10 billion.

In addition to their military threat, the Soviets have also challenged us in the vast new arena of space. Thanks to a considerable head start and rockets far larger than ours, they have been able -- up to now -- to out-perform us in manned space flight and to capture the imagination of the world by their feats. But, in the spring of 1961, our Congress agreed with President Kennedy, that we were no longer willing to continue second best in space. It approved a program designed to put an American on the moon before the end of the decade, and hopefully before the arrival of any Soviet space explorer. That decision was extremely costly, but it involved far more than a symbolic race to the moon. It represented our clear determination as a nation that we will not permit the Soviet Union to pre-empt world leadership in a new and unknown environment whose potential we have scarcely begun to foresee.

These two decisions in defense and space, along with relatively normal increases in other programs vital to the needs of our growing population, have combined to push our expenditures substantially higher than the revenues we collect from our under-employed economy. I mean exactly what I say when I characterize these other increases as relatively normal. Because, for all programs except defense, space, and interest on the public debt, President Kennedy's current 1964 budget recommendations exceed actual 1961 expenditures by only $4.5 billion -- as compared to an increase of $4.9 billion in these same programs during three preceding years, 1958-61. There can be no question that, if our economy were operating at reasonably full capacity, our tax system would today be producing more than enough revenue to finance our current national needs within a balance budget. Instead of worrying about deficits we would be enjoying budgetary surpluses.

But the harsh truth is, that unless we release the drag which our tax system now exerts on our economy, we cannot hope to move significantly closer to a balanced budget. In fact, the experience of recent years has shown that exactly the opposite will take place.

Thus, we are faced with what might seem at first to be a paradox: while our present tax rates are so high that they would produce a substantial budget surplus at reasonably full employment, we have little hope of ever achieving that surplus unless we first reduce our tax rates.

Actually, this should not be very mysterious. The explanation is that the major factor in our economic progress -- and, indeed, in the progress of any free market economy such as ours -- is the vitality of the private sector, both the business community and the consuming public. The across-the-board reduction in our tax rates recommended by the President will stimulate both. We can expect more economic activity, and higher tax revenues, to result. This has been the record in the past, and there is no reason to expect that it will not prove to be the case again. We are not alone in this analysis of the results of tax reduction. One of the clearest statements of this thesis that I have ever seen reads as follows:

> "Any appreciable downward revision in tax rates will, of course, cause an immediate reduction in revenues. But there is substantial evidence from the history of tax relief measures, particularly with respect to income taxes, that the initial revenue loss is soon made up by an increase in the tax base against which the lower rates are charged. There is evidence of this not only in our own experience but also in the experience of such countries as Canada, West Germany, and Austria, each of which has enacted several tax relief measures in the post-World War II period."

That statement was made by the National Council of State Chambers of Commerce in its bulletin on Federal Tax Facts, June 4, 1958.

Last year, we took our first important steps in tax relief. They were the enactment of the investment credit and the complete revision and extensive liberalization -- for the first time in twenty years -- of the tax rules dealing with depreciation. The combined effect of these two actions was to reduce the tax load on business by some $2.5 billion a year -- the equivalent of a five-point reduction in corporate taxes.

Today, business is reacting to these two measures as we had anticipated. The enlarged flow of new orders for machinery and equipment that marked the opening months of the year, and the recent striking increase in business appropriations for modernization and expansion, can be traced largely to these two actions. Most of you, I am sure, have seen the report in the magazine, "Iron Age", of the effect of these measures on the steel industry -- an increase of 32 percent in depreciation writeoffs.

The investment credit and new depreciation guidelines were a preliminary part of the tax program now under consideration by the House Ways and Means Committee. That program, as you know, offers a broad, top-to-bottom reduction in tax rates, both corporate and personal, accompanied by a number of structural reforms. The overall result would be a reduction of $10.3 billion in taxes, designed to unleash our economy and allow it to reach its full potential.

The President's program is not weighted in favor of any one sector of the economy at the expense of any other. It recognizes the simple fact that a free market economy requires both supply <u>and</u> demand. It also recognizes the fact that our economy consists of a complex and interdependent network of forces -- and that we cannot lift the entire economy onto a new and higher plane of activity by lifting merely one sector of it.

Consider for a moment how the tax reductions are distributed in the President's program: Virtually one-half of the $10.3 billion in net tax reduction would go to taxpayers with incomes of $10,000 and under -- and the other half to individuals with incomes higher than $10,000 and to corporations. When you include last year's investment credit and depreciation reform, the corporate share amounts to 40 percent of the Administration's long-range tax reduction program And roughly one-third, or nearly 32 percent, of the net tax reduction goes to middle-income taxpayers -- those in the $10,000-$50,000 brackets.

The substantial rate reductions in the middle and upper income brackets offer a genuine spur to incentives for effort, initiative and investment. Yet the rate reductions could not be as large as they are -- and remain within the limits of fiscal responsibility -- in the absence of the revenue-raising reforms. Without this additional revenue, tax rate reduction would have to be more modest.

The question of fiscal responsibility has given our people the greatest concern in their consideration of the tax program -- a concern implicit in the theme you have chosen today. That is a concern we in the Administration fully share. Indeed, it is clearly spelled out in the President's Budget Message, as well as in his Tax Message.

As I have said, it is our belief that the tax reduction we have proposed will so invigorate the economy that, in a few years, our revenues under the new, lower rate structure will be larger than if we were to continue with our present rate structure, which stifles economic growth. Nevertheless, the first and immediate fiscal impact of tax reduction will be lower revenues and a somewhat larger deficit. This calls for the most careful expenditure control. And that is just what the President has pledged.

Since increases in defense, space and interest on the public debt are unavoidable, he has held fiscal 1964 expenditure levels below those of the current year in the overall civilian programs of the government. He has specifically stated on more than one occasion that a substantial part of the increased revenues from our expanding economy will be set aside to reduce the deficit until such time as it is eliminated. The significance of this pledge has apparently not been fully understood. As the President stated in his Budget Message, "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 toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit." This means that as revenues increase through the stimulus of the tax program and the normal growth of our economy, expenditures will not be permitted to rise as rapidly, leaving a substantial portion of each year's increase available to reduce our present budgetary deficit. The President has already begun to translate his pledges into action. Since January, he has cut expenditure requests by over $750 million, including the recent cut of $400 million in his foreign aid request. This is sure proof of the effectiveness of the program of expenditure control that is such an important and integral part of the President's tax reduction program.

I recognize that there are some who believe that the Administration favors budget deficits as being good in and of themselves. This is simply not so. We dislike deficits as much as anyone. But, we are prepared to accept them if necessary to preserve our national security. And we are not prepared to sacrifice effective job-producing programs such as the emergency public works bill, during a period when unemployment remains at unacceptably high levels. We are solidly against waste in government and welcome efforts to reduce it. But we do not accept the claims of those who would make meat axe cuts in the budget but are not prepared to justify the details. For instance, it is downright irresponsible to claim, as some have done, that defense expenditures can be cut 5 percent merely because they amount to over $50 billion a year. Secretary McNamara has given us the most efficient operation of the Defense Department that our nation has ever known, yet, because of the economies he is effecting, he is under attack from many directions. No man has the right to claim that additional defense economies are possible unless he is willing to spell out exactly where and how they can be made. We welcome the advice and help of all our citizens in assuring the most frugal conduct of the nation's business, but we reject the counsel of those who would sacrifice major national interests and even endanger our national security, merely because our economy has not operated near enough to capacity to produce the needed revenues.

In a further effort to minimize the effect of tax reduction on the budget, its impact has been spread over three fiscal years. This does not mean, however, that we have to wait three years to feel the economic impact of tax reduction. Quite the contrary. The President's tax program would release a very large amount of money throughout the economy in a very short period of time. If the tax program, for example, became effective in October, then within nine months the economy would benefit from roughly $6 billion in tax relief, and within fifteen months the entire 10 billion dollar reduction would be in effect.

The President's tax program offers strong encouragement to both consumption and investment, to every income group and to every sector of our economy. It meets the need for prompt and effective action to lower rates, to foster incentives and effort, at the same time that it meets the need to keep the budgetary deficit within a tolerable limit. It offers our private economy the freedom it needs to draw upon its own inherent resources for growth, to create the job opportunities we will need in the years ahead, and to provide the revenues necessary to preserve our national security and answer our critical national needs.

It is a program designed to meet our needs today, and to lay the foundation for a better tomorrow. It responds to the challenge of our time in a responsible manner. Some of us may disagree with parts of the program, and with the details of the separate provisions, but all of us will recognize that effective action is vital if we are to meet today's economic realities. I am sure the bill that will come out of the Ways and Means Committee will provide that action, and I am sure that the overwhelming majority of our people will support it wholeheartedly.

oOo

It would, of course, be false optimism to assume that all small business problems can be solved by revisions in the tax law, however well thought-out or devised for that purpose. However, much can be accomplished and will be achieved through the 1963 proposals. We are determined to bring to the further development of this legislation the best available information and analysis, including -- in prominent perspective -- its impact on small business and its contribution to the growth in numbers and capability of our small independent enterprises

oOo

Measures such as liberalized depreciation, the investment credit and now the proposed tax rate reduction all serve to increase the internally generated flow of cash needed to make new investments. This is especially important to the capital-scarce and growing small firm.

Conclusion

The program outlined here is one which is oriented to the needs of our economy and our small business community as an integral part of the economic structure.

It will lower tax rates, increase the after-tax profitability of investment, and speed the after-tax cash flow and rate of recovery of investment.

These proposals are put forward and supported in the firm belief that they will strengthen the economy and the role of small business in our economic structure. We believe that the returns from them will more than pay for the revenues lost in a few short years and provide a much larger measure of job opportunities, national income and national strength and competitiveness than would result from the maintenance of a status quo.

There is gathering evidence that the tax incentives initiated last year are stimulating an increase in business spending for modernization and expansion that will markedly strengthen our economy. Tax reduction and reform this year will consolidate and bolster these advances with consequent favorable repercussions on small business and its outlook for the future.

Combined Impact of the Investment Incentive Measures Adopted Last Year and the Proposed 1963 Tax Reduction for Small Business

Before closing my remarks, I would like to review briefly with the Committee some figures which help quantify the dimensions and significance of the proposed tax reductions for a small company against the backdrop of the investment incentive measures introduced last year: the 7 percent investment credit and the administrative liberalization of depreciation.

The tax treatment of new investment may be illustrated in terms of the percentage of the cost of an asset subject to tax write-off or equivalent charges against income in the year of acquisition.

In the case of a 10-year asset costing $10,000, purchased by a firm subject to the proposed 22 percent corporate normal tax rate, the following deductions or equivalents may be taken:

20 percent initial allowance	$2,000
7 percent investment credit expressed as equivalent deduction from income	3,180
First-year depreciation (double-declining balance depreciation, 10-year life)	1,460
Total	$6,640

As these figures demonstrate, the various allowances under present law and the proposed rate reduction would in effect permit tax-free recovery of two-thirds of the cost of a machine or other equipment item with a 10-year life in the year of its acquisition. To the extent the depreciable life is shorter than the 10 years assumed in the example, the proportion of capital recovered tax-free in the first year would be still greater.

Problems of strengthening our technological effort in the civilian area of the economy are of concern to the Nation and to all businesses regardless of size. The President's proposals are therefore equally applicable to large and small businesses. The special rules I have just outlined are designed to overcome possible disabilities of the smaller firm with respect to some of the recommended eligibility tests. This will ensure that the direct benefits of the proposed treatment are available to the small business which uses some of its assembly line equipment for research or partially uses some of its research equipment in performance of a Federal contract.

This recommendation will be of important benefit both directly and indirectly to small business. Small businesses will receive additional tax allowances for their research effort. They will share in the general advance of the economy due to faster development of technical knowledge and new products. Many small businesses specializing in research activities or supplying research equipment or its components will experience greater demand for their products and services from business generally.

As Administrator Horne has observed, the tax advantage of expensing research equipment could be a crucial factor in the decision of many small firms with research budgets to acquire needed modern equipment. It would also help provide the financial means for other small firms not now engaged in research and development to initiate such activities to their eventual competitive advantage.

time or more for these purposes, to the extent of 50 percent of the cost. For firms using this special provision, research equipment would qualify for a full deduction even if used in part under Federal contract. In order to limit the benefits of the special rules primarily to small firms, the amount deductible thereunder would be limited to 4 percent of the first $500,000 of total expenditures for research and development. The deduction therefore would be limited to $20,000.

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.

The basic purpose of this proposal is to stimulate our lagging civilian technology. Accelerating economic growth requires the adoption of policies not only to increase aggregate demand, investment, and utilization of existing resources but also to expand and advance technology and the capital formation that puts that technology to work.

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 financ expenditures during the last two or three years have hardly advanced. In real terms, they may have declined in view of the continued increase in salaries of scientific personnel.

with widely fluctuating incomes, including many small businessmen, farmers, and professional men. To deal with this problem, the Administration has recommended an income averaging provision.

Under the recommendation, a taxpayer could average his current income with that of the past four years and if the current income amounts to more than 133 percent of the average, he would be allowed in effect to treat the excess over 133 percent as though it were earned over a 5-year period. Thus he would be taxed at a considerably reduced rate. Since incomes of many small unincorporated businesses are subject to wide swings from year to year, their owners especially would benefit from the averaging provision.

Research and development

The newly adopted tax policy of 1962 and now the proposed tax program rely 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

For a married decedent, for example, these figures show that the $124,000 gain would be reduced by the various exemptions and exclusions so that only $10,500 would be subject to tax, and the net additional tax due to the gain would be only $1,985 or about 1-1/2 percent of the gain. Even a $200,000 gain would be reduced to a taxable amount of $21,900, on which the net additional tax would be $4,139 or about 2 percent of the gain. For a single person not using the marital exclusion, the tax would be somewhat greater.

We recognize that, in addition to what we believe are the pertinent tax policy considerations, there must be taken into account in the formulation of legislation of this kind collateral considerations, including such matters as resulting changes in the structure of the economy and particularly the preservation of independent small business. We have followed with interest the testimony on these matters in the recent Hearings and have noted the assertion that the application of the provision would force the sale or merger of small businesses. We shall also examine carefully views presented in the course of the present Hearings. This aspect of the legislation will come up for further review in the Ways and Means Committee and subsequently in the Senate Finance Committee before decisions are made by the Congress in the final legislation on this point.

Structural Features of Particular Interest to Small Business

Income averaging

The absence of an effective general averaging provision under our graduated personal income tax rate schedule has long penalized individuals

In the period since the Secretary's presentation to the Ways and Means Committee, members of the Treasury staff have been checking into the operation of the present rules for preventing forced sales, the possible need to liberalize and amplify them to increase their effectiveness, and possible approaches to improve them. These studies are not yet completed, so I am not presently in position to appraise their results.

4. Provision would be made to enable taxpayers to accommodate their estate plans to the new rules through an appropriate transition device. As Secretary Dillon has suggested, one way in which this might be accomplished would be to set a 3- or 5-year transition period. If a 5-year period were used, the estate of a person dying in 1964 would pay tax on one-fifth of the gains on transfer at death, that of a person dying in 1965 on two-fifths, and so on, with full taxation applying in 1968. A 3-year period would operate in similar fashion, providing full taxation by 1966.

Administrator Horne has furnished you with an example showing the relatively minor impact the proposal would have in situations which approximate the circumstances of the prosperous owner of a successful small business. We have made detailed computations of the capital gains tax at death for a businessman with an average income of $20,000 annually prior to death and accrued gains of, alternatively, $124,000 (the estimated average in the $300,000 to $500,000 gross estate class) and $200,000 (an unusually large gain in the $300,000 to $500,000 gross estate category).

relief and transition rules. These rules, outlined in the supporting material accompanying the Treasury's presentation before the Ways and Means Committee, would operate as follows:

1. A 5-year averaging provision would be applicable to limit the tax on gain at death to five times the tax on the first one-fifth of the gain.

2. Accrued losses at death would be utilized through a special carryback provision.

3. To help those estates with liquidity problems certain provisions of present law (major features of which were originally urged by this Committee) would apply to the capital gains tax on transfers at death. I refer to the provisions permitting installment payment of estate taxes and redemptions of corporate stock without dividend consequences. 1/ It has been suggested by the Treasury those those sections of present law be broadened to cover the income taxes attributable to the capital gains realized at death. Also, it has been suggested section 6161 should be liberalized so that circumstances involving a forced sale of a family business to outsiders, or a forced sale on a depressed market, are considered to be an undue hardship.

1/ Section 303 of present law permits the redemption of stock in certain closely held corporations, without the payment of ordinary income tax on the redemption, in order to provide funds for the payment of estate taxes. Section 6166 of present law permits, in cases involving closely held businesses, installment payment of estate taxes for a period of up to 10 years with the application of a 4 percent rate of interest. Section 6161 provides for installment payments for up to 10 years in cases of undue hardship with the application of a 4 percent rate of interest.

base which deals with the treatment of gains on transfers at death, the proposed reductions in the capital tax rate could not be justified.

To eliminate possible hardship or adverse effects that might arise a number of relief features have been included. These were described by Secretary Dillon in his presentation to the House Ways and Means Committee, and I shall recapitulate them only briefly here.

1. The capital gains tax would reduce the estate tax base.

2. All ordinary personal and household effects such as clothing, appliances, and furniture would be exempt.

3. Property passing to charity would continue to be exempt.

4. A marital deduction would be provided similar to related provisions of the estate and gift taxes so as to assure uniformity in the treatment of residents of community property and common law States. Amounts covered by the marital deduction would be subject to a carryover of the original basis.

5. An additional blanket exemption of $15,000 of gain would apply to every taxpayer.

6. Special provisions would insure that no one would have to pay tax on the transfer of a home.

The foregoing exceptions and exemptions would limit any impact whatsoever of the proposal to fewer than 3 percent of those who die each year About 55,000 estates annually would be affected. Of this 55,000, only a fraction would include small business interests.

To mitigate the application of the tax to the remaining 55,000 estates and the still smaller number of small business owners on whom there would be an impact, there are a number of other provisions suggested in the nature of

This will afford important encouragement to investors in small business who often seek capital gains from development of a successful enterprise. The lower capital gains rates will also unlock seasoned investments which are now retained largely for tax reasons, and encourage the flow of funds to small businesses, particularly in view of the effects of general tax reduction in creating greater prospects for profitable investment in small business. This increase in the liquidity of investment and removal of barriers to the free flow of capital funds will enhance the supply of available risk capital for small business use. As I have previously indicated, any measure which increases the effective capital supply goes directly to the heart of the problem of how to generate new businesses, how to nurture existing businesses, and how to expand small and medium-sized concerns into increasingly sturdy and healthy enterprises.

Taxation of gains accrued on capital assets on transfer at death

As part of the package of proposals for tax reduction in the capital gain and loss area, we have recommended that these liberalizations be accompanied by the taxation, at the reduced long-term capital gain rates of net gains accrued on capital assets at time of transfer at death or by gift. This would not apply to assets transferred as charitable gifts or bequests.

The recommendation is an essential part of the capital gains tax reduction, since the substantially lower rates alone would not deal effectively with the "lock-in" problem, the solution of which is basic in assuring mobility of capital. Moreover, without a more rational, comprehensive tax

Increased consumer demand, higher levels of production, and more favorable earning opportunities will help all types of business, both large and small. Rising output and employment to meet new private demands will 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 would 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.

Capital Gains and Losses

Closely related to the rate reductions, but also encompassing important elements of structural change, are the proposed revisions in the tax treatment of capital gains and losses. These changes provide significant reductions in the capital gains tax rates for both individuals and corporations and -- in their over-all impact -- directly and indirectly aid small firms.

Reductions in capital gains tax rates

Under the program, 30 percent of long-term capital gains of individuals, instead of the present 50 percent, is includible in taxable income. Combined with the individual tax reductions this means that capital gains would be taxed at an effective rate of 4.2 percent, instead of the present 10 percent, in the lowest bracket and progress to a maximum of 19.5 percent, instead of the present 25 percent.

enterprises) with net profit, 5,925,070 or 82 percent reported net profit under $5,000. Some 7,071,483 or 98 percent reported net profit of less than $20,000.

In the partnership field, of 759,172 partnerships with net profit in 1959-60, 359,136 or nearly half had net profit under $5,000. Some 649,916 or nearly 86 percent had net profit under $20,000. Since there are on the average nearly 3 partners in each firm, the share of profit taxable to the average partner would be between 35 and 40 percent of the partnership income as such.

While the size of the income of an unincorporated business does not conclusively indicate the tax bracket in which the businessman's profit falls, since his over-all income may include income from other sources, these data nevertheless suggest that the great majority of unincorporated business incomes would be subject to a tax reduction approaching 25 percent, assuming the standard deduction, a figure closely in line with the 26.6 percent cut proposed for small companies.

Indirect Benefits to Small Business: Increased Consumer Demand and Higher Levels of Production and Earnings

The general economic stimulation and higher growth rate that will result from the adoption of the President's program will provide wider and richer opportunities for small business. If given a fair and equal chance, small business can more than hold its own in the market place, but it can best survive and flourish in the favorable environment of a buoyant, expanding economy.

Let me cite a few figures illustrating the magnitude of the proposed individual income tax reductions in the income ranges in which the great bulk of unincorporated businesses are found. A married man with two dependents, filing a joint return, now pays tax of about $420 on a $5,000 adjusted gross income, using the standard deduction. Under the proposed rates when fully in effect, he would pay $280, a reduction of $140 or 33.3 percent.

Comparable figures for a businessman with $10,000 adjusted gross income are: present tax $1,372, proposed liability $1,068, reduction $304 or 22.2 percent. At $20,000 adjusted gross income, the present tax is $4,124, proposed $3,282, reduction $842 or 20.4 percent. These figures compare with the proposed reduction of 26.6 percent in tax for small incorporated businesses with incomes under $25,000.

For taxpayers with typical itemized personal deductions, the proposed reductions would be somewhat smaller, but still substantial. At $5,000 adjusted gross income, the reduction would be 18.3 percent; at $10,000, 15.2 percent; and at $20,000, 13.4 percent. As I have previously indicated the proposed revision of the treatment of itemized deductions would not affect deductions taken in arriving at taxable business earnings and would therefore not affect the business firm, as such.

To an even greater extent than in the corporate area, the great mass of unincorporated business incomes are small. In 1959-60, for example out of 7,219,608 sole proprietorships (including farm and professional

he taxes of existing groups. This would prevent an
proportionate tax cut for large multi-corporate
er proliferation to obtain a tax advantage, and
ve position of small enterprises.

uld affect only multi-corporate groups with combined
25,000. It would have no effect on businesses using
organization if their combined income was not in
s Administrator Horne has previously reported to
applicants under the Small Business Act indicates
businesses use the multiple corporate form and the
no significant adverse effect on the survey group.

to unincorporated business: Individual rate reductions

mall unincorporated businesses in our economy will
y from the recommended individual income tax rate cuts.
would be made over a 3-year period starting in 1963
the present range of 20 to 91 percent to a new lower
rcent.

on all individual incomes would be reduced $11 billion
ion and more than $8 billion after offsetting structural
the field of personal non-business deductions which
incorporated firms as such. It is estimated that
llion of the more than $8 billion net reduction would
ncorporated businesses, exclusive of farming and
es.

333

4. It will encourage new investment and initiative by confronting the small businessman, new or old, with a markedly improved outlook for after-tax returns along the whole line of investment decisions which he must make in carrying on or expanding his business.

Proposed limitation on multiple incorporation benefits

The reversal of corporate normal and surtax rates is designed to strengthen assistance rendered through the corporate rate structure to small business. This interchange of the rate components bolsters the policy begun by the Congress in 1950 of aiding small business by freeing it from the corporate surtax. However, unless limited to genuinely small firms the proposal would confer unintended benefits to large business organizations operating through a series of separately incorporated units

This would permit large multi-corporate groups to obtain the tax advantages of the 22 percent rate for small business while enjoying the greater financial strength and competitive advantages associated with larger business operations. Undesirable revenue losses would be in as well as additional arbitrary tax differentials among large firms equal incomes depending on their form of legal organization. Even more important for a program designed for small business, uncurbed extension of more favorable small business tax treatment to many larger enterprises might have seriously adverse competitive impact on the actually small businesses for whom substantial help is intended.

The President's proposal would limit multi-corporate groups under 80 percent common control to one surtax exemption. The limitation would become effective gradually over a 5-year transition in order to avoid proprietorships and partnerships to be taxed as corporations. Conversely, small closely held corporations have the option under subchapter S to be taxed in a manner similar to partnerships.

In combination with last year's depreciation reform and investment credit, which generally increased after-tax profitability on new investment in equipment by 20 percent, the proposed rate reduction will make a total improvement in the after-tax earnings rate of nearly one-third for the small firm.

The resulting increase in return on business investment and initiative should spark new interest in the formation of new business. This added drive to the generation of new enterprises will give added vitality to our business population. From the standpoint of maintaining a healthy small business sector, the strength of motivation to create new businesses is crucial.

In summary, the proposed corporate tax cut which singles out the small company for larger and more immediate reduction will have several basic and closely related impacts on small business:

1. It will stimulate the formation of new businesses.

2. It will preserve and strengthen the competitive status of existing firms.

3. It will enhance the growth capability and therefore the viability of both existing and new firms by increasing their cash flow and sources of capital supply.

One of the more undesirable effects of our present tax structure is that it inhibits the generation of new businesses and the growth of existing small business. The small businessman or innovator must of necessity rely to a large extent on his own financial resources or those of his family and close friends or associates. These resources include the after-tax earnings of a small business which has been launched with some success but needs capital for growth to attain its real potential.

If small corporations are to stay in business they must have money to plow back into the business to expand and to meet competition. If small businessmen are to be willing to undertake new enterprises, they must have some prospect of being able to build it up after its initial phases of operation through reinvestment of earnings. The earnings of the business itself are the best and, very frequently, the sole source of funds for expansion. The existing tax rate of 30 percent on the first $25,000 makes it difficult for the small corporation to retain a sufficiently large portion of its earnings. Frequently, what appear to be earnings are in fact the unrecognized costs of the very survival of the business. Survival in turn is impossible without growth, so that survival and growth are in reality synonymous.

The benefits of the proposed reversal for small incorporated businesses would balance the individual income tax reductions recommended which would apply to unincorporated businesses. In any event, the benefits of the reversal would be available to unincorporated businesses, whether or not they wished to incorporate, by virtue of the operation of section 1361 (subchapter R) of the Internal Revenue Code which grants an election to companies with profits of $25,000 or less would amount to about 27 percent; for those earning $100,000 to $1,000,000, it would amount to about 11 percent; and for those earning more than $1,000,000 annually, it would be about 10 percent.

These tax cuts for small companies would result in higher after-tax profits and retained earnings. The tax program will thus help remove one of the most persistent deterrents to the growth of small business lack of adequate capital. Because of their inability to obtain conventional long-term financing for expansion and modernization, small businesses are forced to rely on costly short-term credit, which they must continually refinance, to supplement their limited internally generated funds unless they can avail themselves of credit from Small Business Administration sources. Tax reduction would increase the volume of earnings which can be plowed back into small businesses to sustain their healthy growth. This will help ensure the survival and growth of existing small businesses; it will also encourage new entrants into business ventures since it will improve the prospects for financing expansion from a stronger base of sources within the successful enterprise -- a consideration of major importance to the prudent entrepreneur. Tax cuts would also attract new investment to small businesses, since the after-tax profitability of such enterprises would increase. At the same time, increased profit prospects would improve their borrowing power.

To put the resulting improvement in after-tax profitability in very specific and concrete terms, the proposed percentage point reduction in the corporate rate on the first $25,000 will increase the rate of return to investment and initiative by about 11-1/2 percent.

Small business representatives appearing before your Committee have repeatedly advanced proposals similar to that now being made by President Kennedy. Over the years, members of the Committee, as well as other members of the Congress, have introduced or sponsored a number of bills in the Congress to effectuate such a change in the corporate rate structure to aid small business. The adoption of this simple and realistic tax adjustment for small business will result in immediate tax reduction totalling $233 million in 1963 for 467,500 companies with incomes of $25,000 or less, more than four-fifths of the total taxpaying corporate population.

Corporations above the $25,000 income mark, but still small in relation to some of the largest concerns, would receive impressive benefits from the reversal of normal and surtax rates. They would also benefit further from the subsequent proposed reductions bringing the general corporate rate down to 47 percent by 1965. When fully effective, these would amount to about a 16 percent reduction for the corporation with $50,000 income and roughly 12-1/2 percent for the corporation with $100,000 income.

Because of the emphasis on rate reduction on the first $25,000 of earnings, the over-all reduction in corporate tax rates will continue to be proportionately larger for small companies. Reductions in the surtax paid by large corporations will go into effect in 1964 and 1965. But even when all three steps of the corporate tax cut are in effect, the tax reduction for small companies would be greatest. The reduction for

Corporations: Immediate reversal of corporate normal and surtax rates, followed by more general rate cuts

Both in amount and timing, the rate reductions proposed in the corporate area will be especially beneficial to small business. The timing and pattern of the corporate tax reduction are designed to provide the maximum incentive to small business in the quickest possible time The reduction is focused in the small business range of corporate income for the current year. General corporate rate reduction is deferred until 1964 and 1965.

Getting down to specifics, effective beginning with 1963 income, the proposals would reverse the present corporate normal and surtax rates, reducing rates for companies with net income of $25,000 or less from 30 percent to 22 percent. The general corporate rate of 52 percent on income above $25,000 would thus remain unchanged in 1963. However, the benefits of the immediate reduction on the first $25,000 of corporate income would also extend in substantial measure to medium-sized firms with incomes above $25,000. This change recommended for 1963 represents a reduction of 27 percent in tax paid by corporations with incomes of $25,000 or less, compared with reductions of 10 percent at $50,000 net income and 4 percent at $100,000.

This reversal of corporate normal and surtax rates represents a suggestion made in a letter to the President earlier this year by your Chairman and other Committee members of both parties. It has been widely endorsed as a major aid to small business.

The tax treatment of small business is a subject of prime concern to the Nation for, as Secretary Dillon stated in his appearance before the Ways and Means Committee, "Small businesses, their strength and vitality, are the very keystone of our competitive economy and its potential for growth."

Direct Benefits for Small Business: Tax Rate Reductions

The President's program would benefit small businesses directly in a number of ways, the most important of which is lower tax rates. Under the proposals, all small business enterprises, whether they are corporations, partnerships, or sole proprietorships, will enjoy substantial tax rate reduction.

The major reform in this tax program -- and the one of greatest importance to small business -- is the large reductions in tax rates.. The reductions would apply to individual and corporate incomes and capital gains.

In combination with revenue-losing structural changes to meet particula hardships, the rate reductions on individual and corporate incomes will reduce revenues by about $14.4 billion, of which $13.6 billion is attributab to the rate cuts themselves. Other reforms which broaden the tax base and eliminate unjustified preferences provide some $4.1 billion revenue to help make the rate reductions possible.

The rate reductions -- other than the reduction for small companies

The major reform in this tax program -- and the one of greatest importance to small business -- is the large reductions in tax rates. The reductions would apply to individual and corporate incomes and capital gains.

In combination with revenue-losing structural changes to meet particular hardships, the rate reductions on individual and corporate incomes will reduce revenues by about $14.4 billion, of which $13.6 billion is attributabl to the rate cuts themselves. Other reforms which broaden the tax base and eliminate unjustified preferences provide some $4.1 billion revenue to help make the rate reductions possible.

In addition to the direct benefits of lower taxes for small firms, the resulting stimulation to the economy will provide an expanding environment in which small business can survive and flourish.

A major objective has been to exercise care that the actual revenue losses from tax reduction would be handled in a fiscally responsible manner. The rate reductions -- other than the reduction for small companies which is made in full this year,-- are staged over three years, commencing in 1963, so that, taking into account the feedback from increased economic activity resulting from the tax cut, the addition to the 1964 fiscal year deficit would be only $2.7 billion.

Stress is also placed upon the fiscal importance, as well as reasons of tax policy, for combining rate reduction with structural changes broadening the tax base and accelerating tax collection of the larger corporations, which would keep revenue losses from rate reduction at reasonable levels during the period of deficit.

FOR RELEASE: UPON DELIVERY

Statement of the Honorable Henry H. Fowler
Under Secretary of the Treasury
before the Subcommittee on Taxes of the Select Committee
on Small Business of the Senate, on the Significance of the
President's 1963 Tax Program for Small Business,
Tuesday, April 30, 1963, 2:00 P.M., EDT

Introduction

The President's tax proposals submitted to the Congress in his Tax Message earlier this year have great significance for the small business enterprises of the Nation, now and in the future. Small business has a tremendous stake both in the specifics and in the over-all thrust of the tax program which the Administration has outlined for accelerating the growth of the American economy.

I appreciate this opportunity to discuss with the members of this distinguished Committee the import and objectives of the program, with particular reference to its effects on small businesses and the competitive climate in which they operate. Constructive achievements of this Committee in various areas of public policy bearing upon the welfare and growth of small business make its views valuable in the continuing appraisal of the small business aspects of the pending legislation.

The Ways and Means Committee of the House recently completed over six weeks of public hearings on the tax proposals, and is now engaged in detailed consideration and formulation of the various facets of the proposed legislation. The Treasury is working with the Ways and Means Committee in any way it can to be helpful.

Your Chairman, in his letter of invitation, expressed interest in weighing the tax reduction proposals against the recommendations for structural revision and reform particularly as they affect small business.

TREASURY DEPARTMENT
Washington

OR RELEASE: UPON DELIVERY

Statement of the Honorable Henry H. Fowler
Under Secretary of the Treasury
before the Subcommittee on Taxes of the Select Committee
on Small Business of the Senate, on the Significance of the
President's 1963 Tax Program for Small Business,
Tuesday, April 30, 1963, 2:00 P.M., EDT

Introduction

The President's tax proposals submitted to the Congress in his Tax Message earlier this year have great significance for the small business enterprises of the Nation, now and in the future. Small business has a tremendous stake both in the specifics and in the over-all thrust of the tax program which the Administration has outlined for accelerating the growth of the American economy.

I appreciate this opportunity to discuss with the members of this distinguished Committee the import and objectives of the program, with particular reference to its effects on small businesses and the competitive climate in which they operate. Constructive achievements of this Committee in various areas of public policy bearing upon the welfare and growth of small business make its views valuable in the continuing appraisal of the small business aspects of the pending legislation.

The Ways and Means Committee of the House recently completed over six weeks of public hearings on the tax proposals, and is now engaged in detailed consideration and formulation of the various facets of the proposed legislation. The Treasury is working with the Ways and Means Committee in any way it can to be helpful.

Your Chairman, in his letter of invitation, expressed interest in weighing the tax reduction proposals against the recommendations for structural revision and reform particularly as they affect small business.

The major reform in this tax program -- and the one of greatest importance to small business -- is the large reductions in tax rates. The reductions would apply to individual and corporate incomes and capital gains.

In combination with revenue-losing structural changes to meet particular hardships, the rate reductions on individual and corporate incomes will reduce revenues by about $14.4 billion, of which $13.6 billion is attributabl to the rate cuts themselves. Other reforms which broaden the tax base and eliminate unjustified preferences provide some $4.1 billion revenue to help make the rate reductions possible.

In addition to the direct benefits of lower taxes for small firms, the resulting stimulation to the economy will provide an expanding environment in which small business can survive and flourish.

A major objective has been to exercise care that the actual revenue losses from tax reduction would be handled in a fiscally responsible manner. The rate reductions -- other than the reduction for small companies which is made in full this year -- are staged over three years, commencing in 1963, so that, taking into account the feedback from increased economic activity resulting from the tax cut, the addition to the 1964 fiscal year deficit would be only $2.7 billion.

Stress is also placed upon the fiscal importance, as well as reasons of tax policy, for combining rate reduction with structural changes broadening the tax base and accelerating tax collection of the larger corporations, which would keep revenue losses from rate reduction at reasonable levels during the period of deficit.

The tax treatment of small business is a subject of prime concern to the Nation for, as Secretary Dillon stated in his appearance before the Ways and Means Committee, "Small businesses, their strength and vitality, are the very keystone of our competitive economy and its potential for growth."

The 4-1/2 million concerns, both corporate and unincorporated, which comprise the small business sector of our economy constitute 95 percent of all American business firms. They and the 30 million persons for whom they directly provide employment have every right to look to this year's tax proposals to provide the needed stimulus for vigorous and balanced expansion of our economy in general and of small business in particular.

While the over-all benefits of the program to small business are generally recognized, specific proposals, such as the suggested revision in the tax treatment of capital gains on assets transferred at death, have given rise to objections by some representatives of small business. I wish to discuss these matters with you this afternoon, so that the Committee will have a full picture of the proposals and their net impact on the small business sector.

Direct Benefits for Small Business: Tax Rate Reductions

The President's program would benefit small businesses directly in a number of ways, the most important of which is lower tax rates. Under the proposals, all small business enterprises, whether they are corporations, partnerships, or sole proprietorships, will enjoy substantial tax rate reduction.

<u>Corporations: Immediate reversal of corporate normal and surtax rates, followed by more general rate cuts</u>

Both in amount and timing, the rate reductions proposed in the corporate area will be especially beneficial to small business. The timing and pattern of the corporate tax reduction are designed to provide the maximum incentive to small business in the quickest possible time. The reduction is focused in the small business range of corporate income for the current year. General corporate rate reduction is deferred until 1964 and 1965.

Getting down to specifics, effective beginning with 1963 income, the proposals would reverse the present corporate normal and surtax rates, reducing rates for companies with net income of $25,000 or less from 30 percent to 22 percent. The general corporate rate of 52 percent on income above $25,000 would thus remain unchanged in 1963. However, the benefits of the immediate reduction on the first $25,000 of corporate income would also extend in substantial measure to medium-sized firms with incomes above $25,000. This change recommended for 1963 represents a reduction of 27 percent in tax paid by corporations with incomes of $25,000 or less, compared with reductions of 10 percent at $50,000 net income and 4 percent at $100,000.

This reversal of corporate normal and surtax rates represents a suggestion made in a letter to the President earlier this year by your Chairman and other Committee members of both parties. It has been widely endorsed as a major aid to small business.

Small business representatives appearing before your Committee have repeatedly advanced proposals similar to that now being made by President Kennedy. Over the years, members of the Committee, as well as other members of the Congress, have introduced or sponsored a number of bills in the Congress to effectuate such a change in the corporate rate structure to aid small business. The adoption of this simple and realistic tax adjustment for small business will result in immediate tax reduction totalling $233 million in 1963 for 467,500 companies with incomes of $25,000 or less, more than four-fifths of the total taxpaying corporate population.

Corporations above the $25,000 income mark, but still small in relation to some of the largest concerns, would receive impressive benefits from the reversal of normal and surtax rates. They would also benefit further from the subsequent proposed reductions bringing the general corporate rate down to 47 percent by 1965. When fully effective, these would amount to about a 16 percent reduction for the corporation with $50,000 income and roughly 12-1/2 percent for the corporation with $100,000 income.

Because of the emphasis on rate reduction on the first $25,000 of earnings, the over-all reduction in corporate tax rates will continue to be proportionately larger for small companies. Reductions in the surtax paid by large corporations will go into effect in 1964 and 1965. But even when all three steps of the corporate tax cut are in effect, the tax reduction for small companies would be greatest. The reduction for companies with profits of $25,000 or less would amount to about 27 percent; for those earning $100,000 to $1,000,000, it would amount to about 11 percent; and for those earning more than $1,000,000 annually, it would be about 10 percent.

These tax cuts for small companies would result in higher after-tax profits and retained earnings. The tax program will thus help remove one of the most persistent deterrents to the growth of small business -- a lack of adequate capital. Because of their inability to obtain conventional long-term financing for expansion and modernization, small businesses are forced to rely on costly short-term credit, which they must continually refinance, to supplement their limited internally generated funds unless they can avail themselves of credit from Small Business Administration sources. Tax reduction would increase the volume of earnings which can be plowed back into small businesses to sustain their healthy growth. This will help ensure the survival and growth of existing small businesses; it will also encourage new entrants into business ventures since it will improve the prospects for financing expansion from a stronger base of sources within the successful enterprise -- a consideration of major importance to the prudent entrepreneur. Tax cuts would also attract new investment to small businesses, since the after-tax profitability of such enterprises would increase. At the same time, increased profit prospects would improve their borrowing power.

To put the resulting improvement in after-tax profitability in very specific and concrete terms, the proposed percentage point reduction in the corporate rate on the first $25,000 will increase the rate of return to investment and initiative by about 11-1/2 percent.

One of the more undesirable effects of our present tax structure is that it inhibits the generation of new businesses and the growth of existing small business. The small businessman or innovator must of necessity rely to a large extent on his own financial resources or those of his family and close friends or associates. These resources include the after-tax earnings of a small business which has been launched with some success but needs capital for growth to attain its real potential.

If small corporations are to stay in business they must have money to plow back into the business to expand and to meet competition. If small businessmen are to be willing to undertake new enterprises, they must have some prospect of being able to build it up after its initial phases of operation through reinvestment of earnings. The earnings of the business itself are the best and, very frequently, the sole source of funds for expansion. The existing tax rate of 30 percent on the first $25,000 makes it difficult for the small corporation to retain a sufficiently large portion of its earnings. Frequently, what appear to be earnings are in fact the unrecognized costs of the very survival of the business. Survival in turn is impossible without growth, so that survival and growth are in reality synonymous.

The benefits of the proposed reversal for small incorporated businesses would balance the individual income tax reductions recommended which would apply to unincorporated businesses. In any event, the benefits of the reversal would be available to unincorporated businesses, whether or not they wished to incorporate, by virtue of the operation of section 1361 (subchapter R) of the Internal Revenue Code which grants an election to proprietorships and partnerships to be taxed as corporations. Conversely, small closely held corporations have the option under subchapter S to be taxed in a manner similar to partnerships.

In combination with last year's depreciation reform and investment credit, which generally increased after-tax profitability on new investment in equipment by 20 percent, the proposed rate reduction will make a total improvement in the after-tax earnings rate of nearly one-third for the small firm.

The resulting increase in return on business investment and initiative should spark new interest in the formation of new business. This added drive to the generation of new enterprises will give added vitality to our business population. From the standpoint of maintaining a healthy small business sector, the strength of motivation to create new businesses is crucial.

In summary, the proposed corporate tax cut which singles out the small company for larger and more immediate reduction will have several basic and closely related impacts on small business:

1. It will stimulate the formation of new businesses.

2. It will preserve and strengthen the competitive status of existing firms.

3. It will enhance the growth capability and therefore the viability of both existing and new firms by increasing their cash flow and sources of capital supply.

4. It will encourage new investment and initiative by confronting the small businessman, new or old, with a markedly improved outlook for after-tax returns along the whole line of investment decisions which he must make in carrying on or expanding his business.

Proposed limitation on multiple incorporation benefits

The reversal of corporate normal and surtax rates is designed to strengthen assistance rendered through the corporate rate structure to small business. This interchange of the rate components bolsters the policy begun by the Congress in 1950 of aiding small business by freeing it from the corporate surtax. However, unless limited to genuinely small firms the proposal would confer unintended benefits to large business organizations operating through a series of separately incorporated units.

This would permit large multi-corporate groups to obtain the tax advantages of the 22 percent rate for small business while enjoying the greater financial strength and competitive advantages associated with larger business operations. Undesirable revenue losses would be involved, as well as additional arbitrary tax differentials among large firms with equal incomes depending on their form of legal organization. Even more important for a program designed for small business, uncurbed extension of more favorable small business tax treatment to many larger enterprises might have seriously adverse competitive impact on the actually small businesses for whom substantial help is intended.

The President's proposal would limit multi-corporate groups under 80 percent common control to one surtax exemption. The limitation would become effective gradually over a 5-year transition in order to avoid an abrupt impact on the taxes of existing groups. This would prevent an inappropriate and disproportionate tax cut for large multi-corporate groups, prevent further proliferation to obtain a tax advantage, and improve the competitive position of small enterprises.

This proposal would affect only multi-corporate groups with combined income in excess of $25,000. It would have no effect on businesses using the multiple form of organization if their combined income was not in excess of $25,000. As Administrator Horne has previously reported to you, a survey of loan applicants under the Small Business Act indicates that very few small businesses use the multiple corporate form and the proposal would have no significant adverse effect on the survey group.

Direct benefits to unincorporated business: Individual rate reductions

The 4 million small unincorporated businesses in our economy will also benefit directly from the recommended individual income tax rate cuts.

The reductions would be made over a 3-year period starting in 1963 and would scale down the present range of 20 to 91 percent to a new lower range of 14 to 65 percent.

Tax liabilities on all individual incomes would be reduced $11 billion through rate reduction and more than $8 billion after offsetting structural changes, chiefly in the field of personal non-business deductions which would not affect unincorporated firms as such. It is estimated that approximately $1 billion of the more than $8 billion net reduction would go to owners of unincorporated businesses, exclusive of farming and professional services.

Let me cite a few figures illustrating the magnitude of the proposed individual income tax reductions in the income ranges in which the great bulk of unincorporated businesses are found. A married man with two dependents, filing a joint return, now pays tax of about $420 on a $5,000 adjusted gross income, using the standard deduction. Under the proposed rates when fully in effect, he would pay $280, a reduction of $140 or 33.3 percent.

Comparable figures for a businessman with $10,000 adjusted gross income are: present tax $1,372, proposed liability $1,068, reduction $304 or 22.2 percent. At $20,000 adjusted gross income, the present tax is $4,124, proposed $3,282, reduction $842 or 20.4 percent. These figures compare with the proposed reduction of 26.6 percent in tax for small incorporated businesses with incomes under $25,000.

For taxpayers with typical itemized personal deductions, the proposed reductions would be somewhat smaller, but still substantial. At $5,000 adjusted gross income, the reduction would be 18.3 percent; at $10,000, 15.2 percent; and at $20,000, 13.4 percent. As I have previously indicated, the proposed revision of the treatment of itemized deductions would not affect deductions taken in arriving at taxable business earnings and would therefore not affect the business firm, as such.

To an even greater extent than in the corporate area, the great majority of unincorporated business incomes are small. In 1959-60, for example, out of 7,219,608 sole proprietorships (including farm and professional enterprises) with net profit, 5,925,070 or 82 percent reported net profit under $5,000. Some 7,071,483 or 98 percent reported net profit of less than $20,000.

In the partnership field, of 759,172 partnerships with net profit in 1959-60, 359,136 or nearly half had net profit under $5,000. Some 649,916 or nearly 86 percent had net profit under $20,000. Since there are on the average nearly 3 partners in each firm, the share of profit taxable to the average partner would be between 35 and 40 percent of the partnership income as such.

While the size of the income of an unincorporated business does not conclusively indicate the tax bracket in which the businessman's profit falls, since his over-all income may include income from other sources, these data nevertheless suggest that the great majority of unincorporated business incomes would be subject to a tax reduction approaching 25 percent, assuming the standard deduction, a figure closely in line with the 26.6 percent cut proposed for small companies.

Indirect Benefits to Small Business: Increased Consumer Demand and Higher Levels of Production and Earnings

The general economic stimulation and higher growth rate that will result from the adoption of the President's program will provide wider and richer opportunities for small business. If given a fair and equal chance, small business can more than hold its own in the market place, but it can best survive and flourish in the favorable environment of a buoyant, expanding economy.

Increased consumer demand, higher levels of production, and more favorable earning opportunities will help all types of business, both large and small. Rising output and employment to meet new private demands will 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 would 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.

Capital Gains and Losses

Closely related to the rate reductions, but also encompassing important elements of structural change, are the proposed revisions in the tax treatment of capital gains and losses. These changes provide significant reductions in the capital gains tax rates for both individuals and corporations and -- in their over-all impact -- directly and indirectly aid small firms.

Reductions in capital gains tax rates

Under the program, 30 percent of long-term capital gains of individuals, instead of the present 50 percent, is includible in taxable income. Combined with the individual tax reductions this means that capital gains would be taxed at an effective rate of 4.2 percent, instead of the present 10 percent, in the lowest bracket and progress to a maximum of 19.5 percent, instead of the present 25 percent.

This will afford important encouragement to investors in small business who often seek capital gains from development of a successful enterprise. The lower capital gains rates will also unlock seasoned investments which are now retained largely for tax reasons, and encourage the flow of funds to small businesses, particularly in view of the effects of general tax reduction in creating greater prospects for profitable investment in small business. This increase in the liquidity of investment and removal of barriers to the free flow of capital funds will enhance the supply of available risk capital for small business use. As I have previously indicated, any measure which increases the effective capital supply goes directly to the heart of the problem of how to generate new businesses, how to nurture existing businesses, and how to expand small and medium-sized concerns into increasingly sturdy and healthy enterprises.

Taxation of gains accrued on capital assets on transfer at death

As part of the package of proposals for tax reduction in the capital gain and loss area, we have recommended that these liberalizations be accompanied by the taxation, at the reduced long-term capital gain rates, of net gains accrued on capital assets at time of transfer at death or by gift. This would not apply to assets transferred as charitable gifts or bequests.

The recommendation is an essential part of the capital gains tax reduction, since the substantially lower rates alone would not deal effectively with the "lock-in" problem, the solution of which is basic in assuring mobility of capital. Moreover, without a more rational, comprehensive tax base which deals with the treatment of gains on transfers at death, the proposed reductions in the capital tax rate could not be justified.

To eliminate possible hardship or adverse effects that might arise, a number of relief features have been included. These were described by Secretary Dillon in his presentation to the House Ways and Means Committee, and I shall recapitulate them only briefly here.

1. The capital gains tax would reduce the estate tax base.

2. All ordinary personal and household effects such as clothing, appliances, and furniture would be exempt.

3. Property passing to charity would continue to be exempt.

4. A marital deduction would be provided similar to related provisions of the estate and gift taxes so as to assure uniformity in the treatment of residents of community property and common law States. Amounts covered by the marital deduction would be subject to a carryover of the original basis.

5. An additional blanket exemption of $15,000 of gain would apply to every taxpayer.

6. Special provisions would insure that no one would have to pay tax on the transfer of a home.

The foregoing exceptions and exemptions would limit any impact whatsoever of the proposal to fewer than 3 percent of those who die each year. About 55,000 estates annually would be affected. Of this 55,000, only a fraction would include small business interests.

To mitigate the application of the tax to the remaining 55,000 estates and the still smaller number of small business owners on whom there would be an impact, there are a number of other provisions suggested in the nature of relief and transition rules. These rules, outlined in the supporting material accompanying the Treasury's presentation before the Ways and Means Committee, would operate as follows:

1. A 5-year averaging provision would be applicable to limit the tax on gain at death to five times the tax on the first one-fifth of the gain.

2. Accrued losses at death would be utilized through a special carryback provision.

3. To help those estates with liquidity problems certain provisions of present law (major features of which were originally urged by this Committee) would apply to the capital gains tax on transfers at death. I refer to the provisions permitting installment payment of estate taxes and redemptions of corporate stock without dividend consequences. 1/ It has been suggested by the Treasury those those sections of present law be broadened to cover the income taxes attributable to the capital gains realized at death. Also, it has been suggested section 6161 should be liberalized so that circumstances involving a forced sale of a family business to outsiders, or a forced sale on a depressed market,are considered to be an undue hardship.

1/ Section 303 of present law permits the redemption of stock in certain closely held corporations, without the payment of ordinary income tax on the redemption, in order to provide funds for the payment of estate taxes. Section 6166 of present law permits, in cases involving closely held businesses, installment payment of estate taxes for a period of up to 10 years with the application of a 4 percent rate of interest. Section 6161 provides for installment payments for up to 10 years in cases of undue hardship with the application of a 4 percent rate of interest.

In the period since the Secretary's presentation to the Ways and Means Committee, members of the Treasury staff have been checking into the operation of the present rules for preventing forced sales, the possible need to liberalize and amplify them to increase their effectiveness, and possible approaches to improve them. These studies are not yet completed, so I am not presently in position to appraise their results.

4. Provision would be made to enable taxpayers to accommodate their estate plans to the new rules through an appropriate transition device. As Secretary Dillon has suggested, one way in which this might be accomplished would be to set a 3- or 5-year transition period. If a 5-year period were used, the estate of a person dying in 1964 would pay tax on one-fifth of the gains on transfer at death, that of a person dying in 1965 on two-fifths, and so on, with full taxation applying in 1968. A 3-year period would operate in similar fashion, providing full taxation by 1966.

Administrator Horne has furnished you with an example showing the relatively minor impact the proposal would have in situations which approximate the circumstances of the prosperous owner of a successful small business. We have made detailed computations of the capital gains tax at death for a businessman with an average income of $20,000 annually prior to death and accrued gains of, alternatively, $124,000 (the estimated average in the $300,000 to $500,000 gross estate class) and $200,000 (an unusually large gain in the $300,000 to $500,000 gross estate category).

For a married decedent, for example, these figures show that the $124,000 gain would be reduced by the various exemptions and exclusions so that only $10,500 would be subject to tax, and the net additional tax due to the gain would be only $1,985 or about 1-1/2 percent of the gain. Even a $200,000 gain would be reduced to a taxable amount of $21,900, on which the net additional tax would be $4,139 or about 2 percent of the gain. For a single person not using the marital exclusion, the tax would be somewhat greater.

We recognize that, in addition to what we believe are the pertinent tax policy considerations, there must be taken into account in the formulation of legislation of this kind collateral considerations, including such matters as resulting changes in the structure of the economy and particularly the preservation of independent small business. We have followed with interest the testimony on these matters in the recent Hearings and have noted the assertion that the application of the provision would force the sale or merger of small businesses. We shall also examine carefully views presented in the course of the present Hearings This aspect of the legislation will come up for further review in the Ways and Means Committee and subsequently in the Senate Finance Committee before decisions are made by the Congress in the final legislation on this point.

Structural Features of Particular Interest to Small Business

Income averaging

The absence of an effective general averaging provision under our graduated personal income tax rate schedule has long penalized individuals with widely fluctuating incomes, including many small businessmen, farmers, and professional men. To deal with this problem, the Administration has recommended an income averaging provision.

Under the recommendation, a taxpayer could average his current income with that of the past four years and if the current income amounts to more than 133 percent of the average, he would be allowed in effect to treat the excess over 133 percent as though it were earned over a 5-year period. Thus he would be taxed at a considerably reduced rate. Since incomes of many small unincorporated businesses are subject to wide swings from year to year, their owners especially would benefit from the averaging provision.

Research and development

The newly adopted tax policy of 1962 and now the proposed tax program rely 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. For firms using this special provision, research equipment would qualify for a full deduction even if used in part under Federal contract. In order to limit the benefits of the special rules primarily to small firms, the amount deductible thereunder would be limited to 4 percent of the first $500,000 of total expenditures for research and development. The deduction therefore would be limited to $20,000.

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.

The basic purpose of this proposal is to stimulate our lagging civilian technology. Accelerating economic growth requires the adoption of policies not only to increase aggregate demand, investment, and utilization of existing resources but also to expand and advance technology and the capital formation that puts that technology to work.

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. In real terms, they may have declined in view of the continued increase in salaries of scientific personnel.

Problems of strengthening our technological effort in the civilian area of the economy are of concern to the Nation and to all businesses, regardless of size. The President's proposals are therefore equally applicable to large and small businesses. The special rules I have just outlined are designed to overcome possible disabilities of the smaller firm with respect to some of the recommended eligibility tests. This will ensure that the direct benefits of the proposed treatment are available to the small business which uses some of its assembly line equipment for research or partially uses some of its research equipment in performance of a Federal contract.

This recommendation will be of important benefit both directly and indirectly to small business. Small businesses will receive additional tax allowances for their research effort. They will share in the general advance of the economy due to faster development of technical knowledge and new products. Many small businesses specializing in research activities or supplying research equipment or its components will experience greater demand for their products and services from business generally.

As Administrator Horne has observed, the tax advantage of expensing research equipment could be a crucial factor in the decision of many small firms with research budgets to acquire needed modern equipment. It would also help provide the financial means for other small firms not now engaged in research and development to initiate such activities to their eventual competitive advantage.

Combined Impact of the Investment Incentive Measures Adopted Last Year and the Proposed 1963 Tax Reduction for Small Business

Before closing my remarks, I would like to review briefly with the Committee some figures which help quantify the dimensions and significance of the proposed tax reductions for a small company against the backdrop of the investment incentive measures introduced last year: the 7 percent investment credit and the administrative liberalization of depreciation.

The tax treatment of new investment may be illustrated in terms of the percentage of the cost of an asset subject to tax write-off or equivalent charges against income in the year of acquisition.

In the case of a 10-year asset costing $10,000, purchased by a firm subject to the proposed 22 percent corporate normal tax rate, the following deductions or equivalents may be taken:

20 percent initial allowance	$2,000
7 percent investment credit expressed as equivalent deduction from income	3,180
First-year depreciation (double-declining balance depreciation, 10-year life)	1,460
Total	$6,640

As these figures demonstrate, the various allowances under present law and the proposed rate reduction would in effect permit tax-free recovery of two-thirds of the cost of a machine or other equipment item with a 10-year life in the year of its acquisition. To the extent the depreciable life is shorter than the 10 years assumed in the example, the proportion of capital recovered tax-free in the first year would be still greater.

Measures such as liberalized depreciation, the investment credit, and now the proposed tax rate reduction all serve to increase the internally generated flow of cash needed to make new investments. This is especially important to the capital-scarce and growing small firm.

Conclusion

The program outlined here is one which is oriented to the needs of our economy and our small business community as an integral part of the economic structure.

It will lower tax rates, increase the after-tax profitability of investment, and speed the after-tax cash flow and rate of recovery of investment.

These proposals are put forward and supported in the firm belief that they will strengthen the economy and the role of small business in our economic structure. We believe that the returns from them will more than pay for the revenues lost in a few short years and provide a much larger measure of job opportunities, national income and national strength and competitiveness than would result from the maintenance of a status quo.

There is gathering evidence that the tax incentives initiated last year are stimulating an increase in business spending for modernization and expansion that will markedly strengthen our economy. Tax reduction and reform this year will consolidate and bolster these advances, with consequent favorable repercussions on small business and its outlook for the future.

It would, of course, be false optimism to assume that all small business problems can be solved by revisions in the tax law, however well thought-out or devised for that purpose. However, much can be accomplished and will be achieved through the 1963 proposals. We are determined to bring to the further development of this legislation the best available information and analysis, including -- in prominent perspective -- its impact on small business and its contribution to the growth in numbers and capability of our small independent enterprises.

oOo

United States Savings Bonds Issued and Redeemed Through April 30, 1963

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

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outsta of Amt.Is
MATURED				
Series A-1935 - D-1941	$ 5,003	$ 4,989	$ 14	.28
Series F & G-1941 - 1950	28,512	28,353	159	.56
UNMATURED				
Series E: 3/				
1941	1,823	1,530	292	16.02
1942	8,053	6,782	1,271	15.78
1943	12,967	10,891	2,076	16.01
1944	15,088	12,574	2,514	16.66
1945	11,810	9,633	2,177	18.43
1946	5,306	4,100	1,206	22.73
1947	4,996	3,676	1,321	26.44
1948	5,146	3,675	1,470	28.57
1949	5,060	3,523	1,537	30.38
1950	4,410	2,981	1,429	32.40
1951	3,819	2,562	1,257	32.91
1952	3,998	2,605	1,393	34.84
1953	4,544	2,739	1,806	39.74
1954	4,575	2,682	1,892	41.36
1955	4,740	2,738	2,002	42.24
1956	4,555	2,637	1,918	42.11
1957	4,275	2,375	1,900	44.44
1958	4,129	2,136	1,993	48.27
1959	3,857	1,930	1,927	49.96
1960	3,834	1,751	2,083	54.33
1961	3,840	1,505	2,336	60.83
1962	3,688	1,041	2,647	71.77
1963	549	12	537	97.81
Unclassified	581	582	-	-
Total Series E	125,643	86,659	38,983	31.03
Series H (1952 - 1963) 3/	9,031	1,902	7,129	78.94
Total Series E and H	134,673	88,561	46,112	34.24
Series F and G (1951 - 1952).....	1,007	729	4/ 278	27.61
Series J and K (1952 - 1957)	3,695	1,972	1,723	46.63
Total Series F, G, J and K	4,702	2,701	2,001	42.56
All Series: Total matured	33,515	33,342	173	.52
All Series: Total unmatured	139,375	91,262	48,113	34.52
All Series: Grand Total	172,890	124,604	49,286	28.51

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 SECRETAR

United States Savings Bonds Issued and Redeemed Through April 30, 1963

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

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstand of Amt.Iss
[MAT]URED				
[Se]ries A-1935 - D-1941	$ 5,003	$ 4,989	$ 14	.28%
[Se]ries F & G-1941 - 1950	28,512	28,353	159	.56
[UNMA]TURED 3/				
[Se]ries E:				
1941	1,823	1,530	292	16.02
1942	8,053	6,782	1,271	15.78
1943	12,967	10,891	2,076	16.01
1944	15,088	12,574	2,514	16.66
1945	11,810	9,633	2,177	18.43
1946	5,306	4,100	1,206	22.73
1947	4,996	3,676	1,321	26.44
1948	5,146	3,675	1,470	28.57
1949	5,060	3,523	1,537	30.38
1950	4,410	2,981	1,429	32.40
1951	3,819	2,562	1,257	32.91
1952	3,998	2,605	1,393	34.84
1953	4,544	2,739	1,806	39.74
1954	4,575	2,682	1,892	41.36
1955	4,740	2,738	2,002	42.24
1956	4,555	2,637	1,918	42.11
1957	4,275	2,375	1,900	44.44
1958	4,129	2,136	1,993	48.27
1959	3,857	1,930	1,927	49.96
1960	3,834	1,751	2,083	54.33
1961	3,840	1,505	2,336	60.83
1962	3,688	1,041	2,647	71.77
1963	549	12	537	97.81
Unclassified	581	582	-	-
Total Series E	125,643	86,659	38,983	31.03
[S]eries H (1952 - 1963) 3/	9,031	1,902	7,129	78.94
Total Series E and H	134,673	88,561	46,112	34.24
[S]eries F and G (1951 - 1952).....	1,007	729	4/ 278	27.61
[S]eries J and K (1952 - 1957)	3,695	1,972	1,723	46.63
Total Series F, G, J and K	4,702	2,701	2,001	42.56
[A]ll Series: Total matured	33,515	33,342	173	.52
[A]ll Series: Total unmatured	139,375	91,262	48,113	34.52
[A]ll Series: Grand Total	172,890	124,604	49,286	28.51

[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

~~XXXXXXXXXXXX~~

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.

[redacted]

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

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

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, May 1, 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 May 9, 1963 , in the amount of $2,003,085,000 , as follows:

91 -day bills (to maturity date) to be issued May 9, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated February 7, 1963 , and to mature August 8, 1963 , originally issued in the amount of $ 799,156,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated May 9, 1963 , and to mature November 7, 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 Daylight Saving/~~Standard~~ time, Monday, May 6, 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

D-836

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 1, 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 May 9, 1963, in the amount of $2,003,085,000, as follows:

91-day bills (to maturity date) to be issued May 9, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated February 7,1963, and to mature August 8, 1963, originally issued in the amount of $ 799,156,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated May 9, 1963, and to mature November 7, 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 Daylight Saving time, Monday, May 6, 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.

D-836

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

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 3, 1963

IMMEDIATE RELEASE

FACT SHEET ON AUSTRIAN SCHILLING BORROWING

The Treasury Daily Statement for April 30, 1963, shows that the Treasury issued in April a bond denominated in Austrian schillings maturing in 18 months in the amount of 650 million Austrian schillings -- the equivalent of about $25 million. This borrowing was handled as a public debt operation, authorized under the Second Liberty Bond Act, as amended.

The availability of such securities for investment purposes by foreign monetary authorities is of mutual advantage to the foreign investor and to the U. S. It affords countries, such as Austria, that are currently, or have in the recent past, been, creditors in international payments, an investment opportunity for their surplus funds. Such borrowings by the Treasury, on the other hand, provide the United States with resources that can be used in current or future foreign exchange operations in defense of the dollar. The borrowing from Austria is another example of the broadening network of international credit facilities designed to strengthen the international financial system.

Total Treasury borrowings of foreign exchange from Austria, Germany, Italy and Switzerland now amount to approximately $575 million of which $550 million is in securities with original maturity of more than one year. The interest rates on all foreign currency series securities issued by the Treasury have been equal to or less than those prevailing in the United States market for U. S. dollar securities of comparable maturities.

oOo

D-837

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 3, 1963

IMMEDIATE RELEASE

FACT SHEET ON AUSTRIAN SCHILLING BORROWING

The Treasury Daily Statement for April 30, 1963, shows that the Treasury issued in April a bond denominated in Austrian schillings maturing in 18 months in the amount of 650 million Austrian schillings -- the equivalent of about $25 million. This borrowing was handled as a public debt operation, authorized under the Second Liberty Bond Act, as amended.

The availability of such securities for investment purposes by foreign monetary authorities is of mutual advantage to the foreign investor and to the U. S. It affords countries, such as Austria, that are currently, or have in the recent past been, creditors in international payments, an investment opportunity for their surplus funds. Such borrowings by the Treasury, on the other hand, provide the United States with resources that can be used in current or future foreign exchange operations in defense of the dollar. The borrowing from Austria is another example of the broadening network of international credit facilities designed to strengthen the international financial system.

Total Treasury borrowings of foreign exchange from Austria, Germany, Italy and Switzerland now amount to approximately $575 million of which $550 million is in securities with original maturity of more than one year. The interest rates on all foreign currency series securities issued by the Treasury have been equal to or less than those prevailing in the United States market for U. S. dollar securities of comparable maturities.

oOo

D-837

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 3, 1963

FOR IMMEDIATE RELEASE

FINDING OF DUMPING ON PORTLAND CEMENT
UNDER THE ANTIDUMPING ACT

The United States Tariff Commission has determined that an industry in the United States is likely to be injured by reason of the importation of Portland cement, other than white, nonstaining portland cement, from the Dominican Republic. Accordingly, the Treasury Department is issuing a finding of dumping with respect to this merchandise imported from the Dominican Republic. Treasury Decision 55883 to this effect is being published in the Federal Register and in a weekly issue of Treasury Decisions.

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

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 3, 1963

FOR IMMEDIATE RELEASE

FINDING OF DUMPING ON PORTLAND CEMENT UNDER THE ANTIDUMPING ACT

The United States Tariff Commission has determined that an industry in the United States is likely to be injured by reason of the importation of Portland cement, other than white, nonstaining portland cement, from the Dominican Republic. Accordingly, the Treasury Department is issuing a finding of dumping with respect to this merchandise imported from the Dominican Republic. Treasury Decision 55883 to this effect is being published in the Federal Register and in a weekly issue of Treasury Decisions.

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

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE May 3, 1963

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

Preliminary figures show that about $8,945 million, or 94.2%, of Treasury certificates and notes maturing May 15, 1963, aggregating $9,495 million, were exchanged for the two new issues included in the current exchange offering. About $550 million, or 5.8%, of the three maturing issues remain for cash redemption.

Of the maturing securities held outside the Federal Reserve Banks and Government accounts, 9.0% 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 5/15/64	3-5/8% Notes due 2/15/66	Total	Amount
3-1/4% Ctfs.	$5,285	$3,773	$1,407	$5,180	$105
4% Notes	1,183	285	627	912	271
3-1/4% Notes	3,027	1,626	1,227	2,853	174
Totals	$9,495	$5,684	$3,261	$8,945	$550

SUBSCRIBERS

	3-1/4% Ctfs. due 5/15/64	3-5/8% Notes due 2/15/66	Total
Federal Reserve Banks and Govt. accounts	$3,327	$ 85	$3,412
All others	2,357	3,176	5,533
Totals	$5,684	$3,261	$8,945

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

TREASURY DEPARTMENT 364

WASHINGTON, D.C.

MAY 6 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 Japan are not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise from Japan received during 1962 was approximately $23,800,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

MAY 6 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 Japan are not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise from Japan received during 1962 was approximately $23,800,000.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 7, 1963.

May 6, 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 February 7, 19 and the other series to be dated May 9, 1963, which were offered on May 1, were opened at the Federal Reserve Banks on May 6. 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 August 8, 1963		:	182-day Treasury bills maturing November 7, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	:	98.496	2.975%
Low	99.264	2.912%	:	98.485	2.997%
Average	99.266	2.905% 1/	:	98.487	2.993% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 27,702,000	$ 17,702,000	:	$ 31,760,000	$ 19,760,000
New York	1,539,160,000	919,680,000	:	1,342,219,000	627,[illegible],000
Philadelphia	30,346,000	15,346,000	:	11,795,000	5,[illegible],000
Cleveland	26,223,000	26,223,000	:	21,001,000	12,[illegible],000
Richmond	21,594,000	17,634,000	:	13,710,000	3,710,000
Atlanta	24,689,000	19,794,000	:	6,341,000	6,341,000
Chicago	206,591,000	120,855,000	:	121,887,000	48,387,000
St. Louis	33,897,000	27,633,000	:	7,699,000	5,699,000
Minneapolis	21,297,000	17,497,000	:	5,750,000	3,[illegible],000
Kansas City	31,205,000	26,885,000	:	22,633,000	10,783,000
Dallas	27,236,000	17,636,000	:	10,581,000	8,[illegible],000
San Francisco	128,762,000	73,522,000	:	116,624,000	51,074,000
TOTALS	$2,118,702,000	$1,300,407,000 a/		$1,714,500,000	$801,686,000 b/

a/ Includes $221,510,000 noncompetitive tenders accepted at the average price of 99.26
b/ Includes $54,605,000 noncompetitive tenders accepted at the average price of 98.48
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 3.08%, 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 semi-annual compounding if more than one coupon period is involved.

D-839

TREASURY DEPARTMENT

WASHINGTON, D.C.

ɪ RELEASE A. M. NEWSPAPERS,
ɪsday, May 7, 1963.

May 6, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of ɪasury bills, one series to be an additional issue of the bills dated February 7, 1963 ɪ the other series to be dated May 9, 1963, which were offered on May 1, were ɪned at the Federal Reserve Banks on May 6. Tenders were invited for $1,300,000,000, thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. ɪ details of the two series are as follows:

ɪGE OF ACCEPTED ɪPETITIVE BIDS:	91-day Treasury bills maturing August 8, 1963		:	182-day Treasury bills maturing November 7, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	:	98.496	2.975%
Low	99.264	2.912%	:	98.485	2.997%
Average	99.266	2.905% 1/	:	98.487	2.993% 1/

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

ɪAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 27,702,000	$ 17,702,000	:	$ 34,760,000	$ 19,760,000
New York	1,539,160,000	919,680,000	:	1,342,219,000	627,024,000
Philadelphia	30,346,000	15,346,000	:	11,795,000	5,826,000
Cleveland	26,223,000	26,223,000	:	21,001,000	12,001,000
Richmond	21,594,000	17,634,000	:	13,210,000	3,710,000
Atlanta	24,689,000	19,794,000	:	6,341,000	6,341,000
Chicago	206,591,000	120,855,000	:	121,887,000	48,387,000
St. Louis	33,897,000	27,633,000	:	7,699,000	5,699,000
Minneapolis	21,297,000	17,497,000	:	5,750,000	3,000,000
Kansas City	31,205,000	26,885,000	:	22,633,000	10,783,000
Dallas	27,236,000	17,636,000	:	10,581,000	8,081,000
San Francisco	128,762,000	73,522,000	:	116,624,000	51,074,000
TOTALS	$2,118,702,000	$1,300,407,000 a/		$1,714,500,000	$801,686,000 b/

/ Includes $221,510,000 noncompetitive tenders accepted at the average price of 99.266
/ Includes $54,605,000 noncompetitive tenders accepted at the average price of 98.487
/ 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 3.08%, 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 semi-annual compounding if more than one coupon period is involved.

D-839

governments to meet the needs of their citizens with lower tax rates th would otherwise be feasible. And it should lessen the pressures upon t Federal Government to meet the many critical needs of our citizens which state and local governments have become increasingly unable to finance.

That is merely one important example of the kind of results we car expect from the President's program, which offers tax relief of the kir and the amount our economy needs to move ahead under its own power.

LIKE YOU I

I believe that all of us here today have great faith in the innate strength and vitality of our free enterprise economy. Certainly I do. That is why I want to see it freed of the drag of an outmoded tax syste And that is precisely what the President's tax proposals are designed to do. Inevitably, those proposals will be somewhat modified by the ti e tax bill emerges from the House Ways and Means Committee. But I am cor dent that the final bill will merit the support of all of those who belie\ as I do, that no task before us is more urgent, no need more compellin than to move our economy farther and faster ahead. o0o to balance. But the Federal Budget will not be the only fiscal beneficiary. State and local treasuries will also reflect the economic upsw and greater utilization of resources.

At the request of its Chairman, Senator Paul Douglas, the Treasury supplied the Joint Economic Committee of the Congress with figures show the impact of the President's tax program, when fully in effect, upon state and local tax revenues. Senator Douglas has just today released those figures. They show that, as a result of the tax program, state and local tax revenues at their current rates, and I emphasize this, at their current rates, would be an estimated $2.9 billion higher than the would otherwise be. This would amount to seven percent of 1962 state a local revenues. For New York state alone this would mean $201 millio in state revenues and $209 million in local tax revenues — MORE THAN ~~or over~~ $400 million in all.

I need not detail all the important implications of such a revenue increase. I will simply point out that it should enable state and loc that additional consumer buying power.

The President's program, therefore, offers the large and balanced stimulus to both investment and demand that alone can create the stron and sustained upward surge our economy must have to reach levels of full employment and full utilization of capacity.

This overall impact of the tax program will mean growing benefits for individuals as well as business. Too many taxpayers have merely calculated the extra dollars that tax reduction will allow them to retain i 1963, 1964 and 1965. But accelerating economic growth will mean much more than that. It will mean jobs for the unemployed -- which is a maj goal of the program. Those with marginal jobs will see them become permanent and better paid. Those who already have good jobs will have greater opportunity for better jobs, and more pay. It will also mean HIGHER bette profits for business. The entire nation will be the gainer.

As economic activity increases, tax revenues will increase. As the economy moves closer to balance, the budget will also move clos in the next round of a continuing effort to get the U. S. economy back on a higher growth, employment, and investment curve. ...The next chang in tax policy should be aimed directly at further improving corporate rates of return and at increasing consumer demand for what this dynami economy is fully capable of producing."

That is exactly what the President's tax program proposes to do. We estimate that the two measures adopted last year will cut business taxes by some $2.5 billion. The proposed corporate rate cut would redu business taxes by another $2.5 billion. This overall reduction of $5 b lion will increase the profitability of new investment by almost thirty percent -- which is a significant incentive in any language. The sharp reduction proposed for individual tax rates and capital gains rates should stimulate still further the incentives to invest. But ~~[illegible]~~ for new investment to be truly profitable, adequate consumer buying power ~~adequate to~~ is a necessary. ~~alone will not spur investment [illegible] processes and products -- not without consumer buying power to make such investment profitable.~~ The proposed individual tax cuts will cre through tax relief. The results of these two measures have thus far well exceeded even our most optimistic hopes. I should like to call to your attention a statement that appeared in the April 27 issue of "Business Week" -- a statement which puts quite cogently the point I want to make here. I quote:

"Skeptics about the contribution that government tax policies can make to economic growth should take a careful look at the new (McGraw-Hill) survey's findings on why business is boosting its capital spending figures. Companies told McGraw-Hill that they added $1.2 billion to their 1963 capital spending plans in order to take advantage of more liberal depreciation allowances and tax incentive programs for investme It would thus appear that, of the $2.8 billion planned increase from 19 to 1963, some forty-three percent was due to changes in government tax policies."

"Business Week" then continues:

"This is not to say that exactly the same approach should be purs too little stimulus to investment and too much to consumer demand. Th

HOLD

argument, of course, is balanced by those who ~~argue~~ that the program provides too much stimulus to investment and too little to consumer de

The answer to both of these arguments is quite simply that the President's program offers a substantial stimulus to both investment a demand. For the inter-action of greater investment and greater demand in an expanding economy will produce a far greater total addition to incomes and gross national product than either will alone. Moreover, a substantial tax stimulus to both consumption and investment will resu in far more balanced -- and therefore more easily sustainable -- econo growth. For history shows that an investment boom, unless it is supported by fresh purchasing power to match the added capacity to produce, is not likely to very long lasting.

The President's program offers excellent incentives to investment. In the investment credit and depreciation reform of last year, we took the first significant steps toward~~s~~ encouraging investment ~~incentives~~

recently issued by the United States Chamber of Commerce, which seeks to identify 1~~4~~17 ways in which the Federal Budget can be cut. Although I do not agree with all of those suggestions, I applaud the manner in which specific areas and amounts of possible reduction have been spelle out. The Chamber's action contrasts sharply with mere generalized dema for arbitrary spending ceilings or irresponsible claims that the budget can be cut wholesale -- thereby avoiding the unwelcome responsibility o deciding where cuts should be made.

The issue of fiscal responsibility is the major, but not the only, ground upon which the President's tax program is being critically examined. Some say -- and this is frequently heard -- that the program gives too little economic stimulus, too late. They overlook the fact that if the program becomes effective on October 1st of this year, it will reduce tax liability by fully $10 billion in the next fifteen months -- an average impact of more than $660 million a month.

And there is the objection that the President's tax program provic billions of dollars. And always they demonstrate a marvellous relucta -- or inability -- to spell out exactly where these cuts should be mad When the time comes to actually start cutting, those supposedly "waste billions simply do not exist.

Nor is it hard to understand why. Increases in this year's budge for example were limited to the increased costs of space and defense, and the fixed interest on the public debt. If one ~~therefore~~, excludec interest obligations and cut the budget evenly across-the-board, then more than sixty-seven cents out of every dollar cut would have to come out of our vital space and defense programs. A $10 to $15 billion cut of that kind would slice from $6.7 to $10 billion out of these programs Even holding overall expenditures to their 1963 levels would, on this basis, carve $3 billion out of space and defense.

EXPRESS ABOUT

It is one thing to be seriously concerned with control of governme

— BUT QUITE ANOTHER

spending and to make specific and considered suggestions about where budget cuts can be made. Such suggestions are contained in a study

This is a record of realistic expenditure control, of genuine fiscal responsibility, of efficient administrative management. It is a record of frugal conduct of the public business without wasteful neglect of essential public needs. It is a record that reflects deep concern for both our fiscal integrity and our national security and well-being.

I want to make it absolutely clear that I have no quarrel -- nor has any other official of this Administration any quarrel -- with thos who are ~~seriously~~ EARNESTLY concerned with the need for expenditure control and the elimination of waste. We do not believe, however, that meat axe budget cuts at the expense of national security or necessary public nee serve either our people or our nation.

Unrealistic demands for extreme slashes in government outlays make for good oratory, but not for good sense. There are always those who proclaim that we can and should slash the budget by billions and the Pres

Budget -12- Given

~~Fourth~~, before the ~~President~~ sent up ~~the Budget~~ in January, $6 billion ~~was cut~~ from civilian requests for new obligational authority. Every major agency was cut -- and cut heavily. and Since then, the Presid has cut another three-quarters of a billion dollars from the total of spending requests in the 1963 and 1964 budgets.

Fourth,

~~Fifth,~~ the President is not only controlling expenditures with a firm hand, he is STRIVING ~~seeking~~ constantly to reduce the administrative costs of every Federal Department through more efficient management. I recom mend for your reading the excellent report recently issued by the Bure of the Budget ENTITLED ~~called~~ "Cost Reduction through Better Management in the Federal Government". This report describes clearly and concisely vital new developments in Federal management improvement. My own department, for example, has reduced the cost of its services to the public by more than five and a half million dollars in the first three quarters of fiscal 1963 -- the Treasury's highest identifiable annual savings for a nine-month period in the last eight years.

Second, as the President stated in his Budget Message:

"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 toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit." The President has repeated that pledge on other occasions, but apparently its importance and its significance HAS ~~have~~ not been fully understood.

Third, the President is actively translating into action his commitment to firm expenditure control. Except for defense and space -- and the unavoidable interest on the public ~~national~~ debt -- he has actually reduced the rest of the current budget. Such a reduction has occur ~~happened~~ only three times in the last fifteen years. And it follows average annual increases of 7.5 percent in this same section of the Budget over the last nine years.

379

firm control of expenditures, may be the best way of achieving balanc budgets in the future."

Your organization is among the many that are deeply concerned abo expenditure control. This Administration has made it very clear that shares that concern. The record shows, emphatically and unmistakably, that this Administration has exercised, is exercising, and will continu to exercise, a firm control over Federal expenditures. Let me cite fro that record:

First, leaving aside only defense and space, all other federal expenditures, as estimated by the President for fiscal 1964 show an increa of $5.5 billion over their 1961 level. It may surprise you to learn th this increase is [redacted] ~~MORE THAN~~ $800 MILLION smaller than the increase in the same expend tures that took place during the ~~preceeding~~ three-year period from 1958 to 1961. This is clear proof of success in slowing the ~~growth of~~ RISE IN Feder ~~programs~~ SPENDING in all areas save only defense and space [redacted] where overriding national ne

OK

OK ~~con~~ had to be

budget deficit is small when compared to the amount of the deficit we will have anyway because of lagging growth. The 1964 budget deficit was estimated in January to be slightly under $12 billion with a tax c But, even without a tax cut, it was estimated at more than $9 billion. ~~(Secty's note: what was figure?)~~ The difference is far more than the amount in dollars. The difference is between an economy moving deeper into a period SITUATION where the prospects of a balanced budget constantly rece as they will without a tax cut -- or an economy moving toward a period SITUAT where increasing economic growth spurred by tax reduction brings us constantly closer to a balanced budget.

[illegible]

Few statements have made this last point better than one which appears in your January 7TH call for tax reduction and revision. The statement reads:

"It may be considered paradoxical, but a program of tax reduction which stimulates the economy to full production and employment and a more rapid and sustained rate of growth and which is accompanied by a

387 [illegible]

both workers and investors.

The heart of the President's program is a top-to-bottom, across-the-board reduction in tax rates from which virtually every American, every tax bracket, from the lowest to the highest, will benefit. Thes individual benefits will have a cumulative effect on incomes and jobs, profits and incentives, consumption and productivity.

Some [however] have voiced concern that the tax cut would be financed out of borrowed money, and that the program would increase th deficit.

They overlook the fact that the program provides ~~[illegible]~~ over $14 billion in rate reduction and hardship relief at a net revenue cost of well under $9 billion, that this cost is sta~~t~~ged over three years, during which a good part of it will be offset by increased economic activity. They forget that, as in the case of earlier tax cuts, our tax revenues will in a very few years be greater than they would have been without a tax

They also overlook the fact that this temporary increase in the last January -- perhaps as much as $1 billion more -- thus reducing the deficit. Even more important, we will reap far greater benefits from ~~a~~ tax reduction when the economy is moving at today's relatively brisk pace than we would from a tax reduction when the economy is eith receding ~~falling~~ or simply inching ahead. For the added leverage that our pres economic upswing offers will make the President's program even more effective than it would otherwise be.

We must take advantage of that leverage. We must take action -- and take it <u>this year</u> -- to bring the economy up closer to where it SHOULD ~~ought to~~ be: to a level where more of our people are working, ~~and~~ more of our factories are producing more goods, and where more of those gooc are sold to a public which has more money with which to buy. That is the principle behind the [redacted] tax program. It is based upon the belief that, in a free market economy such as ours, the vitality of the economy is dependent upon the vitality of the private sector -- and we must remember that this sector includes both consumers and producers, However, no one can guarantee that we will not have recessions at some time in the future -- with or without a tax bill. The question i what level of economic activity -- what level of employment -- what level of income -- will prevail if and when another recession comes along? Will our economy be merely drifting along, sometimes up, sometimes dow with an unacceptably high level of unemployment, and lacking a clear, steady upward drive? Or will we have moved strongly ahead, reduced ou unemployment, built up our economic vitality -- in short, will we have put ourselves in a position to weather a setback and recover quickly, with a minimum of recession damage to jobs, income, profits, ~~or~~ AND produc

I think the answer to that question depends to a good extent upon what action is taken on the tax program this year.

Certainly we could hardly ~~have asked~~ ASK for an economic climate more conducive to tax reduction than we now enjoy. As I stated last week in Washington BEFORE THE U.S. CHAMBER OF COMMERCE, should the present rate of improvement continue, our revenues for fiscal 1964 are likely to be more than we estimated

~~today~~ it may seem almost paradoxical to talk about economic problems and lagging economic growth. It is undeniably true that our present rate of business activity is high and rising, and it is ALSO true that the vast majority of our citizens are enjoying the richest levels of prosperity in our history. However, although last month saw more American at work than in any preceding ~~month of~~ April, it is A somber reality th our economy last month was unable to offer jobs to more than four mill of our fellow citizens who were actively seeking work. And despite THE la year's ~~relative prosperity~~ CONTINUING RECOVERY and the recent surge of business activity, there were more people out of work last month than there were in April 1962. ~~In other words~~ WE MUST FACE THE FACT THAT over the past year we ~~did not find~~ WERE SIMPLY UNABLE TO CRE enough new jo to take care of ~~the~~ normal increase in our labor force.

As Secretary of the Treasury, I am hardly inclined, either by beli or BY occupation, to predict that a recession may be in the offing. On th contrary, despite our high rate of unemployment, I believe that our present economic activity shows every promise of continuing on the ups

It will not guarantee us against recessions, but it will alleviat their impact if they come, and enable us to recover from them at a fas rate.

It will not put an immediate end to budget deficits, but it will ultimately produce increased government revenues to balance future bud

It will not solve our balance of payments disequilibrium by itsel but it will help by enabling our industry to produce more, better, and newer goods at more competitive prices -- and thus help increase our s against those of foreign competitors in markets both here ~~at home~~ and abroad.

Above all, it must be borne in mind that the President's program is not intended -- and is not designed -- merely as a quick and tempora shelter against recession. It was designed, and has always been intenc as a permanent program to raise our long term rate of overall economic growth.

Here in this room, in this company, and in this bustling metropoli

While virtually no one ~~would~~ disagrees with President Kennedy's goal -- the goal of maximum economic growth through significant and substantial tax action -- there are numerous misconceptions about the program itself. I ~~should~~ would like to consider some of these with you toda

No one in the Administration has suggested that the President's tax program contains all of the fiscal wisdom of our age, or that it is a panacea for all of our economic problems. It isn't. No tax prog could be.

But the President's program will stimulate increased economic acti will end some of the inequities in our present tax structure, and will help to assure that more of our resources are used in a more sensible and er ~~more~~ effective fashion.

It will not cure unemployment overnight, but it will generate the higher levels of economic activity we need if we are to reduce our pres unacceptably high rate of unemployment and create the increasing numbe of jobs we must provide for our rapidly growing population.

INSERT P. 2

Ford, 11, and Stuart Saunders, President of the Norfolk and Western Railway, with Mark W. Cresap, Jr., President of the Westinghouse Electric Corporation, Sam Fleming, President of the Third National Bank of Nashville, and Frazar B. Wilde, Chairman of the Connecticut General Life Insurance Company, as Executive Vice Chairmen.

388

there was virtual unanimity in support of the President's basic premis

a substantial reduction in taxes to foster maximum economic growth.

The nation as a whole is, in fact, more solidly united in support of the President's goal of meaningful tax ~~legislation~~ REDUCTION this year than it has been on any major piece of domestic legislation in recent memory. An excellent indication of how strong is that support among the leaders the business community was the formation in Washington less than two we ago of the "Business Committee for Tax Reduction in 1963" headed by Hen

Ford and Stuart Saunders, President of the North and Western Railroad, and with an Executive Committee made up of such outstanding business leaders as Frazar Wilde, Chairman of the Board, Connecticut General Lif Insurance Company, — — — — —

INSERT

389

[redacted] [redacted]

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE CHAMBER OF COMMERCE OF NEW YORK
NEW YORK, NEW YORK
TUESDAY, MAY 7, 1963, 12 NOON, EDT

As a former member of the New York Chamber of Commerce, I am pleas and proud to see so many old friends here today. And since my subject taxes, I can't imagine a more appropriate audience. For, nearly three weeks before President Kennedy submitted his Tax Message to the Congres last January 24, the New York Chamber called for "tax reduction and rev sion" -- and appealed to Americans in all walks of life to support that goal.

Inevitably, your tax proposals differed in some respects from the President's. But far more striking -- and certainly far more important was their substantial agreement in aims, in tenor, and in major proposa Nor is this an isolated phenomenon. More than 200 witnesses, for examp have testified before the House Ways and Means Committee in Washington the President's tax program. While they disagreed widely on specifics,

D-840

TREASURY DEPARTMENT
Washington

RELEASE P.M. NEWSPAPERS
TUESDAY, MAY 7, 1963

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE CHAMBER OF COMMERCE OF NEW YORK
NEW YORK, NEW YORK
TUESDAY, MAY 7, 1963, 12 NOON, EDT

As a former member of the New York Chamber of Commerce, I am pleased and proud to see so many old friends here today. And since my subject is taxes, I can't imagine a more appropriate audience. For, nearly three weeks before President Kennedy submitted his Tax Message to the Congress last January 24, the New York Chamber called for "tax reduction and revision" -- and appealed to Americans in all walks of life to support that goal.

Inevitably, your tax proposals differed in some respects from the President's. But far more striking -- and certainly far more important -- was their substantial agreement in aims, in tenor, and in major proposals. Nor is this an isolated phenomenon. More than 200 witnesses, for example, have testified before the House Ways and Means Committee in Washington on the President's tax program. While they disagreed widely on specifics, there was virtual unanimity in support of the President's basic premise: a substantial reduction in taxes to foster maximum economic growth.

The nation as a whole is, in fact, more solidly united in support of the President's goal of meaningful tax reduction this year than it has been on any major piece of domestic legislation in recent memory. An excellent indication of how strong is that support among the leaders of the business community was the formation in Washington less than two weeks ago of the "Business Committee for Tax Reduction in 1963", headed by Henry Ford, II, and Stuart Saunders, President of the Norfolk and Western Railway, with Mark W. Cresap,Jr., President of the Westinghouse Electric Corporation, Sam Fleming, President of the Third National Bank of Nashville, and Frazar B. Wilde, Chairman of the Connecticut General Life Insurance Company, as Executive Vice Chairmen.

While virtually no one disagrees with President Kennedy's goal -- the goal of maximum economic growth through significant and substantial tax action -- there are numerous misconceptions about the program itself. I would like to consider some of these with you today.

D-840

No one in the Administration has suggested that the President's tax program contains all of the fiscal wisdom of our age, or that it is a panacea for all of our economic problems. It isn't. No tax program could be.

But the President's program will stimulate increased economic activity, will end some of the inequities in our present tax structure, and will help to assure that more of our resources are used in a more sensible and a more effective fashion.

It will not cure unemployment overnight, but it will generate the higher levels of economic activity we need if we are to reduce our present unacceptably high rate of unemployment and create the increasing number of jobs we must provide for our rapidly growing population.

It will not guarantee us against recessions, but it will alleviate their impact if they come, and enable us to recover from them at a faster rate.

It will not put an immediate end to budget deficits, but it will ultimately produce increased government revenues to balance future budgets.

It will not solve our balance of payments disequilibrium by itself, but it will help by enabling our industry to produce more, better, and newer goods at more competitive prices -- and thus help increase our sales against those of foreign competitors in markets both here and abroad.

Above all, it must be borne in mind that the President's program is not intended -- and is not designed -- merely as a quick and temporary shelter against recession. It was designed -- and has always been intended -- as a permanent program to raise our long term rate of overall economic growth.

Here in this room, in this company, and in this bustling metropolis, it may seem almost paradoxical to talk about economic problems and lagging economic growth. It is undeniably true that our present rate of business activity is high and rising, and it is also true that the vast majority of our citizens are enjoying the richest levels of prosperity in our history. However, although last month saw more Americans at work than in any preceding April, it is a somber reality that our economy last month was unable to offer jobs to more than four million of our fellow citizens who were actively seeking work. And despite the past year's continuing recovery and the recent surge of business activity, there were more people out of work last month than there were in April 1962. We must face the fact that over the past year we were simply unable to create enough new jobs to take care of the normal increase in our labor force.

As Secretary of the Treasury, I am hardly inclined, either by belief or by occupation, to predict that a recession may be in the offing. On the contrary, despite our high rate of unemployment, I believe that our present economic activity shows every promise of continuing on the upswing.

However, no one can guarantee that we will not have recessions at some time in the future -- with or without a tax bill. The question is: what level of economic activity -- what level of employment -- what level of income -- will prevail if and when another recession comes along? Will our economy be merely drifting along, sometimes up, sometimes down, with an unacceptably high level of unemployment, and lacking a clear, steady upward drive? Or will we have moved strongly ahead, reduced unemployment, built up our economic vitality -- in short, will we have put ourselves in a position to weather a setback and recover quickly, with a minimum of recession damage to jobs, income, profits, and production?

I think the answer to that question depends to a good extent upon what action is taken on the tax program this year.

Certainly we could hardly ask for an economic climate more conducive to tax reduction than we now enjoy. As I stated last week in Washington, before the U. S. Chamber of Commerce, should the present rate of improvement continue, our revenues for fiscal 1964 are likely to be more than we estimated last January -- perhaps as much as $1 billion more -- thus reducing the deficit. Even more important, we will reap far greater benefits from tax reduction when the economy is moving at today's relatively brisk pace than we would from a tax reduction when the economy is either receding or simply inching ahead. For the added leverage that our present economic upswing offers will make the President's program even more effective than it would otherwise be.

We must take advantage of that leverage. We must take action -- and take it <u>this year</u> -- to bring the economy up closer to where it should be: to a level where more of our people are working, more of our factories are producing more goods, and where more of those goods are sold to a public which has more money with which to buy. That is the principle behind the tax program. It is based upon the belief that, in a free market economy such as ours, the vitality of the economy is dependent upon the vitality of the private sector -- and we must remember that this sector includes both consumers and producers, both workers and investors.

The heart of the President's program is a top-to-bottom, across-the-board reduction in tax rates from which virtually every American, in every tax bracket, from the lowest to the highest, will benefit. These individual benefits will have a cumulative effect on incomes and jobs, profits and incentives, consumption and productivity.

Some have voiced concern that the tax cut would be financed out of borrowed money, and that the program would increase the deficit. They overlook the fact that the program provides over $14 billion in rate reduction and hardship relief at a net revenue cost of well under $9 billion, that this cost is staged over three years, during which a good part of it will be offset by increased economic activity. They forget that, as in the case of earlier tax cuts, our tax revenues will in a very few years be greater than they would have been without a tax cut.

They also overlook the fact that this temporary increase in the budget deficit is small when compared to the amount of the deficit we will have anyway because of lagging growth. The 1964 budget deficit was estimated in January to be slightly under $12 billion with a tax cut. But, even without a tax cut, it was estimated at more than $9 billion. The difference is far more than the amount in dollars. The difference is between an economy moving deeper into a situation where the prospects of a balanced budget constantly recede -- as they will without a tax cut -- or an economy moving toward a situation where increasing economic growth spurred by tax reduction brings us constantly closer to a balanced budget.

Few statements have made this last point better than one which appears in your January 7th call for tax reduction and revision. The statement reads:

> "It may be considered paradoxical, but a program of tax reduction which stimulates the economy to full production and employment and a more rapid and sustained rate of growth and which is accompanied by a firm control of expenditures, may be the best way of achieving balanced budgets in the future."

Your organization is among the many that are deeply concerned about expenditure control. This Administration has made it very clear that it shares that concern. The record shows, emphatically and unmistakably, that this Administration has exercised, is exercising, and will continue to exercise, a firm control over Federal expenditures. Let me cite from that record:

First, leaving aside only defense and space, all other Federal expenditures as estimated by the President for fiscal 1964 show an increase of $5.5 billion over their 1961 level. It may surprise you to learn that this increase is $800 million smaller than the increase in the same expenditures that took place during the three-year period from 1958 to 1961. This clear proof of success in slowing the rise in Federal spending in all areas save only defense and space, where overriding national needs had to be met.

Second, as the President stated in his Budget Message: "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 toward full employment, a substantial part of the revenue increases must go toward eliminating the transitional deficit." The President has repeated that pledge on other occasions, but apparently its significance has not been fully understood.

Third, the President is actively translating his commitment to firm expenditure control into action. Except for defense and space -- and the unavoidable interest on the public debt -- he has actually reduced the rest of the current budget. Such a reduction has occurred only three times in the last fifteen years. And it follows average annual increases of 7.5 percent in this same section of the Budget over the last nine years.

Before the Budget was sent up in January, the President cut $6 billion from civilian requests for new obligational authority. Every major agency was cut -- and cut heavily and since then, the President has cut another three-quarters of a billion dollars from the total of spending requests in the 1963 and 1964 budgets.

Fourth, the President is not only controlling expenditures with a firm hand, he is striving constantly to reduce the administrative costs of every Federal Department through more efficient management.

I recommend for your reading the excellent report recently issued by the Bureau of the Budget entitled "Cost Reduction through Better Management in the Federal Government." This report describes clearly and concisely vital new developments in Federal management improvement. My own department, for example, has reduced the cost of its services to the public by more than five and half million dollars in the first three quarters of fiscal 1963 -- the Treasury's highest identifiable annual savings for a nine-month period in the last eight years.

This is a record of realistic expenditure control, of genuine fiscal responsibility, of efficient administrative management. It is a record of frugal conduct of the public business without wasteful neglect of essential public needs. It is a record that reflects deep concern for both our fiscal integrity and our national security and well-being.

I want to make it absolutely clear that I have no quarrel -- nor has any other official of this Administration any quarrel -- with those who are earnestly concerned with the need for expenditure control and the elimination of waste. We do not believe, however, that meat axe budget cuts at the expense of national security or necessary public needs serve either our people or our nation.

Unrealistic demands for extreme slashes in government outlays make for good oratory, but not for good sense. There are always those who proclaim that we can and should slash the budget by billions and billions of dollars. And always they demonstrate a marvelous reluctance -- or inability -- to spell out exactly where these cuts should be made. When the time comes to actually start cutting, those supposedly "wasteful" billions simply do not exist.

Nor is it hard to understand why. Increases in this year's budget were limited to the increased costs of space and defense, and the fixed interest on the public debt. If one excluded interest obligations and cut the budget evenly across-the-board, then more than sixty-seven cents out of every dollar cut would have to come out of our vital space and defense programs. A $10 to $15 billion cut of that kind would slice from $6.7 to $10 billion out of these programs. Even holding overall expenditures to their 1963 levels would, on this basis, carve $3 billion out of space and defense.

It is one thing to express concern about control of government spending - but quite another to make specific and considered suggestions about where budget cuts can be made. Such suggestions are contained in a study recently issued by the United States Chamber of Commerce, which seeks to identify 117 ways in which the Federal Budget can be cut. Although I do not agree with all of those suggestions, I applaud the manner in which specific areas and amounts of possible reduction have been spelled out. The Chamber's action contrasts sharply with mere generalized demands for arbitrary spending ceilings or irresponsible claims that the budget can be cut wholesale -- thereby avoiding the unwelcome responsibility of deciding where cuts should be made.

The issue of fiscal responsibility is the major, but not the only, ground upon which the President's tax program is being critically examined. Some say -- and this is frequently heard -- that the program gives too little economic stimulus, too late. They overlook the fact that if the program becomes effective on October 1st of this year, it will reduce tax liability by fully $10 billion in the next fifteen months -- an average impact of more than $660 million a month.

And there is the objection that the President's tax program provides too little stimulus to investment and too much to consumer demand. This argument, of course, is balanced by those who hold that the program provides too much stimulus to investment and too little to consumer demand.

The answer to both of these arguments is quite simply that the President's program offers a substantial stimulus to both investment and demand. For the inter-action of greater investment and greater demand in an expanding economy will produce a far greater total addition to incomes and gross national product then either will alone. Moreover, a substantial tax stimulus to both consumption and investment will result in far more balanced -- and therefore more easily sustainable -- economic growth. For history shows that an investment boom, unless it is supported by fresh purchasing power to match the added capacity to produce, is not likely to be very long lasting.

The President's program offers excellent incentives to investment. In the investment credit and depreciation reform of last year, we took the first significant steps toward encouraging investment through tax relief. The results of these two measures have thus far exceeded even our most optimistic hopes. I should like to call to your attention a statement that appeared in the April 27 issue of "Business Week" -- a statement which puts quite cogently the point I want to make here. I quote:

> "Skeptics about the contribution that government tax policies can make to economic growth should take a careful look at the new (McGraw-Hill) survey's findings on why business is boosting its capital spending figures. Companies told McGraw-Hill that they added $1.2 billion to their 1963 capital spending plans in order to take advantage of more liberal depreciation allowances and tax incentive programs for investment. It would thus appear that, of the $2.8 billion planned increase from 1962 to 1963, some forty-three percent was due to changes in government tax policies."

"Business Week" then continues:

> "This is not to say that exactly the same approach should be pursued in the next round of a continuing effort to get the U. S. economy back on a higher growth, employment, and investment curve.... The next change in tax policy should be aimed directly at further improving corporate rates of return and at increasing consumer demand for what this dynamic economy is fully capable of producing."

That is exactly what the President's tax program proposes to do. We estimate that the two measures adopted last year will cut business taxes by some $2.5 billion. The proposed corporate rate cut would reduce business taxes by another $2.5 billion. This overall reduction of $5 billion will increase the profitability of new investment by almost thirty percent -- which is a significant incentive in any language. The sharp reduction proposed for individual tax rates and capital gains rates should stimulate still further the incentives to invest. But for new investment to be truly profitable, adequate consumer buying power is also necessary. The proposed individual tax cuts will create that additional consumer buying power.

The President's program, therefore, offers the large and balanced stimulus to both investment and demand that alone can create the strong and sustained upward surge our economy must have to reach levels of full employment and full utilization of capacity.

This overall impact of the tax program will mean growing benefits for individuals as well as business. Too many taxpayers have merely calculated the extra dollars that tax reduction will allow them to retain in 1963, 1964 and 1965. But accelerating economic growth will mean much more than that. It will mean jobs for the unemployed -- which is a major goal of the program. Those with marginal jobs will see them become permanent and better paid. Those who already have good jobs will have a greater opportunity for better jobs, and more pay. It will also mean higher profits for business. The entire nation will be the gainer.

As economic activity increases, tax revenues will increase. As the economy moves closer to balance, the budget will also move closer to balance. But the Federal Budget will not be the only fiscal beneficiary. State and local treasuries will also reflect the economic upswing and greater utilization of resources.

At the request of its Chairman, Senator Paul Douglas, the Treasury has supplied the Joint Economic Committee of the Congress with figures showing the impact of the President's tax program, when fully in effect, upon state and local tax revenues. Senator Douglas just today released those figures. They show that, as a result of the tax program, state and local tax revenues at their current rates -- and I emphasize this: at <u>their current rates</u> -- would be an estimated $2.9 billion higher than they would otherwise be. This would amount to seven percent of 1962 state and local revenues. For New York state alone this would mean $201 million in state revenues and $209 million in local tax revenues -- more than $400 million in all.

I need not detail all the important implications of such a revenue increase. I will simply point out that it should enable state and local governments to meet the needs of their citizens with lower tax rates than would otherwise be feasible. And it should lessen the pressures upon the Federal Government to meet the many critical needs of our citizens which state and local governments have become increasingly unable to finance. That is merely one important example of the kind of result we can expect from the President's program, which offers tax relief of the kind and the amount our economy needs to move ahead under its own power.

Like all of you here today I have great faith in the innate strength and vitality of our free enterprise economy. That is why I want to see it freed of the drag of an outmoded tax system. And that is precisely what the President's tax proposals are designed to do. Inevitably, those proposals will be somewhat modified by the time the tax bill emerges from the House Ways and Means Committee. But I am confident that the final bill will merit the support of all of those who believe, as I do, that no task before us is more urgent, no need more compelling, than to move our economy farther and faster ahead.

oOo

WASHINGTON, D.C.

May 7, 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 Japan 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 January 14, 1963. The dollar value of imports received during 1962 was approximately $950,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 7, 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 Japan 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 January 14, 1963. The dollar value of imports received during 1962 was approximately $950,000.

XXXXXXXXXXXXXXX

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

The income derived from Treasury bills, whether interest or gai or other disposition of the bills, does not have any exemption, as su from the sale or other disposition of Treasury bills does not have a treatment, as such, under the Internal Revenue Code of 1954. The bil to estate, inheritance, gift or other excise taxes, whether Federal c are exempt from all taxation now or hereafter imposed on the princip thereof by any State, or any of the possessions of the United States, local taxing authority. For purposes of taxation the amount of disc Treasury bills are originally sold by the United States is considere terest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue the amount of discount at which bills issued hereunder are sold is nc to accrue until such bills are sold, redeemed or otherwise disposed c bills are excluded from consideration as capital assets. Accordingl of Treasury bills (other than life insurance companies) issued hereu clude in his income tax return only the difference between the price bills, whether on original issue or on subsequent purchase, and the a received either upon sale or redemption at maturity during the taxabl which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418 (current revision) and this scribe the terms of the Treasury bills and govern the conditions of t Copies of the circular may be obtained from any Federal Reserve Bank

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 February 14, 1963, (91 days remaining until maturity date on August 15, 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 May 16, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 16, 1963. Cash

402

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, 4:00 P. M. May 8, 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 May 16, 1963 , in the amount of $ 2,004,644,000 , as follows:

91 -day bills (to maturity date) to be issued May 16, 1963 , in the amount of $1,300,000,000 , or thereabouts, representing an additional amount of bills dated February 14, 1963, and to mature August 15, 1963 , originally issued in the amount of $ 800,035,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated May 16, 1963 , and to mature November 14, 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 Daylight Saving time, Monday, May 13, 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

D-841

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 8, 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 May 16, 1963, in the amount of \$2,004,644,000, as follows:

91-day bills (to maturity date) to be issued May 16, 1963, in the amount of \$1,300,000,000, or thereabouts, representing an additional amount of bills dated February 14,1963, and to mature August 15,1963, originally issued in the amount of \$800,035,000, the additional and original bills to be freely interchangeable.

182-day bills, for \$800,000,000, or thereabouts, to be dated May 16, 1963, and to mature November 14, 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 Daylight Saving time, Monday, May 13, 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 o all tenders, in whole or in part, and his action in any such respec shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated February 14,1963, (91-days remaining until maturity date on August 15, 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 Bankson May 16, 1963 in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 16, 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 thi 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.

oOo

TREASURY DEPARTMENT 404

WASHINGTON, D.C.

May 8, 1963

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN APRIL

During April 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 $32,274,500.

oOo

D-842

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 8, 1963

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN APRIL

During April 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 $32,274,500.

oOo

D-842

TREASURY DEPARTMENT

406

WASHINGTON, D.C.

May 8, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RENAULT AUTOMOBILES
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that Renault automobiles from France are not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Inquiry in this case was made at the suggestion of Customs field officers. There was no industry complaint. Notice of the determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise received from France during 1962 was approximately $24,000,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 8, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON RENAULT AUTOMOBILES
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that Renault automobiles from France are not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Inquiry in this case was made at the suggestion of Customs field officers. There was no industry complaint. Notice of the determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise received from France during 1962 was approximately $24,000,000.

TREASURY DEPARTMENT 408

WASHINGTON, D.C.

May 8, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON NYLON YARN
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that nylon 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 during 1962 was approximately $4,600,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 8, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON NYLON YARN
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that nylon 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 during 1962 was approximately $4,600,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 10,1963

FOR IMMEDIATE RELEASE

The Bureau of Customs announces that the quota on cotton having a staple length of 1-1/8 inches or more but less than 1-3/8 inches will be reopened on June 3, 1963, to permit the entry thereunder of 1,411,672 pounds.

The quota allocation of 4,565,642 pounds on Item II cotton, allocation 2b, namely, cotton having a staple length of 1-1/8 inches or more but less than 1-3/8 inches, was officially filled on August 1, 1962. Because of subsequent adjustments, that quota allocation is now open by 1,411,672 pounds.

The quota will reopen as of noon, e.s.t., or its equivalent in other time zones, on June 3, 1963,so that all importers may have an equal opportunity for the simultaneous presentation of entries or warehouse withdrawals for consumption. Only entries or warehouse withdrawals for consumption for cotton of the above-cited staple length may be filed. No importer may present entries or withdrawals for a quantity exceeding 1,411,672 pounds.

o0o

D-843

TREASURY DEPARTMENT 411

WASHINGTON, D.C.

May 10,1963

FOR IMMEDIATE RELEASE

The Bureau of Customs announces that the quota on cotton having a staple length of 1-1/8 inches or more but less than 1-3/8 inches will be reopened on June 3, 1963, to permit the entry thereunder of 1,411,672 pounds.

The quota allocation of 4,565,642 pounds on Item II cotton, allocation 2b, namely, cotton having a staple length of 1-1/8 inches or more but less than 1-3/8 inches, was officially filled on August 1, 1962. Because of subsequent adjustments, that quota allocation is now open by 1,411,672 pounds.

The quota will reopen as of noon, e.s.t., or its equivalent in other time zones, on June 3, 1963,so that all importers may have an equal opportunity for the simultaneous presentation of entries or warehouse withdrawals for consumption. Only entries or warehouse withdrawals for consumption for cotton of the above-cited staple length may be filed. No importer may present entries or withdrawals for a quantity exceeding 1,411,672 pounds.

oOo

D-843

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 14, 1963.

May 13, 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 February 14, 1963, and the other series to be dated May 16, 1963, which were offered on May 8, were opened at the Federal Reserve Banks on May 13. 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 August 15, 1963		:	182-day Treasury bills maturing November 14, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	:	98.494	2.979%
Low	99.265	2.908%	:	98.487	2.993%
Average	99.266	2.903% 1/	:	98.488	2.990% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 28,640,000	$ 17,736,000	:	$ 23,509,000	$ 11,359,000
New York	1,751,780,000	891,312,000	:	1,258,418,000	656,747,000
Philadelphia	33,612,000	17,248,000	:	9,959,000	4,766,000
Cleveland	31,406,000	30,995,000	:	18,649,000	10,744,000
Richmond	23,869,000	14,569,000	:	13,611,000	3,176,000
Atlanta	37,164,000	32,784,000	:	10,706,000	8,244,000
Chicago	241,769,000	128,620,000	:	123,248,000	31,797,000
St. Louis	45,729,000	27,909,000	:	12,553,000	10,853,000
Minneapolis	17,470,000	9,234,000	:	8,165,000	2,965,000
Kansas City	33,982,000	29,932,000	:	20,688,000	13,538,000
Dallas	45,340,000	30,420,000	:	10,338,000	5,928,000
San Francisco	106,014,000	70,291,000	:	73,666,000	40,754,000
TOTALS	$2,396,775,000	$1,301,050,000 a/		$1,583,510,000	$800,871,000 b/

a/ Includes $246,451,000 noncompetitive tenders accepted at the average price of 99.266
b/ Includes $68,814,000 noncompetitive tenders accepted at the average price of 98.488
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 3.08%, 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 413

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
day, May 14, 1963.

May 13, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of sury bills, one series to be an additional issue of the bills dated February 14, 1963, the other series to be dated May 16, 1963, which were offered on May 8, were opened he Federal Reserve Banks on May 13. Tenders were invited for $1,300,000,000, or eabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. Details of the two series are as follows:

E OF ACCEPTED ETITIVE BIDS:	91-day Treasury bills maturing August 15, 1963		182-day Treasury bills maturing November 14, 1963	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	98.494	2.979%
Low	99.265	2.908%	98.487	2.993%
Average	99.266	2.903% 1/	98.488	2.990% 1/

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

L TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

strict	Applied For	Accepted	Applied For	Accepted
ston	$ 28,640,000	$ 17,736,000	$ 23,509,000	$ 11,359,000
v York	1,751,780,000	891,312,000	1,258,418,000	656,747,000
iladelphia	33,612,000	17,248,000	9,959,000	4,766,000
eveland	31,406,000	30,995,000	18,649,000	10,744,000
chmond	23,869,000	14,569,000	13,611,000	3,176,000
lanta	37,164,000	32,784,000	10,706,000	8,244,000
icago	241,769,000	128,620,000	123,248,000	31,797,000
. Louis	45,729,000	27,909,000	12,553,000	10,853,000
neapolis	17,470,000	9,234,000	8,165,000	2,965,000
nsas City	33,982,000	29,932,000	20,688,000	13,538,000
llas	45,340,000	30,420,000	10,338,000	5,928,000
n Francisco	106,014,000	70,291,000	73,666,000	40,754,000
TOTALS	$2,396,775,000	$1,301,050,000 a/	$1,583,510,000	$800,871,000 b/

Includes $246,451,000 noncompetitive tenders accepted at the average price of 99.266
Includes $68,814,000 noncompetitive tenders accepted at the average price of 98.488
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 3.08%, 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-844

straight out. The legend beneath the building was changed from "White House" on the 1929 bill to "The White House" on the newer version.

o0o

two White House views.

"There is no cause for alarm", Rowley said. "The notes are not counterfeit. ~~But~~ HAPPILY, the inquiries indicate that many citizens are examining their money CAREFULLY -- and this the Secret Service has always urged as being the most effective weapon against counterfeiting."

The 1948 notes show the White House with the balcony added to the south portico at the second-floor level and with four chimneys instead of two, Rowley said. Individual panes of all visible windows could be clearly discerned in the 1929 design, but in the 1948 notes the bottom portions of the windows are in solid color, Rowley pointed out.

Another variation in the newer bills, he added, is that the grounds are a deeper green, due to heavier foliage of trees and shrubs. The White House flag hangs at an angle from its staff in the more recent engraving, while in the 1929 picture it flew

2 FOR RELEASE:

SECRET SERVICE EXPLAINS VARIATIONS IN $20 BILLS

~~Secret Service Chief James J. Rowley said today that inquiries were being made at many Secret Service offices around the country by citizens who had noticed discrepancies in two different issues of $20 Federal Reserve notes.~~

Both issues show the White House on the reverse side. The engraving plate from which the bills are printed was changed in 1948 to reflect structural alterations and modifications made in the White House and grounds since the previous issue of $20 bills in 1929.

Rowley said the inquiries indicated some concern on the part of the public that the 1948 bills might be counterfeit. There are a few "stragglers" of the old-style 1929 bills still in circulation, Rowley explained, and anyone comparing the two versions side by side might wonder about the difference in the

TREASURY NEWS RELEASE

417

SECRET SERVICE EXPLAINS VARIATIONS IN $20 BILLS

1

Secret Service Chief James J. Rowley said TODAY that that he wanted ~~[struck out]~~ to assure citizens who had noticed discrepancies in engravings of the White House on the reverse side of two different issues of $20 Federal Reserve notes that both issues are genuine.

His statement was ~~[struck out]~~ in response to inquiries being made at many Secret Service offices around the country.

The Chief explained that the

FOR IMMEDIATE RELEASE
MONDAY, MAY 13, 1963

0-845

TREASURY DEPARTMENT 418

WASHINGTON, D.C.

May 13, 1963

'OR IMMEDIATE RELEASE

SECRET SERVICE EXPLAINS VARIATIONS IN $20 BILLS

Secret Service Chief James J. Rowley said today that he wanted :o assure citizens who had noticed discrepancies in engravings of :he White House on the reverse side of two different issues of $20 'ederal Reserve notes that both issues are genuine.

His statement was in response to inquiries being made at many ›ecret Service offices around the country.

The Chief explained that the engraving plate from which the ›ills are printed was changed in 1948 to reflect structural ılterations and modifications made in the White House and grounds since :he previous issue of $20 bills in 1929.

Rowley said the inquiries indicated some concern on the part of :he public that the 1948 bills might be counterfeit. 'There are a :ew "stragglers" of the old-style 1929 bills still in circulation, ›owley explained, and anyone comparing the two versions side by side ›ight wonder about the difference in the two White House views.

"There is no cause for alarm", Rowley said. "The notes are ıot counterfeit. Happily, the inquiries indicate that many citizens ıre examining their money carefully -- and this the Secret Service ıas always urged as being the most effective weapon against :ounterfeiting."

The 1948 notes show the White House with the balcony added to :he south portico at the second-floor level and with four chimneys .nstead of two, Rowley said. Individual panes of all visible ›indows could be clearly discerned in the 1929 design, but in the .948 notes the bottom portions of the windows are in solid color, ›owley pointed out.

Another variation in the newer bills, he added, is that the ;rounds are a deeper green, due to heavier foliage of trees and ›hrubs. The White House flag hangs at an angle from its staff in :he more recent engraving, while in the 1929 picture it flew ›traight out. The legend beneath the building was changed from 'White House"on the 1929 bill to "The White House" on the newer ›ersion.

D-845

oOo

419

As of April 30, 1963 Washington, May 13, 1963

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority :hat Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guar-eed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $285,000,000,000 :t of June 30, 1959; U.S.C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current re-nption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder ll b: considered as its face amount." The Act of July 1, 1962 (P.L. 87-512 87th Congress) provides that the above limita-n shall be temporarily increased (1) during the period beginning on July 1, 1962, and ending on March 31, 1963, to)8,000,000,000, (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.

The following table shows the face amount of obligations outstanding and the face amount which can still be issued der this limitation:

ıtal face amount that may be outstanding at any one time			$305,000,000,000
)utstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$49,429,785,000		
Certificates of indebtedness	21,760,385,000		
Treasury notes	53,041,897,000	$124,232,067,000	
Bonds -			
Treasury	80,091,240,750		
*Savings (current redemption value)	48,113,194,211		
United States Retirement Plan bonds	136,650		
Depositary	105,437,500		
R. E. A. series	29,783,000		
Investment series	3,978,148,000	132,317,940,111	
Certificates of Indebtedness -			
Foreign series	275,000,000		
Foreign Currency series	25,456,750		
Treasury notes -			
Foreign series	183,000,000		
Treasury bonds -			
Foreign Currency series	551,332,761	1,034,789,511	
Special Funds -			
Certificates of indebtedness	6,421,098,900		
Treasury notes	4,957,632,000		
Treasury bonds	30,225,360,000	41,604,090,900	
Total interest-bearing		299,188,887,522	
Matured, interest-ceased		295,818,521	
Bearing no interest:			
United States Savings Stamps	54,637,675		
Excess profits tax refund bonds	702,923		
Special notes of the United States:			
Internat'l Monetary Fund series	2,981,000,000		
Internat'l Develop. Ass'n. series	150,956,600		
Inter-American Develop. Bank series	125,000,000	3,312,297,198	
Total		302,797,003,241	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	561,048,400		
Matured, interest-ceased	1,329,425	562,377,825	
Grand total outstanding			303,359,381,066
Balance face amount of obligations issuable under above authority			1,640,618,934

Reconcilement with Statement of the Public Debt April 30, 1963
(Date)

(Daily Statement of the United States Treasury, April 30, 1963
(Date)

)utstanding -	
Total gross public debt	303,165,743,660
Guaranteed obligations not owned by the Treasury	562,377,825
Total gross public debt and guaranteed obligations	303,728,121,485
)educt - other outstanding public debt obligations not subject to debt limitation	368,740,419
	303,359,381,066

420

STATUTORY DEBT LIMITATION

As of April 30, 1963

TREASURY DEPARTMENT
Fiscal Service

Washington, May 13, 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			$305,000,000,000
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$49,429,785,000		
Certificates of indebtedness	21,760,385,000		
Treasury notes	53,041,897,000	$124,232,067,000	
Bonds -			
Treasury	80,091,240,750		
*Savings (current redemption value)	48,113,194,211		
United States Retirement Plan bonds	136,650		
Depositary	105,437,500		
R. E. A. series	29,783,000		
Investment series	3,978,148,000	132,317,940,111	
Certificates of Indebtedness -			
Foreign series	275,000,000		
Foreign Currency series	25,456,750		
Treasury notes -			
Foreign series	183,000,000		
Treasury bonds -			
Foreign Currency series	551,332,761	1,034,789,511	
Special Funds -			
Certificates of indebtedness	6,421,098,900		
Treasury notes	4,957,632,000		
Treasury bonds	30,225,360,000	41,604,090,900	
Total interest-bearing		299,188,887,522	
Matured, interest-ceased		295,818,521	
Bearing no interest:			
United States Savings Stamps	54,637,675		
Excess profits tax refund bonds	702,923		
Special notes of the United States:			
Internat'l Monetary Fund series	2,981,000,000		
Internat'l Develop. Ass'n. series	150,956,600		
Inter-American Develop. Bank series	125,000,000	3,312,297,198	
Total		302,797,003,241	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	561,048,400		
Matured, interest-ceased	1,329,425	562,377,825	
Grand total outstanding			303,359,381,066
Balance face amount of obligations issuable under above authority			1,640,618,934

Reconcilement with Statement of the Public Debt April 30, 1963
(Date)

(Daily Statement of the United States Treasury, April 30, 1963
(Date)

Outstanding -	
Total gross public debt	303,165,743,660
Guaranteed obligations not owned by the Treasury	562,377,825
Total gross public debt and guaranteed obligations	303,728,121,485
Deduct - other outstanding public debt obligations not subject to debt limitation	368,740,419
	303,359,381,066

D-846

TREASURY DEPARTMENT 421

WASHINGTON, D.C.
May 14, 1963

IMMEDIATE RELEASE

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The results of the Treasury's current exchange offering of

3-1/4% certificates of indebtedness dated May 15, 1963, maturing May 15, 1964, and
3-5/8% notes (additional issue) dated May 15, 1962, maturing February 15, 1966,

summarized in the following tables.

Issues Eligible for Exchange	Amount Eligible for Exchange	Exchanged For: 3-1/4% Ctfs.	3-5/8% Notes	Total	For Cash Redemption
		(In millions)			
/4% Ctfs., B-1963	$5,285	$3,768	$1,398	$5,166	$119
Notes, B-1963	1,183	289	629	918	265
/4% Notes, D-1963	3,027	1,636	1,246	2,882	145
Total	$9,495	$5,693	$3,273	$8,966	$529

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

ral Reserve rict	3-1/4% Ctfs. Series B-1963	4% Notes Series B-1963	3-1/4% Notes Series D-1963	Total for B-1964 Ctfs.
on	$ 51,691,000	$ 19,743,000	$ 67,598,000	$ 139,032,00(
York	3,070,852,000	128,446,000	1,134,435,000	4,333,733,00(
adelphia	30,173,000	6,035,000	27,201,000	63,409,00(
eland	62,901,000	21,041,000	56,570,000	140,512,00(
mond	22,919,000	10,664,000	24,673,000	58,256,00(
nta	71,728,000	11,025,000	41,177,000	123,930,00(
ago	192,138,000	36,419,000	101,219,000	329,776,00(
Louis	64,896,000	11,292,000	43,406,000	119,594,00(
eapolis	15,273,000	10,665,000	17,743,000	43,681,00(
as City	81,903,000	11,260,000	31,950,000	125,113,00(
as	21,295,000	11,076,000	28,953,000	61,324,00(
Francisco	76,736,000	8,871,000	58,670,000	144,277,00(
sury	5,173,000	2,511,000	2,691,000	10,375,00(
Total	$3,767,678,000	$ 289,048,000	$1,636,286,000	$5,693,012,00(

D-847

(more)

Exchanges for 3-5/8% Notes of Series B-1966

Federal Reserve District	3-1/4% Ctfs. Series B-1963	4% Notes Series B-1963	3-1/4% Notes Series D-1963	Total for B-1966 No
Boston	$ 15,814,000	$ 39,025,000	$ 20,194,000	$ 75,03
New York	715,706,000	272,094,000	640,757,000	1,628,55
Philadelphia	18,938,000	14,474,000	33,882,000	67,29
Cleveland	38,312,000	47,462,000	65,943,000	151,71
Richmond	13,413,000	14,071,000	23,594,000	51,07
Atlanta	53,227,000	21,266,000	58,970,000	133,46
Chicago	218,671,000	111,280,000	166,831,000	496,78
St. Louis	49,603,000	25,574,000	43,717,000	118,89
Minneapolis	9,293,000	22,557,000	27,146,000	58,99
Kansas City	18,357,000	21,255,000	33,706,000	73,31
Dallas	22,076,000	16,556,000	46,637,000	85,26
San Francisco	220,997,000	21,081,000	79,697,000	321,77
Treasury	3,880,000	1,853,000	4,631,000	10,36
Total	$1,398,287,000	$628,548,000	$1,245,705,000	$3,272,54

Maturing Issues	Eligible for Exchange		For Cash Redemptio	
	Publicly Held	Federal Reserve Banks and Government Accounts	% of Total Outstanding	% of Pub Holdings
	(In millions)			
3-1/4% Ctfs., B-1963	$2,753	$2,532	2.3	4.2
4% Notes, B-1963	1,130	53	22.4	23.5
3-1/4% Notes, D-1963	2,196	831	4.8	6.5
Total	$6,079	$3,416	5.6	8.6

the need for high professional standards at every level is recognized. We must build on what we have learned in the development of the Federal investigative agencies and the many fine State and local police forces. We must seek professional standards of training, ability, conduct and effectiveness for all policemen. We must grant them adequate material rewards and far more recognition and respect than we have in the past

To the students we are honoring today, I wish the best of luck and Godspeed. Thank you.

schedule which might require deviation from the adopted plan. So you can see that the planning is tremendously important. The activities of the Secret Service in the protection of the President being comparable to an iceberg: only one-tenth of it is seen, the rest remains unobserved. Protecting the President is the Service's paramount responsibility and it cannot be delegated to any other organization. However, in every city and state the President visits, local law enforcement officers furnish full cooperation and assistance to insure that no incident threatens his personal safety. Invariably they do a fine job and it is a pleasure to work with them.

I should like to observe that we shall not have fully satisfactory police work throughout the Nation until appearances of the President, both in and out of Washington, ranks as one of the most important elements in our work. This is usually done a week to ten days before the event by agents from the Detail, with the help of the Special Agents in Charge for the district in which the President will be visiting. We must determine how the President will travel, the route he will follow, the location and physical layout at events he will attend, and the security posts to be established. We then have a plan for each movement the President will make, and figure out how to provide the maximum of security for him. This is the greatest part of the protection given him. All eventualities are taken into account in setting up the advance arrangements, including the likelihood of last-minute changes in the President's closely-knit organization whose members have been trained intensively in protective techniques. The duties of these agents are exacting, and each man must function as an integral cog in the machinery of protection. Before the President goes anywhere outside the White House, the details of how he is to be protected are worked out, with each agent assigned specific duties that must be carried out with precision.

Whenever an occasion requires more agents than are on the Detail, agents from field offices in 64 cities throughout the 50 states and Puerto Rico help out. Nearly all agents in the Service have worked on protective assignments at one time or another.

Making advance security arrangements for the public

Before the Secret Service was assigned to protect the Chief Executive, three Presidents had been assassinated in 37 years. Fortunately, there has been no recurrence of those tragedies since the Service assumed its protective role. But unsuccessful attempts have been made on the lives of our Presidents. The President and his family are also subjected to danger in which no harm is intended. For instance, in a crowd of people the President may be endangered merely by the overenthusiasm of friendly and well-meaning people.

The President is protected around the clock, early seven days a week. The primary responsibility centers on the White House Detail, which is supervised by a Special Agent in Charge, and his assistants. The Detail is a small, are making more money today, they are enjoying it less. The reason: the Service is running them down before they can get the bogus bills into circulation. Last year the Service seized seven out of every eight counterfeits that were manufactured. The spurious money had a face value of more than three and a half million dollars, which is the potential loss from which the public was saved. is intended. For instance, Important as the suppressing of counterfeiting is, it ranks second to the primary assignment of protecting the President.

Now this is a subject that the Service doesn't often discuss publicly for a number of reasons. One is that we respect the President's privacy. But also, if we should publicize an incident, some mentally disturbed person or a practical joker might try to repeat it.

discharged this responsibility, which is at once awesome, enjoyable and exacting, since 1901. Also, Congress they can recently extended the same protection to the Vice President; previously he was protected only at his request more

You may wonder why the Service is in the Treasury. The reason is that it was formed in 1865 to suppress the counterfeiting of our Nation's currency which was then rampant The Secret Service is the oldest, and for a long time was the only Federal investigative agency, and it frequently made investigations for other departments. It was natural, then, that Presidential protection should fall to the Service publicly for a number of reasons One is

The Secret Service still arrests counterfeiters and forgers of Government checks and bonds. While criminals

a practical joker might try to repeat it.

a rising level of professionalism in law enforcement. a development that I believe will continue Congress

I have seen this of course, in the Service to which I have devoted most of my life, and also in municipal, state and other Federal enforcement personnel. The strong-arm mentality among police officers has gone the way of celluloid collars and cuffs. Today, scientific methods time after time have produced results that are infinitely more telling than anything one could have expected 25 years ago when I began my career, which I look back on It was with a feeling of having been privileged to serve all to the Service. A large part of that quarter century was devoted to that all important mission of the Secret Service protecting the President and his family. The service has

Just as the infantryman is the basic essential to the military, so, too, is the police officer to law enforcement. He is not only enforcing the law, he is to the symbol of the law and a constant reminder that he is there for the equitable protection of everyone, regardless of race, creed or National origin. That is one reason in my opinion, for treating those officers with the respect they are due, for once high regard for law and order breaks down, the whole fabric of society rips apart. years ago I should like to take this opportunity to say that I hold local law enforcement officers here and abroad in the highest esteem. Their cooperation has made it possibleted for the Secret Service to accomplish missions that otherwise never could have been completed. Over the years I have seen rejections for physical reasons the obesity and physical inactivity of much of our adult population all are indications that this Nation must take positive steps to revitalize our physical resources before it is too late."

In this day of supersonic flight and inter continental ballistic missiles there can be a tendency to lose sight of the fact that a man with a rifle on his shoulder is still the essential military power -- without him no Nation can hold or take a piece of territory share the feeling of most Americans that war in this age is too horrible to contemplate, yet there is no denying the the fact that we must be ready, and that man with the rifle still must be physically and mentally capapable po playing e his robe. would have been completed. Over the years I have seen

That is why I believe so strongly in the President's Council on Youth Fitness, which is sponsoring programs to convert the flabby American into the physically rugged individual his ancestors were. Mr. Kennedy has said that "The strength of our democracy and our country can be no greater than the well-being of our citizens. The vigor of our country, its physical strength and energy will be no more advanced nor more substantial than the vitality and will of our countrymen."

The President then went on to say that "In recent years we have seen many evidences that the physical fitness of our citizens -- strength and ability to endure long rifle hardships -- lags far behind that of other peoples of the world. The poor scores made by our school children in simple physical fitness tests, the number of military service the great majority of Americans to whom truth and right come close to being synonymous. sponsoring programs to convert

And so this citizen with these three characteristics there are many more attributes of course -- is prepared to pledge himself to a government that is a trustee for all Americans regardless of their party for he knows that power of Government derives only from those God given rights that he as a citizen possesses and will of our country.

To exercise those rights properly requires a number of characteristics but there is still another that applies particularly to the students here today and their colleagues Already these awardees have channeled their energies into healthy activities and by that I mean both mental and physical The two aid and abet each other going on today is far more difficult than it was a decade ago, to say nothing of two or three decades. And, of course, to know what the solutions are has become increasingly complicated. But there lies the great challenge and the opportunity with it, for you who will be responsible for the destinies of the Nation in which you live, and the world to which you will contribute.

It seems to me that the third characteristic of a good citizen is one who is willing to take an honest and firm stand on an issue even though to do so may be unpopular in the context of the time and circumstances. The extremists have always had a following, and probably always will, but throughout the history of this Republic, reason has eventually ruled. The people who have made that possible have been he can to get out the vote for the party and candidate of his choice Voting should be almost a requirement for membership in a community It is not at all uncommon in Europe for more than ninety percent of the populace to vote in an election but even in a Presidential year in the United States the percentage is only a little over sixty

But just to vote blindly, or as one is told of a doesn't exercise the franchise properly Everyone should know the issues and then make up his mind on what seems to him to be the answers. Here again the students who have won the awards today are preparing themselves to take on the task of analyzing the problems that face your community and the Nation and trying to find solutions that will work best for everyone concerned. To understand just what is

I am sure that Newark's Youth Week, and the awards for citizenship we are celebrating today, will serve as or an inspiration to young people in other cities who are trying to accept their responsibilities as junior members of the community Any young person who learns to take on responsibilities early in life is preparing himself for er the leadership he should be expected to show when he becomes an adult

Just what are those adult obligations? I should suppose everyone has his own ideas and I am sure that in this audience composed so overwhelmingly of those who have believe deeply in public service there are common views. But please let me run down the list as I see it. community

First I believe that one should do everything ork best for everyone concerned. To understand just what is draw up a plan for the underprivileged in the slum areas of large metropolitan centers. All the resources of the area -- schools police courts, health and other services -- are drawn on The objective is to find opportunities for young people toward eventual self support and meanwhile they are off the streets New York a plan already is underway with New Haven and Cleveland scheduled to do the same before the end of the year.

So it seems to me that encouraging progress is being made But in the final analysis the only indi-viduals who can stamp out juvenile delinquency are the juveniles themselves I believe there is too much emphasis on the few who go wrong; I have vast faith in the great majority of American youth.

gets into trouble with the police are marked with gold seals. The calendar glitters.

In Westport, Connecticut, two mothers have established a teenage, non-profit employment service called Summers Unlimited. They have a list of 300 youngsters who have registered for paid or unpaid work, and they have placed several in jobs that will keep them well occupied during the summer

And, of course, the President's Committee on Juvenile Delinquency, headed by the Attorney General, is spurring cities into tackling the problem anew -- many cities have had programs for some time. Federal funds are being matched in fifteen cities toward the end of preventing juvenile delinquency The method is first to

Another group, just across the Hudson from here -- on West 37th Street near 10th Avenue -- is showing that not all youngsters on the streets are in street gangs. Some 30 teenagers have banded together for the purpose of preventing crime and delinquency. They have the help of a Harvard psychologist, but essentially this is a do-it-themselves probject. The objective is to score what the psychologist calls "clean man days." This means no arrests or incarcerations of the members, and remember that this is an area of Manhattan where trouble usually prevails over tranquility The program started in January of this year. In February there were nearly 100 police actions in the area but in April there was not one. The boys proudly display a calendar on which the days no one public schools in the Nation's Capital. Delegates from the organization have gone to the source of power to improve them: the Congressmen on Capital Hill who hold the purse strings for District affairs. The students pointed out the crowded and otherwise unsatisfactory physical conditions of classrooms. They underlined the fact that text books were out-of-date to such an extent that they were, in effect, propeller driven biplanes in an age of supersonic jets. They did other things, such as appearing on public service television programs so that more Washingtonians would know about the condition of the public school system. There is no doubt that they have made an impression on Capital Hill.

early in their lives. Not only does such activity broaden their horizons, but it also trains them for responsibilities in years to come. Moreover, an interest in public affairs will keep youngsters occupied in a healthy way that just about precludes their getting into trouble.

It is almost axiomatic that bad news is more newsworthy than good news, but I have been struck recently by several accounts that show, with heartening warmth that groups of young people are staying out of trouble by working for causes in the public interest.

For example, in Washington, D. C., teenagers have formed an organization called High School Students for Better Education. The objective of the group, which started with a small nucleus of public minded students and now has city-wide representation, is to improve the

Treasury Dept 442

For Release P.M. Newspapers
Week
Thursday, May 16, 1963

REMARKS BY JAMES J. ROWLEY
CHIEF, U. S. SECRET SERVICE
BEFORE THE CIVIC CLUB COUNCIL OF NEWARK
AT THE MILITARY PARK HOTEL, Newark, New Jersey
ON THURSDAY, MAY 16, 1963, AT 1 P.M.

It is a great pleasure and honor to address this distinguished gathering of outstanding students and grown-up leaders in civic affairs. I congratulate these gifted and industrious students for having won awards for Outstanding Citizenship. I am sure that the adults in the audience have provided the inspiration and example for these young people to emulate. I read with great interest that Newark was the first city in the Nation to establish an annual Youth Week celebration and thus honor the community's most valuable asset -- its young people, who are now preparing to become the leaders of tomorrow.

It would be impossible to overemphasize the importance of young people forming a habit of civic service

L-548

TREASURY DEPARTMENT
Washington

FOR RELEASE P. M. NEWSPAPERS
THURSDAY, MAY 16, 1963

REMARKS BY JAMES J. ROWLEY
CHIEF, UNITED STATES SECRET SERVICE
BEFORE
THE CIVIC CLUB COUNCIL OF NEWARK
AT THE MILITARY PARK HOTEL, NEWARK, NEW JERSEY,
ON THURSDAY, MAY 16, 1963, AT 1:00 P.M., EDT

It is a great pleasure and honor to address this distinguished gathering of outstanding students and grownup leaders in civic affairs. I congratulate these gifted and industrious students for having won awards for Outstanding Citizenship. I am sure that the adults in the audience have provided the inspiration and example for these young people to emulate. I read with great interest that Newark was the first city in the Nation to establish an annual Youth Week celebration and thus honor the community's most valuable asset -- its young people, who are now preparing to become the leaders of tomorrow.

It would be impossible to overemphasize the importance of young people forming a habit of civic service early in their lives. Not only does such activity broaden their horizons, but it also trains them for responsibilities in years to come. Moreover, an interest in public affairs will keep youngsters occupied in a healthy way that just about precludes their getting into trouble.

It is almost axiomatic that bad news is more newsworthy than good news, but I have been struck recently by several accounts that show, with heartening warmth, that groups of young people are staying out of trouble by working for causes in the public interest.

For example, in Washington, D. C., teenagers have formed an organization called High School Students for Better Education. The objective of the group, which started with a small nucleus of public minded students and now has city-wide representation, is to improve the public schools in the Nation's Capital. Delegates from the organization have gone to the source of power to improve them: the Congressmen on Capital Hill who hold the purse strings for District affairs. The students pointed out the crowded and otherwise unsatisfactory physical conditions of classrooms. They underlined the fact that text books were out-of-date to such an extent that they were, in effect, propeller driven biplanes in an age of supersonic jets. They did other things, such as appearing on public service television programs so that more Washingtonians would know about the condition of the public school system. There is no doubt that they have made an impression on Capital Hill.

Another group, just across the Hudson from here -- on West 37th Street near 10th Avenue -- is showing that not all youngsters on the streets are in street gangs. Some 30 teenagers have banded together for the purpose of preventing crime and delinquency. They have the help of a Harvard psychologist, but essentially this is a do-it-themselves project. The objective is to score what the psychologist calls "clean man days." This means no arrests or incarcerations of the members, and remember that this is an area of Manhattan where trouble usually prevails over tranquility. The program started in January of this year. In February there were nearly 100 police actions in the area, but in April there was not one. The boys proudly display a calendar on which the days no one gets into trouble with the police are marked with gold seals. The calendar glitters.

In Westport, Connecticut, two mothers have established a teenage, non-profit employment service called Summers Unlimited. They have a list of 300 youngsters who have registered for paid or unpaid work, and they have placed several in jobs that will keep them well occupied during the summer.

And, of course, the President's Committee on Juvenile Delinquency, headed by the Attorney General, is spurring cities into tackling the problem anew -- many cities have had programs for some time. Federal funds are being matched in fifteen cities toward the end of preventing juvenile delinquency. The method is first to draw up a plan for the underprivileged in the slum areas of large metropolitan centers. All the resources of the area -- schools, police, courts, health and other services -- are drawn on. The objective is to find opportunities for young people toward eventual self-support, and meanwhile they are off the streets. New York's plan already is underway, with New Haven and Cleveland scheduled to do the same before the end of the year.

So it seems to me that encouraging progress is being made. But in the final analysis, the only individuals who can stamp out juvenile delinquency are the juveniles themselves. I believe there is too much emphasis on the few who go wrong; I have vast faith in the great majority of American youth.

I am sure that Newark's Youth Week, and the awards for citizenship we are celebrating today, will serve as an inspiration to young people in other cities who are trying to accept their responsibilities as junior members of the community. Any young person who learns to take on responsibilities early in life is preparing himself for the leadership he should be expected to show when he becomes an adult.

Just what are those adult obligations? I suppose everyone has his own ideas, and I am sure that in this audience, composed so overwhelmingly of those who believe deeply in public service, there are common views. But please let me run down the list as I see it.

First, I believe that one should do everything he can to get out the vote for the party and candidate of his choice. Voting should be almost a requirement for membership in a community. It is not at all uncommon in Europe for more than ninety percent of the populace to vote in an election, but even in a Presidential year in the United States the percentage is only a little over sixty.

But just to vote blindly, or as one is told, doesn't exercise the franchise properly. Everyone should know the issues, and then make up his mind on what seems to him to be the answers. Here again the students who have won the awards today are preparing themselves to take on the task of analyzing the problems that face your community and the Nation, and trying to find solutions that will work best for everyone concerned. To understand just what is going on today is far more difficult than it was a decade ago, to say nothing of two or three decades. And, of course, to know what the solutions are has become increasingly complicated. But there lies the great challenge and the opportunity with it, for you who will be responsible for the destinies of the Nation in which you live, and the world to which you will contribute.

It seems to me that the third characteristic of a good citizen is one who is willing to take an honest and firm stand on an issue even though to do so may be unpopular in the context of the time and circumstances. The extremists have always had a following, and probably always will, but throughout the history of this Republic, reason has eventually ruled. The people who have made that possible have been the great majority of Americans to whom truth and right come close to being synonymous.

And so this citizen with those three characteristics -- there are many more attributes, of course -- is prepared to pledge himself to a government that is a trustee for all Americans, regardless of their party, for he knows that power of Government derives only from those God given rights, that he, as a citizen possesses.

To exercise those rights properly requires a number of characteristics, but there is still another that applies particularly to the students here today and their colleagues. Already these awardees have channeled their energies into healthy activities, and by that I mean both mental and physical. The two aid and abet each other. That is why I believe so strongly in the President's Council on Youth Fitness, which is sponsoring programs to convert the flabby American into the physically rugged individual his ancestors were. Mr. Kennedy has said that "The strength of our democracy and our country can be no greater than the well-being of our citizens. The vigor of our country, its physical strength and energy will be no more advanced nor more substantial than the vitality and will of our countrymen."

The President then went on to say that "In recent years we have seen many evidences that the physical fitness of our citizens -- strength and ability to endure long hardships -- lags far behind that of other peoples of the world. The poor scores made by our school children in simple physical fitness tests, the number of military service rejections for physical reasons, the obesity and physical inactivity of much of our adult population -- all are indications that this Nation must take positive steps to revitalize our physical resources before it is too late."

In this day of supersonic flight and intercontinental ballistic missiles there can be a tendency to lose sight of the fact that a man with a rifle on his shoulder is still the essential military power -- without him no Nation can hold or take a piece of territory. I share the feeling of most Americans that war in this age is too horrible to contemplate, yet there is no denying the fact that we must be ready, and that man with the rifle still must be physically and mentally capable of playing his role.

Just as the infantryman is the basic essential to the military, so, too, is the police officer to law enforcement. He is not only enforcing the law, he is the symbol of the law, and a constant reminder that he is there for the equitable protection of everyone regardless of race, creed or National origin. That is one reason, in my opinion, for treating those officers with the respect they are due, for once high regard for law and order breaks down, the whole fabric of society rips apart.

I should like to take this opportunity to say that I hold local law enforcement officers here and abroad in the highest esteem. Their cooperation has made it possible for the Secret Service to accomplish missions that otherwise never could have been completed. Over the years I have seen a rising level of professionalism in law enforcement, a development that I believe will continue.

I have seen this, of course, in the Service to which I have devoted most of my life, and also in municipal, State and other Federal enforcement personnel. The strong-arm mentality among police officers has gone the way of celluloid collars and cuffs. Today, scientific methods time after time have produced results that are infinitely more telling than anything one could have expected 25 years ago when I began my career, which I look back on with a feeling of having been privileged to serve.

A large part of that quarter century was devoted to that all important mission of the Secret Service -- protecting the President and his family. The Service has discharged this responsibility, which is at once awesome, enjoyable and exacting, since 1901. Also, Congress recently extended the same protection to the Vice President; previously he was protected only at his request.

You may wonder why the Service is in the Treasury. The reason is that it was formed in 1865 to suppress the counterfeiting of our Nation's currency which was then rampant. The Secret Service is the oldest, and for a long time was the only Federal investigative agency, and it frequently made investigations for other departments. It was natural, then, that Presidential protection should fall to the Service.

The Secret Service still arrests counterfeiters and forgers of Government checks and bonds. While criminals are making more money today, they are enjoying it less. The reason: the Service is running them down before they can get the bogus bills into circulation. Last year the Service seized seven out of every eight counterfeits that were manufactured. The spurious money had a face value of more than three and a half million dollars, which is the potential loss from which the public was saved.

Important as the suppressing of counterfeiting is, it ranks second to the primary assignment of protecting the President.

Now this is a subject that the Service doesn't often discuss publicly for a number of reasons. One is that we respect the President's privacy. But also, if we should publicize an incident some mentally disturbed person or a practical joker might try to repeat it.

Before the Secret Service was assigned to protect the Chief Executive, three Presidents had been assassinated in 37 years. Fortunately, there has been no recurrence of those tragedies since the Service assumed its protective role. But unsuccessful attempts have been made on the lives of our Presidents. The President and his family are also subjected to danger in which no harm is intended. For instance, in a crowd of people the President may be endangered merely by the overenthusiasm of friendly and well-meaning people.

The President is protected around the clock, seven days a week. The primary responsibility centers on the White House Detail, which is supervised by a Special Agent in Charge, and his assistants. The Detail is a small, closely-knit organization whose members have been trained intensively in protective techniques. The duties of these agents are exacting, and each man must function as an integral cog in the machinery of protection. Before the President goes anywhere outside the White House, the details of how he is to be protected are worked out, with each agent assigned specific duties that must be carried out with precision.

Whenever an occasion requires more agents than are on the Detail, agents from field offices in 64 cities throughout the 50 states and Puerto Rico help out. Nearly all agents in the Service have worked on protective assignments at one time or another.

Making advance security arrangements for the public appearances of the President, both in and out of Washington, ranks as one of the most important elements in our work. This is usually done a week to ten days before the event by agents from the Detail, with the help of the Special Agents in Charge for the district in which the President will be visiting. We must determine how the President will travel, the route he will follow, the location and physical layout at events he will attend, and the security posts to be established. We then have a plan for each movement the President will make, and figure out how to provide the maximum of security for him. This is the greatest part of the protection given him.

All eventualities are taken into account in setting up the advance arrangements, including the likelihood of last-minute changes in the President's schedule which might require deviation from the adopted plan.

So you can see that the planning is tremendously important. The activities of the Secret Service in the protection of the President being comparable to an iceberg: only one-tenth of it is seen, the rest remains unobserved.

Protecting the President is the Service's paramount responsibility and it cannot be delegated to any other organization. However, in every city and state the President visits, local law enforcement officers furnish full cooperation and assistance to insure that no incident threatens his personal safety. Invariably they do a fine job and it is a pleasure to work with them.

I should like to observe that we shall not have fully satisfactory police work throughout the Nation until the need for high professional standards at every level is recognized. We must build on what we have learned in the development of the Federal investigative agencies and the many fine State and local police forces. We must seek professional standards of training, ability, conduct and effectiveness for all policemen. We must grant them adequate material rewards and far more recognition and respect than we have in the past.

To the students we are honoring today, I wish the best of luck and Godspeed. Thank you.

oOo

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.

MODIFIED

lecimals, e. g., 99.925. Fractions may not be used. It is urged that tenders e made on the printed forms and forwarded in the special envelopes which will e 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 February 21, 1963, (91 days remaining until maturity date on August 22, 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 May 23, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 23, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, May 15, 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 May 23, 1963 , in the amount of $ 2,100,248,000 , as follows:

91 -day bills (to maturity date) to be issued May 23, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated February 21, 1963 , and to mature August 22, 1963 , originally issued in the amount of $ 800,397,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated May 23, 1963 , and to mature November 21, 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~~ Daylight Saving time, Monday, May 20, 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

D-849

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 15, 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 May 23, 1963. in the amount of $2,100,248,000, as follows:

91-day bills (to maturity date) to be issued May 23, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated February 21,1963, and to mature August 22, 1963, originally issued in the amount of $800,397,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated May 23, 1963, and to mature November 21, 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 Daylight Saving time, Monday, May 20, 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.

D-849

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated February 21, 1963, (91-days remaining until maturity date on August 22, 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 May 23, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 23, 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 thi 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.

oOo

TREASURY DEPARTMENT
Washington, D. C.

453

IMMEDIATE RELEASE
THURSDAY, MAY 16, 1963

D-850

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

QUARTERLY QUOTA PERIOD - April 1 - June 30, 1963

IMPORTS - April 1 - May 10, 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	17,201,279	-	-	-	-
Belgian Congo	-	-	-	-	-	-	5,440,000	1,598,364*
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	1,828,587*	-	-	-	-	-	-
Canada	13,440,000	2,658,811*	15,920,000	8,248,566	66,480,000	66,480,000	37,840,000	22,603,197
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	36,880,000	70,480,000	34,703,686	6,320,000	3,299,156
Peru	16,160,000	14,311,063*	12,880,000	4,034,383	35,120,000	7,415,770	3,760,000	2,345,263
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	7,597,509*	-	-	-	-
All other foreign countries (total)	6,560,000	2,738,257*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of May 13, 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, MAY 16, 1963

D-850

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

QUARTERLY QUOTA PERIOD - April 1 - June 30, 1963

IMPORTS - April 1 - May 10, 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	17,201,279	-	-	-	-
Belgian Congo	-		-	-	-	-	5,440,000	1,598,364*
Belgium and Luxemburg (total)	-		-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	1,828,587*	-	-	-	-	-	-
Canada	13,440,000	2,658,811*	15,920,000	8,248,566	66,480,000	66,480,000	37,840,000	22,603,197
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	36,880,000	70,480,000	34,,03,686	6,320,000	3,299,156
Peru	16,160,000	14,311,063*	12,880,000	4,034,383	35,120,000	7.415,770	3,760,000	2,345,263
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	7,597,509*	-	-	-	-
All other foreign countries (total)	6,560,000	2,738,257*	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*Imports as of May 13, 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

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 May 13, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962, to May 13, 1963
United Kingdom	4,323,457	1,398,386	1,441,152	1,075,003
Canada	239,690	239,690	-	-
France	227,420	185,223	75,807	73,011
British India	69,627	49,926	-	-
Netherlands	68,240	52,024	22,747	21,878
Switzerland	44,388	11,234	14,796	-
Belgium	38,559	33,150	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	36,070	25,443	-
Italy	21,263	-	7,088	-
	5,482,509	2,005,703	1,599,886	1,169,892

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-851

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, MAY 16, 1963

D-851

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 - May 13, 1963

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and the Anglo-Egyptian Sudan	783,816	782,85,	Honduras	752	-
Peru	247,952	35,995	Paraguay	871	-
British India	2,003,483	81,640	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 - May 13, 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	*3.153.970

*Adjusted Quota

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, MAY 16, 1963

457

D-851

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 - May 13, 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	81,640	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 - May 13, 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	*3,153,970

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 May 13, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962, to May 13, 1963
United Kingdom	4,323,457	1,398,386	1,441,152	1,075,003
Canada	239,690	239,690	-	-
France	227,420	185,223	75,807	73,011
British India	69,627	49,926	-	-
Netherlands	68,240	52,024	22,747	21,878
Switzerland	44,388	11,234	14,796	-
Belgium	38,559	33,150	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	36,070	25,443	-
Italy	21,263	-	7,088	-
	5,482,509	2,005,703	1,599,886	1,169,892

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-851

TREASURY DEPARTMENT
Washington 458

IMMEDIATE RELEASE
THURSDAY, MAY 16,1963 D-852

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1963, to May 4, 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 May 4, 19
Buttons.............	680,000	Gross	87,6
Cigars..............	160,000,000	Number	4,244,0
Coconut oil.........	358,400,000	Pound	137,143,2
Cordage.............	6,000,000	Pound	2,137,9
Tobacco.............	5,200,000	Pound	2,851,33

TREASURY DEPARTMENT
Washington

459

DIATE RELEASE
IRSDAY, MAY 16,1963

D-852

The Bureau of Customs has announced the following preliminary figures showing the
orts for consumption from January 1, 1963, to May 4, 1963, inclusive, of commodities
er quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

modity	Established Annual Quota Quantity	Unit of Quantity	Imports as of May 4, 1963
tons.............	680,000	Gross	87,686
ars..............	160,000,000	Number	4,244,085
onut oil.........	358,400,000	Pound	137,143,296
dage.............	6,000,000	Pound	2,137,934
acco.............	5,200,000	Pound	2,851,338

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 4, 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	Quota Filled

1/ Imports through May 13, 1963

TREASURY DEPARTMENT
Washington

MMEDIATE RELEASE
THURSDAY, MAY 16,1963

461

D-853

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 May 4, 1963:

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 4, 19
ariff-Rate Quotas:				
ream, fresh or sour...............	Calendar Year	1,500,000	Gallon	320,22
hole Milk, fresh or sour.........	Calendar Year	3,000,000	Gallon	
attle, 700 lbs. or more each (other than dairy cows).........	April 1, 1963- June 30, 1963	120,000	Head	7,028
attle less than 200 lbs. each....	12 mos. from April 1, 1963	200,000	Head	17,532
ish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish........	Calendar Year	24,874,871	Pound	12,423,686
una Fish..........................	Calendar Year	63,130,642	Pound	16,223,513
hite or Irish potatoes:				
Certified seed..................	12 mos. from	114,000,000	Pound	53,559,027
Other...........................	Sept. 15, 1962	36,000,000	Pound	29,146,152
alnuts............................	Calendar Year	5,000,000	Pound	2,261,179
tainless steel table flatware (table knives, table forks, table spoons)..................	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	59,652,794

/ Imports for consumption at the quota rate are limited to 12,437,436 pounds during the irst six months of the calendar year.

TREASURY DEPARTMENT
Washington

DIATE RELEASE
IRSDAY, MAY 16, 1963

D-853

The Bureau of Customs announced today preliminary figures on imports for consump-
n of the following commodities from the beginning of the respective quota periods
ough May 4, 1963:

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 4, 196
iff-Rate Quotas:				
am, fresh or sour..............	Calendar Year	1,500,000	Gallon	320,222
le Milk, fresh or sour.........	Calendar Year	3,000,000	Gallon	3
tle, 700 lbs. or more each other than dairy cows).........	April 1, 1963- June 30, 1963	120,000	Head	7,028
tle less than 200 lbs. each....	12 mos. from April 1, 1963	200,000	Head	17,532
h, fresh or frozen, filleted, tc., cod, haddock, hake, pol- ock, cusk, and rosefish........	Calendar Year	24,874,871	Pound	12,423,688
a Fish.........................	Calendar Year	63,130,642	Pound	16,223,513
to or Irish potatoes:				
ertified seed..................	12 mos. from	114,000,000	Pound	53,559,027
ther...........................	Sept. 15, 1962	36,000,000	Pound	29,146,152
nuts...........................	Calendar Year	5,000,000	Pound	2,261,179
inless steel table flatware table knives, table forks, table spoons)..................	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	59,652,794

Imports for consumption at the quota rate are limited to 12,437,436 pounds during the
'st six months of the calendar year.

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 4, 196
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat.............	Calendar Year 1963	1,200,000	Pound	Quota Fille
Cotton products, except cotton wastes, produced in any stage preceding the spinning into yarn.........................	12 mos. from Sept. 11, 1962	1,000	Pound	64
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	Quota Fille

1/ Imports through May 13, 1963

TREASURY DEPARTMENT
Washington

FOR RELEASE: ON DELIVERY

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
IN PRESENTING
LIFESAVING AWARDS DURING CEREMONIES AT THE
U. S. COAST GUARD RECEIVING CENTER
CAPE MAY, NEW JERSEY, MAY 17, 1963, 4:00 P.M., EDT

Admiral Roland, Commander Waters, distinguished guests, and members of the Coast Guard recruit training class:

I have been looking forward to this visit ever since I assumed office as Secretary of the Treasury more than two years ago. From this Center comes a steady stream of highly trained men who have made the name "United States Coast Guard" known and respected the world over. It is fitting, therefore, that Cape May should be the setting for today's ceremony, in which we are proud to honor three very brave men who displayed the greatest valor in risking their lives to save others. For in recognizing their heroism, we also pay tribute to other brave men who received their training here.

One of the men we honor today, John C. Webb, Boatswain's Mate, First Class, has distinguished himself in the past. Twice previously, in 1961, he was awarded the Coast Guard Commendation Medal for heroic action in the performance of duty. Today, he receives his third award, the Gold Lifesaving Medal, for outstanding heroism in making a most perilous rescue.

His companions, Anthony Duane Lloyd, Engineman, Third Class, and Ray Dwayne Duerre, Seaman, are to receive Silver Lifesaving Medals for their heroic parts in the same rescue. All three have brought great credit, not only to themselves and their families, but also to the historic Service they so ably represent. They provide you graduates of the training class who are about to take your places in the Coast Guard with an inspiring example.

Today's ceremony is unusual. The Lifesaving Medal is rarely awarded to Coast Guardsmen, since exposure to great personal risk is considered part of a Coast Guardsman's assignment. The men who brave angry seas and screaming gales to aid distressed ships and persons expect no special recognition. They are dedicated men who think of themselves as professionals. Only action of the greatest personal daring, involving disregard for personal safety, justifies the award of the Lifesaving Medal to Coast Guardsmen. These conditions were amply met by the men we honor today.

I shall not attempt to go into the details of the rescue in which these men participated. The citations accompanying the medals will speak for themselves.

While this day has been set aside to honor three brave men, its significance goes far beyond that. In a very real sense, we are paying tribute to this small, but great Service of some 30,000 officers and enlisted men in which they were trained to respond so magnificently to the challenge of danger. Courage and humanity lie at the very heart of the Coast Guard's mission. It has been that way from the very beginning, when the first small cutters sailed bravely off to fight Napoleon's numerically superior Navy.

In risking their lives to save others, these men exemplify that humanitarian concern for life which motivates the Coast Guard. More than any other Service, the Coast Guard gives active meaning to the high ideal of self sacrifice which is at the core of our religious beliefs. In times so given to developing means of mass destruction, the Coast Guard provides an inspiring example to all mankind as it goes about its task of preserving life.

Gentlemen, I congratulate each of you, your families and your officers on this happy occasion. I congratulate also the graduates of this recruit training company. The good wishes of all Americans go with you. May you all have long and fruitful careers in the service of your country.

oOo

~~totaled $800,000.~~ ~~The Secretary expressed the hope that much of this saving could be realized by the special staffing study ordered.~~

As part of this regional consolidation, Internal Revenue will operate with seven regional Automatic Data Processing Service Centers instead of the nine that had originally been contemplated, thus permitting substantial savings. In this connection, the Secretary pointed out that the present Lawrence, Mass. facility would be expanded in order to allow it to service both the Boston and New York regional workloads. It is estimated that the decision to utilize the single location in Lawrence will save approximately one half millinn dollars in annual operational costs, plus substantial one-time savings in construction costs.

Secretary Dillon endorsed the Service's goal to trim overhead in its district offices but deferred the proposal for uniform modification of the organization structure of 12 of the smaller offices in order to ensure that any action would be fully coordinated with developments in the data processing (ADP) program. Hence, there will be no change at this time in the organization of district offices in Aberdeen, S.D.; Fargo, N.D.; Helena, Montana; Boise, Idaho; Cheyenne, Wyoming; Anchorage, Alaska; Reno, Nevada; Wilmington, Delaware; Burlington, Vermont; Augusta, Maine; Portsmouth, New Hampshire; and Providence, Rhode Island. The Service will retain its present authority to make such adjustments in its offices on a position-by-position basis as may prove desirable in the interests

The plan of the Service to merge the Omaha Regional Office with the Regional Office in Chicago was also approved by Secretary Dillon. He stated that Chicago is the preferable headquarters city because of location, ready transportation, and other operational advantages.

Secretary Dillon also emphasized that this regional consolidation will not in any way inconvenience taxpayers or tax practitioners. Regional offices oversee the administration of the district offices and have little contact with taxpayers. The only parts of regional offices that regularly deal with taxpayers ~~are~~ Appellate, Chief Counsel, and Alcohol and Tobacco Tax field SERVICES ~~offices~~; these services [illegible] will continue to be provided in their present locations.

The Secretary stated that, after carefully weighing all of its factors involved in ~~considering all of the evidence presented regarding~~ the consolidation of the New York and Boston Regional Offices, he had decided to rescind that portion of his order calling for this merger. Hence the office in New York City will continue to supervise the district offices in New York State and the Regional Office in Boston will retain jurisdiction over the 6 New England Offices.

The Revenue Service will undertake an intensive analysis of the staffing of both the New York and Boston offices with a view toward selective savings in overhead and supervisory costs in the two offices. Previous estimates of savings through consolidation

Under the changes approved today, Secretary Dillon said that the previously announced merger of the operations of four districts located in States with more than one Internal Revenue district, would be carried out. These four districts are: Syracuse, New York, merged into Buffalo, New York; Camden, New Jersey, into Newark, New Jersey; Kansas City into St. Louis, Missouri; and Scranton, Pennsylvania, to be divided between Pittsburgh and Philadelphia.

Large field offices will continue to be located in these four cities and will provide all the services to the public that are presently offered by the district offices.

Secretary Dillon said that these mergers will entail no net reduction in the IRS payroll in any depressed area. For example, reduction in employment in the Camden office will be more than offset by reassignments and new hirings in the expanding Philadelphi Service Center, across the river.

Enforcement activities will be expanded in Scranton and other operations will be transferred to that office in order to maintain employment there at its present level.

The merger of the Kansas City office, also, involves no reducti in employment in the area. An Automatic Data Processing Center in that city is being expanded, and will provide more new jobs than wil be lost through abolition of existing positions. In Syracuse special efforts will be made to minimize any possible adverse affect on employees.

~~PROPOSED~~ TREASURY DEPARTMENT RELEASE

WASHINGTON, D. C.

FOR RELEASE A.M. NEWSPAPERS ~~12:00 NOON, EDT~~
~~DATE:~~
SATURDAY, MAY 18, 1963

DATE: May 17, 1963

DILLON APPROVES PROPOSED IRS REALIGNMENT WITH MODIFICATIONS

Treasury Secretary Douglas Dillon today announced that he had approved with certain modifications the proposed field organization realignment of the Internal Revenue Service.

The modifications are the result of a careful review in cooperation with members of the Congress and local officials representing the areas involved, and after study of the testimony before the Senate Finance Committee on April 5. They seek to ensure that the Internal Revenue Service will continue to provide maximum service to the taxpayer while enabling the Service to convert ~~a large number of~~ overhead positions to front line enforcement efforts

The proposed administrative realignment in the IRS field organization was originally announced March 5. After hearing from representatives of several of the areas affected, the Secretary, on March 7, directed the Service to suspend implementation of the order pending a review.

Secretary Dillon emphasized that the organization changes approved today -- which are estimated to produce recurring annual savings of ~~approximately $4~~ more than $3.5 million -- will not in any way inconvenience taxpayers, nor will they add to the unemployment problem of any depressed area.

D-854

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 17, 1963

FOR RELEASE A.M. NEWSPAPERS,
SATURDAY, MAY 18, 1963

DILLON APPROVES PROPOSED IRS REALIGNMENT WITH MODIFICATIONS

Treasury Secretary Douglas Dillon today announced that he had approved with certain modifications the proposed field organization realignment of the Internal Revenue Service.

The modifications are the result of a careful review in cooperation with members of the Congress and local officials representing the areas involved, and after study of the testimony before the Senate Finance Committee on April 5. They seek to ensure that the Internal Revenue Service will continue to provide maximum service to the taxpayer while enabling the Service to convert overhead positions to front line enforcement efforts.

The proposed administrative realignment in the IRS field organization was originally announced March 5. After hearing from representatives of several of the areas affected, the Secretary, on March 7, directed the Service to suspend implementation of the order pending a review.

Secretary Dillon emphasized that the organization changes approved today -- which are estimated to produce recurring annual savings of more than $3.5 million -- will not in any way inconvenience taxpayers, nor will they add to the unemployment problems of any depressed area.

Under the changes approved today, Secretary Dillon said that the previously announced merger of the operations of four districts, located in States with more than one Internal Revenue district, would be carried out. These four districts are: Syracuse, New York, merged into Buffalo, New York; Camden, New Jersey, into Newark, New Jersey; Kansas City into St. Louis, Missouri; and Scranton, Pennsylvania, to be divided between Pittsburgh and Philadelphia.

D-854

470

Large field offices will continue to be located in these four cities and will provide all the services to the public that are presently offered by the district offices.

Secretary Dillon said that these mergers will entail no net reduction in the IRS payroll in any depressed area. For example, reduction in employment in the Camden office will be more than offset by reassignments and new hirings in the expanding Philadelphia Service Center, across the river.

Enforcement activities will be expanded in Scranton and other operations will be transferred to that office in order to maintain employment there at its present level.

The merger of the Kansas City office, also, involves no reduction in employment in the area. An Automatic Data Processing Center in that city is being expanded, and will provide more new jobs than will be lost through abolition of existing positions. In Syracuse, special efforts will be made to minimize any possible adverse effects on employees.

The plan of the Service to merge the Omaha Regional Office with the Regional Office in Chicago was also approved by Secretary Dillon. He stated that Chicago is the preferable headquarters city because of location, ready transportation, and other operational advantages. Secretary Dillon also emphasized that this regional consolidation will not in any way inconvenience taxpayers or tax practitioners.

The Secretary stated that, after carefully weighing all of the factors involved in the consolidation of the New York and Boston Regional Offices, he had decided to rescind that portion of his order calling for this merger. Hence the office in New York City will continue to supervise the district offices in New York State and the Regional Office in Boston will retain jurisdiction over the 6 New England district offices.

As part of this regional consolidation, Internal Revenue will operate with seven regional Automatic Data Processing Service Centers instead of the nine that had originally been contemplated, thus permitting substantial savings. In this connection, the Secretary pointed out that the present Lawrence, Mass. facility would be expanded in order to allow it to service both the Boston and New York regional workloads. It is estimated that the decision to utilize the single location in Lawrence will save approximately one half million dollars in annual operational costs, plus substantial one-time savings in construction costs.

Secretary Dillon endorsed the Service's goal to trim overhead in its district offices but deferred the proposal for uniform modification of the organization structure of 12 of the smaller offices in order to ensure that any action would be fully coordinated with developments in the data processing (ADP) program. Hence, there will be no change at this time in the organization of district offices in Aberdeen, S.D.; Fargo, N.D.; Helena, Montana; Boise, Idaho; Cheyenne, Wyoming; Anchorage, Alaska; Reno, Nevada; Wilmington, Delaware; Burlington, Vermont; Augusta, Maine; Portsmouth, New Hampshire; and Providence, Rhode Island. The Service will retain its present authority to make such adjustments in its offices on a position-by-position basis as may prove desirable in the interests of efficiency.

oOo

3

IS PAYABLE IN DOLLARS AND

This third type of [redacted] Treasury issue [redacted] arises THAT INVOLVING THE out of special operations such as [redacted] Export-Import Bank [redacted] An even MORE SIGNIFICANT [redacted] mentioned above. The ~~more significant development~~ issuance of denominated in foreign currencies ~~relates to the foreign currency~~ bonds ~~[borrowings] by the U. S.~~ occurred during the last quarter of 1962 ~~Treasury~~ the first of which ~~was entered into in [ ].~~

by the U.S.

These borrowings perform ~~a dual~~ several functions for the United States. One is that ~~First,~~ they provide foreign currency which can be used to meet a part of the balance of payments deficit, thus minimizing the drain on our gold stock. Another is that ~~Second,~~ the sale of the foreign exchange acquired under this bond provides the Treasury with part of its dollar needs that would otherwise have to be met by borrowing in the United States market. The foreign ~~currency~~ issues carry interest rates which are equal to those [of] comparable maturities ~~as low or lower than~~ pre-vailing for in the United States market. The^N foreign currency securities issued by the Treasury ~~thus~~ also provide foreign central banks and governments with attractive investment possibilities as an alternate to purchases of gold or holding of dollars.

These operations, together with the shorter term foreign currency swap operations conducted by the Federal Reserve and a number of similar operations carried on among European central banks, are important new ~~features~~ aspects of the international payments system, which has been increasingly characterized by close cooperation among foreign central banks and governments.

securities were issued, but $25 million of the total represented a refunding of 15-month ~~regular~~ bond purchased by Italy in 1962 into a 24-month bond ~~fs~~ having the conversion privilege. It is anticipated that all issues involving investments by central banks will eventually be on the same basis.

The third type comprises non-marketable securities issued to central banks but denominated in U.S. dollars. The outstanding obligations of this type, amount to $183 million. Of the total, $125 million has an original maturity of 15 months and is convertible into short-term obligations. The remaining $58 million is a Treasury note with an original maturity of five years redeemable in advance ~~upon ten days notice~~ for the purpose of purchasing promissory notes held by the Export-Import Bank of Washington.

~~The second and third types of debt instruments, developed to meet central bank requirements, provide alternative investment possibilities for [illegible] foreign official institutions. For the U.S. they represent the utilization of capital abroad to assist in meeting [illegible] gross financing needs associated with our balance of payments. These instruments represent a new feature to the international payments system.~~

474

Treasury Press Release

Immediate Release

5/16/63

Foreign Investment in Non-marketable Treasury Securities

The balance of payments information ~~data~~ for the first quarter of 1963, released today by the Department of Commerce, indicated that ~~include a new and significant item stating the amount of~~ Treasury had issued special medium-term U.S. securities ~~issued~~ to foreign official accounts during the period. The various issues during the quarter, ~~making up~~ total of $ 413 million, were listed ~~given~~ in detail in the April 1963 Treasury Bulletin (page 76). The aggregate ~~total~~ amount of such securities outstanding as of March 31 totalled $664 million. If all such special securities that were issued during the first quarter were excluded in calculating the balance in our payments accounts, the remaining balance would be 470 million rather than $870 million seasonally adjusted figure given in Commerce's press release.

The various ~~issues~~ are of three types. The first consists of non-marketable (special securities) special medium-term securities denominated in foreign currencies purchased by foreign governments, and ~~xkx~~ which are redeemable in normal fashion at ~~in the~~ stated maturity, of 15 months. $30 million of such securities were issued in January; $250 million had been issued in late 1962.

The second type also consists of non-marketable securities denominated in foreign currencies and have original maturities of 15 to 24 months. However, these have been issued to foreign central banks, and in order to be consistent with long established central bank standards of liquidity needs, provide for the possibility of conversion into short-term U.S. obligations ~~also~~ denominated in the foreign currency.

During the first quarter, $225 ~~125~~ million equivalent of such

The 470 figure includes both the loss of gold and the increase in holdings of dollars by foreigners in both private and official accounts.

2055

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 16, 1963

FOR IMMEDIATE RELEASE:

FOREIGN INVESTMENT IN NON-MARKETABLE TREASURY SECURITIES

The balance of payments information for the first quarter of 1963, released today by the Department of Commerce, indicated that the Treasury had issued special medium-term U. S. securities to foreign official accounts during the period. The various issues during the quarter, totalling $413 million, were listed in detail in the April, 1963 Treasury Bulletin (page 76). The aggregate amount of such securities outstanding as of March 31, totalled $664 million. If all such special securities that were issued during the first quarter were excluded in calculating the balance in our payments account, the remaining balance would be $470 million rather than the $820 million seasonally adjusted figure given in the Commerce Department release. The $470 million figure includes both the loss of gold by the U. S. and the increase in holdings of dollars by foreigners in both private and official accounts.

The various special securities are of three types. The first consists of non-marketable medium-term securities denominated in foreign currencies purchased by foreign governments, and which are redeemable in normal fashion at stated maturities of 15 and 16 months. $30 million of such securities were issued in January; $250 million had been issued in late 1962.

The second type also consists of non-marketable securities denominated in foreign currencies and have original maturities of 15 to 24 months. However, these have been issued to foreign central banks, and in order to be consistent with long established central bank standards of liquidity needs, provide for the possibility of conversion into short-term U. S. obligations denominated in the foreign currency. During the first quarter, $225 million equivalent of such securities were issued, but $25 million of the total represented a refunding of a 15-month bond purchased by Italy in 1962 into a 24-month bond having the conversion privilege. It is anticipated that all issues involving investments by central banks will eventually be on the same basis.

The third type comprises non-marketable securities issued to central banks but denominated in U. S. dollars. The outstanding obligations of this type, amount to $183 million. Of the total, $125 million has an original maturity of 15 months and is convertible into short-term obligations. The remaining $58 million is a Treasury note with an original maturity of five years redeemable in advance for the purpose of purchasing promissory notes held by the Export-Import Bank of Washington.

This third type of Treasury issue is payable in dollars and arises out of special operations such as that involving the Export-Import Bank mentioned above. Even more significant is the issuance by the U. S. of bonds denominated in foreign currencies, the first of which occurred during the last quarter of 1962. These borrowings perform several functions for the United States. One is that they provide foreign currency which can be used to meet a part of the balance of payments deficit, thus minimizing the drain on our gold stock. Another is that the sale of the foreign exchange acquired under this bond provides the Treasury with part of its dollar needs that would otherwise have to be met by borrowing in the United States market. The foreign currency issues carry interest rates which are equal to those prevailing for comparable maturities in the United States market. These foreign currency securities issued by the Treasury also provide foreign central banks and governments with attractive investment possibilities as an alternative to purchases of gold or holdings of dollars.

These operations, together with the shorter term foreign currency swap operations conducted by the Federal Reserve and a number of similar operations carried on among European central banks, are important new aspects of the international payments system, which has been increasingly characterized by close cooperation among foreign central banks and governments.

oOo

all the world knows it. We are not likely ever to forget.

Although he was a native of Sweden, and a citizen of the world, we here in Washington thought of Per first of all as a beloved membe of our community, one who understood and sympathized with the fundam

SPIRITUAL

~~religious~~ aspirations that guide the American people~~, in their greate moments.~~ President Kennedy spoke for all Americans when he said:

"All mankind owes a vast debt to Per Jacobsson, who has been a towering figure in the world for more than 40 years. His role in international affairs has been unique, both in the building of a strong International Monetary system and in the creation of a broad public understanding to support and strengthen it. He combined with his incomparable professional talents a warmth and wit and depth of understanding that enabled him to give leadership to other men of goodwill in meeting the problems of our troubled times. We of the United States, who have had the privilege of having him live among us for many years, will sorely miss him."

-o-

FOR
those who had the responsibility of guiding their countries' economic

~~FAR~~ OUTWEIGHED
destinies always counted for more with him than the technical detail of some paper plan that he knew could be no better than the determination and ability of the men who were to carry it through.

He was a giant among men. When he spoke, the world listened --

HE WAS
not just because his words were those of the Managing Director of

HE
the International Monetary Fund, but because it was Per Jacobsson, the man, who spoke. For he had earned the deep respect and affection of his fellow men, everywhere.

Per Jacobsson was among the very best of that new breed of men, the international civil servants, whose names will shine with increasing lustre because he was one of them. In a way, he wrote his own epitaph at last year's annual meeting of the Fund when he quoted Shakespeare's Othello as saying, "I have done the state some service,

PER JACOBSSON
and they know it." Unquestionably, he served humanity well -- and

all the world

He never saw monetary problems and monetary stability merely as concerns of bankers or economists. He always viewed them as the business of any thinking person who seeks a better life for his own people and for those of other nations.

He always made it clear that sound money need not imply economi stagnation but that, on the contrary, it provides the best and surest basis for economic expansion and development. He was one of the first to recognize what is surely the world's major economic problem today -- the need to speed the growth of the newly-developin nations.

~~He also recognized that the heart of economic problems was basically a matter of individual welfare.~~ In his own mind, he also sought to reduce the complexities OF ECONOMICS with which he dealt to simple human terms. In so doing he ~~gave great weight to~~ put great stress on the personal qualities of those with whom he dealt. In time of crisis, this judgment of

those who had

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT MEMORIAL SERVICES FOR PER JACOBSSON
MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND
AT THE WASHINGTON NATIONAL CATHEDRAL, WASHINGTON, D. C.
FRIDAY, MAY 17, 1963, 5:00 P. M., EDT

We are here today to honor the memory of a truly great servant of all mankind. Those of us who knew Per Jacobsson as a friend mourn the loss of a wise and witty companion who was, above all, a warmly human man. Those of us who worked closely with him and who saw at first hand the results of his labors, know that his long career of PUBLIC service to mankind will have lasting significance for the entire world.

Although he was distinguished for his profound economic knowlege and his mastery of the intricacies of international finance long before he became Managing Director of the International Monetary Fund in 1956, it is impossible to think of him apart from the Fund. For it was under his dynamic leadership that the Fund blossomed, matu and began to truly fulfill the hopes of its creators.

He never saw

TREASURY DEPARTMENT
Washington

FOR RELEASE: ON DELIVERY

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT MEMORIAL SERVICES FOR PER JACOBSSON
MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND
AT THE WASHINGTON NATIONAL CATHEDRAL, WASHINGTON, D.C.
FRIDAY, MAY 17, 1963, 5:00 P. M., EDT

We are here today to honor the memory of a truly great servant of all mankind. Those of us who knew Per Jacobsson as a friend mourn the loss of a wise and witty companion who was, above all, a warmly human man. Those of us who worked closely with him and who saw at first hand the results of his labors, know that his long career of public service will have lasting significance for the entire world.

Although he was distinguished for his profound economic knowledge and his mastery of the intricacies of international finance long before he became Managing Director of the International Monetary Fund in 1956, it is impossible to think of him apart from the Fund. For it was under his dynamic leadership that the Fund blossomed, matured and began to truly fulfill the hopes of its creators.

He never saw monetary problems and monetary stability merely as concerns of bankers or economists. He always viewed them as the business of any thinking person who seeks a better life for his own people and for those of other nations. He always made it clear that sound money need not imply economic stagnation but that, on the contrary, it provides the best and surest basis for economic expansion and development. He was one of the first to recognize what is surely the world's major economic problem today -- the need to speed the growth of the newly-developing nations.

In his own mind, he always sought to reduce the complexities of economics to simple human terms. In so doing, he put great stress on the personal qualities of those with whom he dealth. In time of crisis, his judgment of those who had responsibility for guiding their countries' economic destinies outweighed the technical details of some paper plan that he knew could be no better than the determination and ability of the men who were to carry it through.

He was a giant among men. When he spoke, the world listened -- not just because he was the Managing Director of the International Monetary Fund, but because he was Per Jacobsson. For he had earned the deep respect and affection of his fellow men, everywhere.

Per Jacobsson was among the very best of that new breed of men, the international civil servants, whose names will shine with increasing lustre because he was one of them. In a way, he wrote his own epitaph at last year's annual meeting of the Fund when he quoted Shakespeare's Othello as saying, "I have done the state some service, and they know it." Unquestionably, Per Jacobsson served humanity well -- and all the world knows it. We are not likely ever to forget.

Although he was a native of Sweden, and a citizen of the world, we here in Washington thought of Per first of all as a beloved member of our community, one who understood and sympathized with the fundamental spiritual aspirations that guide the American people. President Kennedy spoke for all Americans when he said:

> "All mankind owes a vast debt to Per Jacobsson, who has been a towering figure in the world for more than 40 years. His role in international affairs has been unique, both in the building of a strong International Monetary system and in the creation of a broad public understanding to support and strengthen it. He combined with his incomparable professional talents a warmth and wit and depth of understanding that enabled him to give leadership to other men of goodwill in meeting the problems of our troubled times. We of the United States, who have had the privilege of having him live among us for many years, will sorely miss him."

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
SATURDAY, MAY 18, 1963

REMARKS OF THE HONORABLE HENRY H. FOWLER,
UNDER SECRETARY OF THE TREASURY,
BEFORE
THE FORUM OF THE CITY CLUB OF CLEVELAND,
CLEVELAND, OHIO, SATURDAY, MAY 18, 1963,
1:00 P.M. (EDT)

TAX POLICY AND U. S. ECONOMIC PROSPECTS

The U. S. economy is at a crossroads. Our choice of direction will determine our economic future. The time is ripe for a wave of U. S. economic expansion closer to the recent rapid pace in Western Europe than to our own slack performance since 1957. Although many long-term factors for growth are more favorable today than they have been in almost a decade, some determinative elements of national policy remain to be fixed. The most urgent and decisive is a national commitment to a tax policy for growth.

Revision of our Federal tax system is crucial if we are to enlarge our long-term economic prospects for the Sixties -- if we are to end the tragic waste of unemployment and unused resources -- if we are to step up the growth and vigor of our economy -- if we are to increase job and investment opportunities and the incentive to use them to the hilt -- if we are to increase our productivity and competitive efficiency -- and if we are to strengthen our capacity to meet our worldwide commitments for defense and the extension of freedom.

In a society where an increasingly large percentage (now above 27 percent) of annual income is drawn off by Federal, state and local government -- a national tax policy to promote a dynamic private sector is fundamental if the nation is to benefit from rapid growth and hold its position in world affairs by remaining competitive with other industrial economies.

The Administration's economic program is designed to release and encourage the inherent expansionary forces in our great free market economy. The essential element of this program is a new tax policy. It is designed to eliminate an unduly heavy tax drag on purchasing power and demand -- to provide new incentives for more investment and increased effort -- to encourage the utilization of new technology and facilities. The adoption of this policy would be a giant step toward a tax structure which interferes as little as possible with the operation of the free market mechanism while supplying the revenues necessary to our national security and national public needs.

Since our national competitive efficiency will be the decisive factor in achieving and maintaining a proper balance in our international payments, tax policy will restrict or encourage flows of investment in new machinery on which our relative competitive efficiency depends.

And, tax policy decisively affects the adequacy of public revenues for national security and the national public needs of a rapidly growing population. If the increases needed in the future can be derived from the application of lower tax rates to an expanding, vigorous, private sector, the economy could work in harmony with rather than being restrained by our tax system.

For these and other reasons, it seems fitting in this closing session of the Forum to take a close look at the long-term factors which may determine the prospects of our national economy in the Sixties and the tax policy mix required to make the most of them.

The recent comment in the London Financial Times that the "most encouraging development in the West is the strong business performance being put up by the United States" may strike the average American as over-dramatic or exaggerated. But the U. S. is the powerhouse of the Western world. Its national strength, economic and military, is the base for Free World security. Its national resources of capital, skills, goods and services are the base for Free World development. Its growth as a market is vital to Free World trade. The soundness of its dollar, dependent in large measure upon the competitive capabilities of its economy, is the basis for the Free World trade and payments system.

Despite our innate strength, the last half of the Fifties was marked by some deterioration in confidence in the vigor, growth potential and competitiveness of the American economy on which so much depends -- and not without reason.

Recoveries from recessions failed to reach a satisfactory rate of utilization of resources, much less sustain the desired pace over appreciable periods. Even more disturbing than a tendency to recurrent recession was the fact that expansion of the U. S. economy was marred by higher peaks of unemployment, lagging growth rates, budget deficits, and continued unfavorable imbalances in our international payments.

What are some of the significant elements in this cloudy background of the last five years?

-- After sixty months of unemployment in excess of five percent, unemployment is still running over five and one-half percent.

-- Our national growth rate of 2.7 percent from early 1955 to the present compares unfavorably with regular rates in Western European countries of four, five and six percent -- or even our own four percent trend in much of the period prior to 1955.

-- Our balance of payments deficit for 1962 remains somewhat in excess of $2 billion -- a considerable improvement over the $3-1/2 to $4 billion annual deficit that characterized the years 1958-60, but still a serious challenge.

-- Deficits in the Federal administrative budget in all save one of the last five years totaled $24.3 billion. Over half of the total was due to a $12.4 billion deficit in 1959, resulting from an unanticipated recession, and the total included an estimated $8.4 billion deficit in fiscal 1963, resulting from a failure of the economy to approach its potential.

-- In 1956 and 1957, for example, business fixed investment averaged nearly eleven percent of total output. Since that time it has fallen to roughly nine percent. The rate of increase in our stock of business plant and equipment has substantially diminished since 1957, rising by less than two percent a year since then, compared to four percent a year in the 1954-57 period. There has been a disturbing rise in the proportion of our machinery and equipment which is over ten years old. A recent survey of the age of machine tools in the U. S., by the American Machinist Magazine, shows 64 percent to be at least ten years old -- a worsened picture since the last survey in 1958. Similar estimates show much lesser percentages of equipment over ten years old in such major competitor countries as France, Italy, Germany, the United Kingdom and the U.S.S.R.

-- Between 1954 and 1960 there was a sharp decline in the rate of increase of productivity per worker and per hour from that of the earlier postwar period.

-- With the exception of the depression, no period of comparable ength in this century has witnessed such a disturbing under-tilization of productive resources in the United States. And, urely, at no time since the U. S. became a major industrial power as it so risked its leadership because of an obsolescent national lant.

These are some of the facts that have joined every major segment f our economy in a consensus that a mild and sporadic prosperity acking a strong and substantial push forward in the last five years s less than we require and less than we can accept.

There are, of course, long-term factors which brighten the loomy horizons of the past five years. Sometimes our national reoccupation with the ups and downs of the business cycle, by onths and quarters, causes us to ignore or underestimate the longer erm factors on which longer term plans should be based. Let me ention a few and develop their relationship to new public or tax olicies.

First, as significant as any, is the manifest will of the eaders of both parties, of business, of labor, and of the citizenry enerally, to face realities and undertake the task of making the merican economy more productive and more competitive. This will nd determination is manifest in a wide recognition of the need to nact this year a balanced tax program -- one that will benefit oth consumers and producers, both workers and investors, with onsequent cumulative benefit in terms of investment and jobs, rofits and incentives, consumption and productivity.

Second, our growing labor force can give a powerful impetus to business expansion. We have only to look to Western Europe, which is plagued by labor shortages constituting ceilings on growth, to recognize that our growing labor force is an asset as well as a responsibility.

To promote the availability of trained manpower and meet "structural unemployment", major labor market policies were adopted during the past two years. These included a greatly improved and expanded United States Employment Service, with increased emphasis on youth counseling, a new Manpower Development and Training Act, and the Area Redevelopment Program. In addition, there are proposed for public policy adoption a Youth Conservation Corps and a Home Town Youth Corps.

Even more fundamental is the need for public policies that will help our educational system raise the skilled level and occupational flexibility of our future labor force and also strengthen our research and development activities and technology program. To accomplish this, the Administration has submitted a comprehensive education bill -- the National Education Improvement Act of 1963.

Given stepped-up education, manpower training and retraining to adapt our expanding labor force to an increasingly industrialized society, this labor supply should be an appealing challenge to foreign as well as American capital.

But capital investment will not be conjoined to trained manpower for new production unless the prospects for markets and profits hold promise. Wise tax and related economic policies by government designed to provide demand and investment incentives can assist the nation in utilizing its trained manpower as a growth potential.

Third, the unprecedented expansion in research and development in both defense and non-defense industries is another major long-range factor brightening the prospects for the U. S. economy in the Sixties. A rising industry of discovery is fostering a large and growing demand for new products, new processes, new methods of distribution, new services, and new uses for existing products and services.

Public policy in this area is being focussed on a program to support and stimulate civilian technology, lest the heavy concentration on research and development in defense and space activities and shortages of scientific manpower leave gaps in the technologies directly oriented to civilian markets.

In steps undertaken to give priority to private incentives and activities, some specialized tax measures play a part -- in 1962 the investment tax credit and the administrative liberalization of depreciation -- in 1963 the proposal that capital expenditures for machinery and equipment used in research and development be allowed as a current expense deduction at the option of the taxpayer. These measures strengthen the motivations of business firms to carry on private technological activities, producing profits through investment in machinery, equipment and related activities.

There will be a limited stimulation of technical development and research under private auspices through Federal financial support to basic industrial research, primarily as research grants or contracts to universities and research institutions. Also, private efforts may be stimulated by the proposal that the Department of Commerce sponsor a pilot program for an industry-university engineering extension service.

But the fruits of a developing technology will not be realized unless capital formation translates them into plants and jobs. The lag in the pace of capital formation to take advantage of investment opportunities inherent in our national research and development can be shortened by tax policies that promote consumption demand and investment incentives in an interrelated pattern.

The conjunction of new technology with improved tax policies will allow our economy to take advantage of a fourth major long-range factor favoring business expansion -- the growth of new markets at home and abroad.

Economic expansion in Continental Europe, other areas of North America, and Japan provides increasing market opportunities for our producers. But economic development is not confined to the industrialized nations. The less developed countries are also advancing and, for the long run, we can look to them for expanding markets.

Of equal importance are new internal markets. We are now approaching a period in the latter half of the Sixties when the crop of "war babies" will increase the rate of family formation. Per capita disposable income in existing family units -- adjusted for inflation -- has increased almost 70 percent in the last two decades. Personal savings are high, amounting to a record-breaking $26.2 billion in 1962.

To maximize U. S. market opportunities in international trade, Congress gave authority to the President in the Trade Expansion Act of 1962 to bargain down tariff walls. But gaining entry for our goods and services is only part of the story. Once there, they must be competitive as well as capable of holding their own in a home market more accessible to foreign producers as a result of reciprocal trade liberalization. The competitive efficiency of American producers, in turn, is directly related to the level of investment in the most efficient plant and equipment, as well as wise price and wage policies. Here again, tax policies can stimulate conversion of national opportunities into reality.

A fifth major long-range factor brightening the prospects for accelerated business expansion is the other side of the coin viewed darkly a few moments ago when we spoke of machinery obsolescence and the lag in business investment since 1957. Consider these basic forces now turning more favorably for capital investment:

-- the necessity to compete effectively in markets at home and abroad under liberal trading conditions;

-- the large quantity of relative obsolescence in existing capacity capital, and

-- the fact that capital goods are becoming cheaper relative to labor and materials.

Assuming even modest increases in output to meet heightened demand and some increased incentives in the form of profit opportunities after taxes, a real potential exists for full scale capital goods expansion which has been missing for so long.

So we see that at every turn, the overall combination of long-range factors for business expansion -- trained manpower availability, new technology, new markets and an increased capital goods demand -- presents a promising picture indeed -- provided that we can match our opportunities with wise tax policies designed to release their potential.

During the first year of the present Administration a reasonably satisfactory recovery and expansion from the 1960 recession gave hope that the nation was breaking the grip of slow growth and below-capacity operations. Under these circumstances, President Kennedy gave first priority to the adoption of tax policies that would encourage investment in machinery and equipment.

This resulted in a two-pronged program -- now an accomplished fact -- administrative liberalization of the tax treatment of depreciation and the legislative enactment in 1962 of the investment tax credit.

The change in the administrative rules concerning depreciation does more than reduce the lives of machinery and equipment for depreciation purposes to conform to up-to-date practice; it speeds the translation of the product developments from the laboratory to the production and distribution line in an ever faster cycle; it encourages the maximum competitive efficiency. It adopted a new test that permits the businessman to fix his preferred life for machinery and equipment, provided only that his actual replacement pattern conforms to his estimate in a reasonable period of time.

The investment tax credit reduces current taxes for a business by seven percent of the 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 economic growth and to achieve the maximum competitive efficiency.

These two programs constituted a breakout from the vicious cycle of slow past replacement patterns which has characterized our tax treatment of depreciation for more than a decade.

For the first time in many years, these changes place investment in new equipment in the United States -- so far as depreciation for taxes is a factor -- on a basis roughly comparable to that of other industrialized countries.

It will undoubtedly take many months for the impact of these new policies to be fully felt. But the increased cash flow, the substantial decrease in the period of risk, resulting from both measures, and the effect of the investment credit in making new investment more attractive by making it more profitable will have far reaching consequences.

Already, sharply increased business appropriations for investment and the forecast of a rising trend of outlays this year indicate that these tax policies are playing a significant part in the move toward growth and increased efficiency, which brighten the prospects for the U. S. economy.

At the outset of 1962, after nine months of rapid recovery, the expansion of the United States economy slackened. Between the fourth quarter of 1961 and 1962 the gross national product rose barely enough to permit the nation to hold its own on rates of unemployment, profits, and capital investment. The overriding lesson of this 1962 slowdown was that the pattern of slow growth since 1957 rather than the temporary spurt in 1961 was the true measure of our economic problem.

This set the stage for the second major phase of forging a tax policy responsive to the times. In January 1963, the President in his State of the Union Message made a new tax program his number one legislative objective for 1963, stating that, "This is the most urgent task confronting the Congress in 1963."

This tax program is based on the principle that there is a clear need for tax policy changes that will further increase consumer demand and investment incentives. It is a balanced program designed as the President 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."

In summary, the proposal would reduce substantially tax rates on individual and corporate income and capital gains at all levels -- reversing a trend of over thirty years which has witnessed tax rates on income moving upwards in war and in peace. It would lift in some measure the repressive weight of tax rates imposed partly to constrain war and early postwar inflationary measures -- and now exerting too heavy a drag on our overall economy, particularly during periods of recovery toward an adequate rate of growth. The major reform in this tax program is the substantial reduction in tax rates, resulting when fully effective in 1965 in a net cost of $10.3 billion in revenues.

Today this program is only a set of proposals advanced by the President and the Treasury; they depend for their acceptance upon the will of the Congress as its members reflect the opinion of their constituencies.

This summer and fall the American people and the Congress will have to answer a question which has more bearing on the prospects for the U. S. economy in the Sixties than any other that could be asked. It is this: In view of the way the economy is moving upward in 1963, why do we need to enact a program of tax reduction and revision?

There are five cogent reasons for the President's program:

First, it is long-range -- not merely a shield against an early recession, but a means to achieve full employment, an increased rate of economic growth, balanced budgets and equilibrium in the balance of payments. The economy is not accomplishing these goals even though current performance is brighter than last year.

Despite the past year's continuing recovery and the recent surge in business activity, more people were out of work last month than in April 1962. We created only enough new jobs to match the increase in our labor force. And the rate of newcomers to the work-force will rapidly expand in the years ahead.

The average utilization rate of industrial capacity -- after two years of recovery -- matched that of a year ago -- 10 percent below the average preferred operating rate.

Thus, our rate of growth is far from adequate to utilize fully our productive resources in manpower and equipment.

Despite encouraging economic prospects, the recent upturn will serve only to decrease a $9 billion deficit in the Federal budget, without tax reduction, to an $8 billion deficit. We are still confronted with the unhappy choice of failing to meet urgent national needs or operating at a substantial deficit. Nor has the current expansion provided the opportunities for investment and profit that would retain or attract capital into the U. S. economy which would balance our international payments.

No! The problems that prompted the tax proposals are still there; they remain to be solved.

Second, there is a continuing need to stimulate demand in the economy by a tax reduction that will put increased purchasing power into consumer hands. Consumers will buy more goods if 8.5 billion more dollars are left in their pockets in after-tax income. Such additional purchasing power provided for individual incomes under the proposed program, will, in turn, add further to incomes, leading to higher private spending and another round of increase in incomes. This continuing process, with its multiplier effect, will provide purchasing power several times over the original amount of the individual tax reduction. Increased consumption will induce increased investment in inventories and bring plant operations closer to the capacity utilization, or high cost plant utilization which prompts modernization and expansion. Residential construction will also increase.

Third, there is a continuing need to encourage business investment by individual and corporate tax reductions which will provide more funds for investment and raise after-tax profitability of new capital outlays. Despite the record $40.1 billion total of projected plant and equipment expenditures for 1963 disclosed in the recent McGraw-Hill survey, these totals are far short of the level of private business investment needed to reach our national goals. Total gross private domestic investment is the one major component of economic activity which has shown no upward trend in recent years -- returning to its 1955 peak of $75 billion (in 1962 prices) only in 1962. In the meantime, gross national product had risen by 21 percent -- clearly revealing private investment to be the lagging component.

The pervasive favorable effects of tax cuts on after-tax profits, on business and consumer confidence and expectations, on steadier and increased employment, and on attractive opportunities to exploit more rapidly growing consumer markets, will encourage private investment.

Consumer demand will interact on investment incentives to produce a far greater total addition to income and gross national product than if the tax program were concentrated on one or the other sector alone.

Fourth, the repressive weight of our obsolete temporary tax structure, imposed to meet war and inflation, will be permanently lifted.

The retention of these outmoded income tax schedules, coupled with the increase in levels of personal income and the rapidly rising state and local taxes, means that today the total of all taxes on noncorporate income is approximately 24 percent of gross national product. Even during the Korean war it was only 20 percent.

A beginning must be made in holding down this sharply rising tax burden. If Federal income taxes are cut and the economy grows as predicted, additional revenues will be available to states and localities at existing tax levels. This will enable them to finance an additional $3 billion of their public needs without increasing state and local tax rates.

Fifth, the expectations and confidence that have been imparted to the private economy as a result of the proposals to change tax policy will be confirmed as long-range factors. The expression of a national conviction, embodied in a tax law, that high taxes retard the growth of our private economy will have a profound effect. The nation will have reincorporated into its tax system a reassuring allegiance to the principle of rewards. The leaving of increased percentages of income after taxes with those who invest additional personal effort or capital in economic activity will surely spur growth. This recognition and invigoration of the profit motive, personal and corporate, will give the psychological motivation that a private enterprise economy must have for maximum effectiveness.

Those who put forward and support these proposals believe that the returns from them will more than pay for the revenues lost; that they will strengthen the economy by providing job opportunities and national economic strength and competitiveness.

Regardless of one's views about the level of public expenditures or the need to reduce, maintain, or expand the Federal budget, all who seek to achieve a stronger economy can join hands in the essential task of updating our tax system to the challenge of the Sixties. By so doing, the nation will enable the private sector of the economy to grow at a faster rate, fast enough to provide more jobs and the ever increasing standard of living for all who work for it.

Moreover, we shall adapt our economy to another challenge -- external competition and the imbalance of international payments. The proposed tax program, combined with the tax policies of 1962, should better enable the nation to continue to play its leading role in Free World security and development. Its sharpened competitiveness should better enable it to achieve a balance of payments through the expansion of a trade surplus. A new era of growth and increased profitability should encourage capital to stay at home and foreign capital to flow into the United States or into United States companies.

Far more, then, is at stake in current tax policy than a selfish scramble as to who pays taxes or whether we can get through 1963 without experiencing again a faltering economy. The shape and direction of the American economy for years to come hangs in the balance on tax policy decisions just ahead. Strong affirmative action will brighten immeasurably the prospects for the American economy in the Sixties.

o0o

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 21, 1963.

May 20, 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 February 21, 1 and the other series to be dated May 23, 1963, which were offered on May 15, were opened at the Federal Reserve Banks on May 20. Tenders were invited for $1,300,000,00 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 August 22, 1963		:	182-day Treasury bills maturing November [illegible], 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	:	98.490	2.987%
Low	99.260	2.927%	:	98.478	[illegible]
Average	99.261	2.922% 1/	:	98.481	3.005% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 28,747,000	$ 28,747,000	:	$ 23,632,000	$ 16,482,000
New York	1,576,650,000	829,950,000	:	1,161,309,000	605,919,000
Philadelphia	29,320,000	14,320,000	:	10,677,000	5,677,000
Cleveland	24,381,000	24,381,000	:	17,661,000	11,661,000
Richmond	19,670,000	16,550,000	:	14,197,000	3,767,000
Atlanta	23,477,000	21,397,000	:	7,381,000	6,736,000
Chicago	243,856,000	170,728,000	:	118,615,000	55,465,000
St. Louis	40,561,000	34,521,000	:	10,040,000	8,540,000
Minneapolis	14,854,000	12,814,000	:	5,762,000	3,262,000
Kansas City	29,045,000	24,045,000	:	14,811,000	14,711,000
Dallas	36,124,000	23,964,000	:	12,119,000	11,689,000
San Francisco	112,897,000	100,237,000	:	76,277,000	56,477,000
TOTALS	$2,179,582,000	$1,301,654,000 a/		$1,472,481,000	$800,386,000

a/ Includes $221,785,000 noncompetitive tenders accepted at the average price of 99.26
b/ Includes $58,315,000 noncompetitive tenders accepted at the average price of 98.481
1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide yields of 2.98%, for the 91-day bills, and 3.09%, 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, 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 semiannua compounding if more than one coupon period is involved.

D-857

TREASURY DEPARTMENT

495

WASHINGTON, D.C.

OR RELEASE A. M. NEWSPAPERS,
uesday, May 21, 1963.

May 20, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of easury bills, one series to be an additional issue of the bills dated February 21, 1963 d the other series to be dated May 23, 1963, which were offered on May 15, were ened at the Federal Reserve Banks on May 20. Tenders were invited for $1,300,000,000, thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. e details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing August 22, 1963		:	182-day Treasury bills maturing November 21, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.270	2.888%	:	98.490	2.987%
Low	99.260	2.927%	:	98.478	3.011%
Average	99.261	2.922% 1/	:	98.481	3.005% 1/

96 percent of the amount of 91-day bills bid for at the low price was accepted
57 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	$ 28,747,000	$ 28,747,000	:	$ 23,632,000	$ 16,482,000
New York	1,576,650,000	829,950,000	:	1,161,309,000	605,919,000
Philadelphia	29,320,000	14,320,000	:	10,677,000	5,677,000
Cleveland	24,381,000	24,381,000	:	17,661,000	11,661,000
Richmond	19,670,000	16,550,000	:	14,197,000	3,767,000
Atlanta	23,477,000	21,397,000	:	7,381,000	6,736,000
Chicago	243,856,000	170,728,000	:	118,615,000	55,465,000
St. Louis	40,561,000	34,521,000	:	10,040,000	8,540,000
Minneapolis	14,854,000	12,814,000	:	5,762,000	3,262,000
Kansas City	29,045,000	24,045,000	:	14,811,000	14,711,000
Dallas	36,124,000	23,964,000	:	12,119,000	11,689,000
San Francisco	112,897,000	100,237,000	:	76,277,000	56,477,000
TOTALS	$2,179,582,000	$1,301,654,000 a/		$1,472,481,000	$800,386,000 b/

Includes $221,785,000 noncompetitive tenders accepted at the average price of 99.261
Includes $58,315,000 noncompetitive tenders accepted at the average price of 98.481
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 3.09%, 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-857

impact of the entire program will have a far greater effect on the welfare of the individual than will the extra take-home pay he will receive. Those extra dollars may be very important, but the economic effect of rising incomes, growing demand, increasing production, and keener incentives for investment will go farther and last longer, both in terms of more and better jobs and in terms of higher living standards.

The President has offered a balanced and equitable program. It would mobilize a broad and thorough-going attack on our most serious economic problems. It merits your wholehearted support because it would give America a springboard for a long step toward a better life, filled with more hope and promise for everyone.

oOo

To promote growth, we must have greater incentive for constructive investment. If we are to achieve this goal, investment must be made attractive today, and remain so in the future. An individual or a company must be able to hope for an adequate return on invested capital, whether in the form of dividends or in the form of profits.

America can benefit most from a balanced program of tax reduction and revision -- a program which not only benefits people directly and relieves hardship, but also stimulates activity and growth throughout the economy. Our goals are more jobs, better jobs, and a higher standard of living for all. A program which stimulates both investment and demand has a much greater job-producing potential over the long haul than a program which relies on either approach exclusively.

Although personal income tax rate reductions will put more dollars into the pockets of the individual, the overall stimulative

Tax reduction for low and middle income groups will increase consumer demand and provide an immediate stimulus to the economy. But we also seek sustained acceleration of our rate of economic growth to provide jobs in the future. An increase in buying power alone cannot create the jobs our youth will need in years to come.

To reach the goal of full employment and a fair share in our prosperity for all Americans, we need the continued expansion in production, service, and consumption which only greater investment can generate. We need a long-range approach to the causes of our unsatisfactory rate of economic growth -- a program which will foster investment in new plants, new products, and the wide variety of economic activity which maintains income and consumption at high levels.

In our free market economy, the motive for investment -- in new plants and products -- in research and development -- in short, in the sort of investment that will create new jobs -- is profi

To promote

person to move his family and household from one part of the country to another. all of Those reforms were specifically designed to reduce the im of Federal taxes on those of limited income. ur rate of economic

The program's greatest benefit, of course, would be the sizable rate reduction in all personal income brackets. With top-to-bottom rate reduction, the overall effect of the program would be to cut $8.7 billion from personal income tax liabilities. It would give forty-fou percent of that reduction to taxpayers with incomes of $7,500 a year or less. In other words, the taxpayers in that group, who now pay mor than $30 out of every $100 in personal income taxes collected, would receive $44 out of every $100 of tax reduction -- an average cut of twenty-six percent in their tax liability.

There is no better proof than these figures that the President's tax program clearly recognizes the human needs which, collectively, make up our economic problems.

500

The tax program also recognizes the special problems of the elderly. The $300 tax credit for persons over age 65 -- $600 for couples over 65 -- would give half its benefits to those with incomes of $5,000 or less. Practically all of the remaining benefits would go to those with less than $10,000. The overall effect of the tax program would totally eliminate the tax liability of almost half a million of the elderly who now pay taxes, and spread nearly $800 million in tax reduction among those over 65 in all income brackets.

Another proposal would lighten the burden on families with only one parent and on lower-income families with working mothers by allowing a more generous deduction for their child-care expenses. Still another proposal to make essential moving expenses deductible acknowledges that a job, or a change to a better job, may require a tax program clearly recognizes the human needs which person to move make up our economic problems.

Tax reduction

who cannot find work. You know what that means to them and to their families. The $300 tax credit for persons over age 65 -- $600 for

President Kennedy's tax program was specifically designed to help create jobs -- that is one of its major purposes. Jobs are critically needed today -- and will become more so if we do not act this year. That is what makes the need for tax action along the lines President Kennedy has recommended so urgent. That is why he has clearly labeled the tax program the most important business before the Congress.

All Americans will benefit ultimately, but immediate help will go to the poor, the elderly, and those with special problems. by

The proposed minimum standard deduction, for instance, will help low income people -- particularly those with large families. Providing a minimum deduction of $300 for an individual, $400 for a couple, and a additional $100 for each dependent would grant more than $300 million in tax relief to low-income families.

The tax program

FOR RELEASE : ON DELIVERY

502

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
SECRETARY OF LABOR'S CONFERENCE
FOR LABOR EDITORS, HAMILTON HOTEL
WASHINGTON, D. C.
MONDAY, MAY 20, 1963, 2:30 P.M., EDT

At the outset of my remarks about President Kennedy's tax proposal I want to say that the Administration is deeply concerned with lagging economic growth, idle plant capacity, and unemployment. But we are even more deeply concerned with the impact they have upon the lives of the men, women, and children of America.

As labor editors, you know that economic growth is more than a percentage, that idle plant capacity is more than a statistic, and that unemployment is more than a figure in a government report. You can assess -- in human terms -- both the potential and the urgency of the President's program.

You know that unemployment has remained at more than five percent for more than five years. You know that even now, with most of the country enjoying relative prosperity, there are still millions of people

D-858

The tax program
who cannot find

TREASURY DEPARTMENT
Washington

FOR RELEASE: ON DELIVERY

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE
THE SECRETARY OF LABOR'S CONFERENCE
FOR LABOR EDITORS,
HAMILTON HOTEL, WASHINGTON, D. C.
MONDAY, MAY 20, 1963, 2:30 P.M., EDT

At the outset of my remarks about President Kennedy's tax proposals I want to say that the Administration is deeply concerned with lagging economic growth, idle plant capacity, and unemployment. But we are even more deeply concerned with the impact they have upon the lives of the men, women, and children of America.

As labor editors, you know that economic growth is more than a percentage, that idle plant capacity is more than a statistic, and that unemployment is more than a figure in a government report. You can assess -- in human terms -- both the potential and the urgency of the President's program.

You know that unemployment has remained at more than five percent for more than five years. You know that even now, with most of the country enjoying relative prosperity, there are still millions of people who cannot find work. You know what that means to them and to their families.

President Kennedy's tax program was specifically designed to help create jobs -- that is one of its major purposes. Jobs are critically needed today -- and will become more so if we do not act this year. That is what makes the need for tax action along the lines President Kennedy has recommended so urgent. That is why he has clearly labeled the tax program the most important business before the Congress.

All Americans will benefit ultimately, but immediate help will go to the poor, the elderly, and those with special problems.

The proposed minimum standard deduction, for instance, will help low income people -- particularly those with large families. Providing a minimum deduction of $300 for an individual, $400 for a couple, and an additional $100 for each dependent would grant more than $300 million in tax relief to low-income families.

The tax program also recognizes the special problems of the elderly. The $300 tax credit for persons over age 65 -- $600 for couples over 65 -- would give half its benefits to those with incomes of $5,000 or less. Practically all of the remaining benefits would go to those with less than $10,000. The overall effect of the tax program would totally eliminate the tax liability of almost half a million of the elderly who now pay taxes, and spread nearly $800 million in tax reduction among those over 65 in all income brackets.

Another proposal would lighten the burden on families with only one parent and on lower-income families with working mothers by allowing a more generous deduction for their child-care expenses. Still another proposal to make essential moving expenses deductible acknowledges that a job, or a change to a better job, may require a person to move his family and household from one part of the country to another. All of those reforms were specifically designed to reduce the impact of Federal taxes on those of limited income.

The program's greatest benefit, of course, would be the sizable rate reduction in all personal income brackets. With top-to-bottom rate reduction, the overall effect of the program would be to cut $8.7 billion from personal income tax liabilities. It would give forty-four percent of that reduction to taxpayers with incomes of $7,500 a year or less. In other words, the taxpayers in that group, who now pay more than $30 out of every $100 in personal income taxes collected, would receive $44 out of every $100 of tax reduction -- an average cut of twenty-six percent in their tax liability.

There is no better proof than these figures that the President's tax program clearly recognizes the human needs which, collectively, make up our economic problems.

Tax reduction for low and middle income groups will increase consumer demand and provide an immediate stimulus to the economy. But we also seek sustained acceleration of our rate of economic growth, to provide jobs in the future. An increase in buying power alone cannot create the jobs our youth will need in years to come.

To reach the goal of full employment and a fair share in our prosperity for all Americans, we need the continued expansion in production, service, and consumption which only greater investment can generate. We need a long-range approach to the causes of our unsatisfactory rate of economic growth -- a program which will foster investment in new plants, new products, and the wide variety of economic activity which maintains income and consumption at high levels.

In our free market economy, the motive for investment -- in new plants and products -- in research and development -- in short, in the sort of investment that will create new jobs -- is profit. To promote growth, we must have greater incentive for constructive investment. If we are to achieve this goal, investment must be made attractive today, and remain so in the future. An individual or a company must be able to hope for an adequate return on invested capital, whether in the form of dividends or in the form of profits.

America can benefit most from a balanced program of tax reduction and revision -- a program which not only benefits people directly and relieves hardship, but also stimulates activity and growth throughout the economy. Our goals are more jobs, better jobs, and a higher standard of living for all. A program which stimulates both investment and demand has a much greater job-producing potential over the long haul than a program which relies on either approach exclusively.

Although personal income tax rate reductions will put more dollars into the pockets of the individual, the overall stimulative impact of the entire program will have a far greater effect on the welfare of the individual than will the extra take-home pay he will receive. Those extra dollars may be very important, but the economic effect of rising incomes, growing demand, increasing production, and keener incentives for investment will go farther and last longer, both in terms of more and better jobs and in terms of higher living standards.

The President has offered a balanced and equitable program. It would mobilize a broad and thorough-going attack on our most serious economic problems. It merits your wholehearted support because it would give America a springboard for a long step toward a better life, filled with more hope and promise for everyone.

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
TUESDAY, MAY 21,1963

REMARKS OF THE HONORABLE HENRY H. FOWLER
UNDER SECRETARY OF THE TREASURY
BEFORE
THE SPRING MEETING, NATIONAL OIL JOBBERS COUNCIL
MAIN BALLROOM, BENJAMIN FRANKLIN HOTEL, SEATTLE, WASHINGTON
TUESDAY, MAY 21, 1963, 3:30 P.M. (PST)

THE SMALL BUSINESSMAN'S STAKE IN THE PRESIDENT'S TAX PROPOSALS

There are 4-1/2 million small businesses in the American economy. They constitute 95 percent of all American business firms. That is why the President, in designing and submitting to the Congress his tax proposals to stimulate long range economic growth included recommendations to benefit this vital sector of our economy.

The President called for $13.6 billion of rate reduction, $800 million of revenue-losing structural changes to relieve particular hardships, and $4.1 billion of base-broadening revisions to eliminate unjustified preferences and make the rate reductions possible. That works out to $10.3 billion of tax reduction when the program becomes fully effective. The benefits of that reduction will flow -- directly, indirectly, and with increasing effect -- to every corner of the economy.

The overall benefits of the program to small business are generally recognized. Everyone agrees that lower taxes for small firms will be of direct benefit. It is clear also that the stimulus to the economy from the tax proposals will provide an expanding environment in which small businesses can not merely survive but flourish. A few proposals have been criticized by some representatives of small business. Do these few proposals cancel the admitted benefits of the overall program so far as the independent, small businessman is concerned? To see that they do not, it is necessary to analyze the program and to weigh the tax reduction proposals against the proposals for structural revision and reform particularly as they affect small business.

The most important way in which the President's program would benefit small business is through lower tax rates. Under his proposals, all small business enterprises -- whether they are corporations, partnerships, or sole proprietorships -- will enjoy substantial tax reduction.

D-859

In the corporate area, both in amount and timing, the proposed rate reductions will be especially beneficial to small business. To provide maximum incentive in the quickest possible time, corporate rate reduction is focused in the small business range of corporate income this year. That is where the first corporate cuts come; general corporate rate reduction would come in 1964 and 1965.

Effective beginning with 1963 income, the President proposed to reverse the present corporate normal and surtax rates. Companies with net income of $25,000 or less would be subject to tax at a rate of 22 percent instead of the present 30 percent. The general corporate rate of 52 percent on income above $25,000 would thus remain unchanged in 1963. But the benefits of the immediate reduction on the first $25,000 of income would also immediately be felt by medium-sized firms with incomes above $25,000. For 1963, the rate reversal means a reduction of 27 percent in tax paid by corporations with incomes of $25,000 or less and reductions of 10 percent at $50,000 net income and 4 percent at $100,000. This proposal for rate reversal, it should be noted, is one long advanced by representatives of the small business community. The addition of this simple and realistic tax adjustment for small business would mean immediate tax reduction totaling $233 million in 1963 for 467,500 companies with incomes of $25,000 or less -- that is, for more than four-fifths of the total taxpaying corporate population.

Corporations with incomes above $25,000, but still small in relation to some of the largest businesses, could expect impressive benefits from the reversal of the normal and surtax rates. But they would benefit yet further from the successive reductions to bring the general corporate rate down to 47 percent by 1965. When fully effective, these reductions would amount to 16 percent for the corporation at the $50,000 income mark and roughly 12-1/2 percent for the $100,000 income corporation.

Nevertheless, rate reduction on the first $25,000 of earnings means that the overall reduction in corporate tax rates would continue to be proportionately larger for small companies. In 1965, when all three steps of the corporate tax cut are in effect, the tax reduction for small companies would be greatest. Reduction for companies with profits of $25,000 or less would amount to 27 percent; for those earning $25,000 to $50,000 it would add up to about 20 percent; for those earning from $50,000 to $100,000 annually, it woul be about 14 percent.

Small companies realizing higher after-tax profits and earnings would find that the tax program will have helped to remove one of the most persistent deterrents to small business growth -- lack of adequate capital. Tax reduction, by increasing the volume of earnings that can be used for expansion and modernization can help relieve the need to rely on costly, continually refinanced, short-term credit. Prolonged borrowing of excessive amounts in any form is no substitute for retained earnings which are the best and most reliable type of financing for the small businessman. Frequently it is necessary for the small businessman to borrow significant amounts in order to take advantage of new opportunities. But the ability to obtain such funds at the right time, in proper amounts, and on reasonable terms rests on the improved prospects for profitable operations. Not only will the President's tax program directly increase these prospects by reducing taxes on small firms, but the increased assurance of growing consumer demand will help underwrite, indirectly, every new loan made. If the President's program is successful, short term distress borrowing based on past problems will be replaced by long term borrowing directed to the future improvement of earnings.

To put the resulting improvement in after-tax profitability in very specific and concrete terms, the proposed percentage point reduction in the corporate rate on the first $25,000 would increase the rate of return to investment and initiative by about 11-1/2 percent. The value of such an increase in the rate of return can be appreciated by the resourceful small businessman who frequently goes to a great deal of trouble and risk to increase profitability by smaller fractions.

The provision of such a sizable tax reduction would help immensely in removing the drag which the present tax structure places on the small business striving to grow. The small businessman or innovator must of necessity rely to a large extent on his own financial resources or those of his family and close friends or associates. These resources include the after-tax earnings of a small business which has been launched with some success but needs capital for growth to attain its real potential.

If small corporations are to stay in business they must have money to plow back into the business to expand and to meet competition. If a small businessman is to be willing to risk expansion he must have some prospect of being able to finance it and to build up his expanded business through reinvestment of earnings after its initial phases of operation. The earnings of the business itself are the best and, quite often, the only source of funds for such expansion.

The existing tax rate of 30 percent on the first $25,000 makes it difficult for the small corporation to retain a sufficiently large portion of its earnings. Frequently, what appear to be earnings are in fact the unrecognized costs of the very survival of the business. Survival in turn is impossible without growth, so that survival and growth are in reality synonymous.

The benefits of the proposed rate reversal for small incorporated businesses would balance the recommended individual income tax reductions which would apply to unincorporated businesses. In any event, unincorporated businesses could still realize the benefits of the reversal, whether or not they wished to incorporate, by electing to be taxed as a corporation under section 1361 (subchapter R) of the Internal Revenue Code.

Taken together with last year's depreciation reform and investment credit, which generally increased after-tax profitability on new investment in equipment by 20 percent, the proposed rate reduction will make a total improvement in the after-tax earnings rate of nearly one-third for the small firm.

The resulting increase in return on business investment and initiative should also spark new interest in the formation of new business. This added drive to the generation of new enterprises will give added vitality to our business population. From the standpoint of maintaining a healthy small business sector, the strength of motivation both to expand existing businesses and to create new businesses is crucial.

In summary, the proposed corporate tax cut which singles out the small company for larger and more immediate reduction will have several basic and closely related impacts on small business:

1. It will preserve and strengthen the competitive status of existing firms.

2. It will enhance the growth capability, and therefore the viability, of both existing and new firms by increasing their cash flow and sources of capital supply.

3. It will encourage new investment and initiative by confronting the small businessman, new or established, with a markedly improved outlook for after-tax returns along the whole line of investment decisions which he must make in carrying on or expanding his business.

4. It will stimulate the formation of new businesses.

The proposed corporate rate reversal would bolster the policy, begun by the Congress in 1950, of aiding small business by freeing it from the corporate surtax. But the reversal could carry with it unintended windfalls if it could be utilized by large businesses operating through a series of separately incorporated units. By the device of fragmenting into a number of interrelated corporations, a business large in fact could appear to be a collection of small businesses for federal income tax purposes. Such a business would have not only the greater financial strength and the competitive advantages that go with large size but it could also claim the tax advantages intended to shore up the competitive ability of small businesses. Moreover, the large business not organized in many small corporate units would be subjected to tax at an arbitrarily higher rate than its equally large competitor with a manifold corporate structure. In addition, giving this favorable tax treatment to large businesses could well intensify the competitive advantages of the large over the small business, thus effectively negating the intended favorable tax treatment for small business.

Therefore, the President proposed that multi-corporate groups under 80 percent common control and with combined income over $25,000 should have only one surtax exemption. The limitation would not affect multi-corporate groups with combined income of less than $25,000. And it would not affect those multi-corporate groups under less than 80 percent common control. Besides, the impact of the proposal on the taxes of existing corporate groups would be eased by taking effect gradually over a five-year period. This would prevent an inappropriate and disproportionate tax cut for large multi-corporate groups, forestall further spawning of corporate young for tax advantage, and improve the competitive position of small corporate enterprises. Besides, a study by the Small Business Administration has indicated that very few small firms use the multi-corporate form of organization. For these reasons, the reduction of the normal tax applying to small firms together with the safeguards insuring its utilization only by them, will help the small firms without giving an unintended benefit to those larger firms that do not need this added tax cut above and beyond the cuts they would receive under others of the President's tax proposals.

What of the unincorporated small business?

Election of a partnership or sole proprietorship to enjoy the benefits of the proposed corporate rate reversal by being taxed as a corporation under subchapter S is by no means the only benefit for the unincorporated business under the tax program. The 4 million small unincorporated businesses in our economy will also benefit directly from the recommended individual income tax rate cuts.

Over a three-year period starting in 1963 the present individual tax rates of 20 to 91 percent would be scaled down to a range of 14 to 65 percent. Tax liabilities on all individual incomes would be reduced $11 billion through rate reduction. After offsetting structural revisions chiefly in the area of personal non-business deductions which would not affect unincorporated firms as such, the net reduction in liabilities on individual incomes would be $8 billion. It is estimated that approximately $1 billion of the more than $8 billion net reduction would go to owners of unincorporated businesses exclusive of farming and professional services.

To an even greater extent than in the corporate area, the overwhelming majority of unincorporated business incomes are small. In 1959-60, for example, using round numbers, out of 7.2 million sole proprietorships (including farm and professional enterprises) with net profit, 5.9 million -- 82 percent -- reported net profit under $5,000. Seven point one million -- 98 percent -- reported net profit of less than $20,000.

In the same period, nearly half of the 759 thousand partnerships showed net profit under $5,000, and nearly 86 percent had net profit under $20,000. With an average of just under three partners per firm, the share of profit taxable to the average partner would be from 35 to 40 percent of the partnership income as such.

Of course, the size of income of the unincorporated business does not conclusively indicate the bracket in which the businessman will pay tax on his profit since he may well have income from other sources. Nevertheless, it is likely that the great majority of unincorporated business incomes would be subject to a tax reduction approaching 25 percent -- a figure closely parallel to the 26.6 percent reduction proposed for small corporations.

Closely related to the rate reductions, but also encompassing important elements of structural change, are the proposed revisions in the tax treatment of capital gains and losses. These changes provide significant reduction in the capital gains tax rates for both individuals and corporations and -- in their overall impact -- directly and indirectly aid small firms.

At present 50 percent of long-term capital gains of an individual is includible in taxable incomes. Under the program, only 30 percent would be includible. Combined with the individual rate reductions, this means that, in the lowest bracket, capital gain would be taxed at an effective rate of 4.2 percent, instead of the present 10 percent. The maximum effective rate would be 19.5 percent instead of the present 25 percent.

Small business investors who seek capital gains from the development of a successful enterprise should be greatly encouraged by this change. With these lower capital gains rates, seasoned investments now being retained largely for tax reasons should be unlocked and the flow of funds to small businesses should be encouraged -- particularly in the setting of a general tax reduction creating greater prospects for profitable investment in small business. This increase in the liquidity of investment and removal of barriers to the free flow of capital funds will enhance the supply of available risk capital for small business use. And this increase in the ready availability of capital supply, as already noted, goes directly to the heart of the problem of how to nurture existing small and medium-sized businesses, by creating an environment for their healthy expansion into growing, increasingly sturdy enterprises. Such an environment would also be conducive to the generation of new small businesses.

Of course, substantially lowering rates on capital gains would not, by itself, deal effectively with the "lock-in" problem, which must be solved if capital mobility is to be assured.

The most important aspect of current law which gives rise to the "lock-in" problem and must be dealt with is the present complete exemption from income taxation of gain on capital assets held until death. Without a more rational and comprehensive tax base which deals with the treatment of gains on transfers at death, the proposed reduction in the capital gains tax rates could not be fully justified. The Treasury proposal to tax net gains accrued on capital assets at the time of transfer at death or by gift, except for gifts or bequests to charity, has given rise to objection that the proposal will force the sale or merger of some small businesses.

In addition to the purely tax policy considerations to be weighed in drafting such legislation as this, the probable results in economic structural changes and the goal of preserving and strengthening independent small business weigh heavily in fixing upon recommendations. We have closely followed the testimony upon these matters before the Ways and Means Committee and before the Subcommittee on Taxes of the Senate Small Business Committee. We have noted the assertion that application of the proposal to tax capital gains at death would force the sale or merger of small businesses. There will be further review of this aspect of the legislation in the Ways and Means Committee and, thereafter, in the Senate Finance Committee before legislation is finally drawn.

In addition to the rate reductions and the capital gain and loss recommendations, the tax program suggests structural revisions of particular interest to small business. For years taxpayers with widely fluctuating incomes have suffered from the absence of an income-averaging provision in the Internal Revenue Code. The Administration has recommended adoption of such a provision. Under it, a taxpayer could average his current income with that of the past four years; and, if the current income amounts to more than 133 percent of the average, he would be allowed, in effect, to treat the excess over 133 percent as though it had been earned over a five-year period. Thus he would be taxed at a considerably reduced rate. Since incomes of many small unincorporated businesses are subject to wide swings from year to year, their owners especially would benefit from the averaging provision.

All of these proposals to change the tax laws assume even greater significance when considered against the background of the investment incentive changes adopted last year: the 7 percent investment credit and the administrative liberalization of depreciation.

The tax treatment of new investment may be illustrated in terms of the percentage cost of an asset subject to tax write-off or equivalent charges against income in the year of acquisition.

In the case of a 10-year asset costing $10,000, bought by a firm subject to the proposed 22 percent corporate normal tax rate, the following deductions or equivalents could be taken:

20 percent initial allowance	$2,000
7 percent investment credit expressed as equivalent deduction from income	3,180
First-year depreciation (double-declining balance depreciation, 10-year life)	1,460
Total	$6,640

As this example shows, the various allowances under present law plus the proposed rate reduction would, in effect, permit tax-free recovery, in the year of acquisition, of two-thirds of the cost of a machine or other equipment item with a ten-year life. To the extent that the depreciable life is shorter than the 10 years assumed in the example, the proportion of capital recovered tax-free in the first year would be still greater.

All these measures -- liberalized depreciation, the investment credit, and the proposed tax reduction -- serve to increase the internally generated cash flow needed to make new investments. This is especially important to a small firm striving to grow but short of capital.

The Treasury is fully convinced that small business stands to benefit, and to benefit substantially, from these tax proposals. It is equally convinced that the whole nation stands to benefit -- that the tax program can lend continuing impetus to the nation's long-term economic growth by stimulating demand in the private sector and sharpening incentives for effort, investment, and profit.

This Administration had hoped to seek a tax revision under circumstances of a balanced budget. But the demands of national security have required steep augmentation of our nuclear and armed forces, necessitated a step-up in the space program, and caused a rise in the costs of servicing a national debt that has grown larger as a result of these imperatives. The budgetary big three account for $70 billion of the nearly $98.8 billion budgetary total; and their increased needs have accounted for nearly 73 percent of the total expenditure increases that have occurred in this Administration.

At the outset of 1962, after nine months of rapid recovery, hope was widely shared that we were breaking the grip of slow growth and below-capacity operation. But the recovery slackened abruptly in the first quarter of 1962. Between the fourth quarter of 1961 and the fourth quarter of 1962, gross national product rose barely enough to hold the economy even on rates of unemployment, profits, and capacity use.

The overriding lesson of the 1962 slowdown is that the pattern of slow growth since 1957 is the real measure of our economic problem, however much such spurts of activity as that in 1961 may seem temporarily to lessen our difficulties.

Against the background of continued and intensive communist challenge throughout the world and in space, confronted by the evidence of our economy's inadequate performance over the past decade, the Treasury Department supports the President's tax reduction program -- in the full knowledge that it will add to a projected deficit. We believe the President was right in refusing either to postpone his tax program or to cut into essential national security programs so as to present his tax program in the context of a balanced budget.

There are seven principal reasons why we believe this was a fiscally responsible decision under all the circumstances.

1. <u>One of the primary causes of slow economic growth -- our major economic and fiscal problem -- is the existing tax system.</u>

The evidence of economic experience and analysis support our conviction that, in a few years, under the new lower rate structure -- designed as it is to make the market rather than the tax system the determinant of effort and capital by increasing the aggregate of demand and incentive -- revenues will be larger than if we continue our present structure, which stifles growth.

2. <u>For increasing the rate of growth, the tax program was clearly preferable to other possible courses of action.</u>

To achieve growth by more massive increases in Federal spending well beyond the limits of the 1964 budget would have risked confidence at home and abroad. Such spending, while increasing demand, would fail to increase incentives to private investment and initiative as tax rate reduction will. A third possible course, increased use of credit and monetary tools to provide still lower interest rates and substantially greater supplies of money and credit, was not feasible because, as the President said, "Our balance of payments situation today places limits on our use of those tools for expansion."

3. <u>To wait, before enacting the President's tax proposals, for increasing revenues from slow growth to reach a balanced budget could well prove excessively costly and ultimately self-defeating.</u>

Look at our experience in 1959. Then, a planned surplus became a record deficit of $12.4 billion, largely because of a recession. Continued slow growth will not generate the revenue required for fiscal 1964 expenditure levels, even at current high tax rates, for some years. Meanwhile, the additional gross national product, wealth, profits, and jobs resulting from the tax stimulus will be irretrievably lost.

4. The tax program itself is designed to keep budget deficits within manageable proportions.

The program spaces rate cuts over three calendar years, offsets a portion of the revenue loss from the rate cuts through structural reform, and puts collections from 12,000 of our largest corporations on a more current basis. By these means the effect of the tax proposals on the budget deficit is reduced. At the same time, many observers of the economic scene are already pointing to the incentive business planners feel from the foreknowledge of lower tax rates to come as a significant reason for the generally optimistic business outlook and the current upturn of economic activity -- an upturn that is likely to produce revenue rises that will diminish the projected fiscal 1964 deficit.

5. The President has acted positively on the premise that a large scale tax reduction calls for strong restraints on spending.

Accordingly, his fiscal 1964 budget holds proposed government spending (other than outlays for defense, space, and interest) below fiscal 1963 levels -- an achievement matched only three times in the last fifteen years.

There has been no relaxation of vigilance in this regard since the budget was submitted in January. As the President said on May 9:

> "...Agency and service requests were cut by some $19 billion before the 1964 budget was submitted, and I have cut an additional $615 million from my budget recommendations since first submitting them."

6. More important -- a fact most often overlooked in discussions of fiscal responsibility -- the President, in his 1964 Budget Message, pledged progressive reduction in the Federal budget deficit as an accompaniment to the tax reduction, proposing, for both the Congress and the Executive Branch, an entirely new policy and program of disciplined expenditure control.

The President said in the Budget Message:

> "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 moves 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 important national needs."

7. Finally, the new tax program, with related expenditure control, is compatible, and can be coordinated effectively, with appropriate balance of payments policy, monetary policy, and debt management -- each of which constitutes a vital environmental factor in our overall financial plan.

Conclusion

As for the small business sector in particular, so for the nation as a whole, the President's program seeks to secure, at long last, a tax system that will provide the incentive and opportunity for individual and corporate acquisition of capital, creation of plans and services, and stimulus to initiative and effort. It is designed to produce the revenues our national needs demand. Avoiding disruption of our necessary military and space programs, with full cognizance of long-term fiscal responsibilities, and in the context of a feasible, overall financial plan serving the national interest, the Administration has put forward the tax proposals as the program best designed to achieve these critical national economic objectives. We believe that the returns from that program will reward us all in the years ahead.

oOo

payments deficit is a stubborn problem, but with the Trade Expansion A of 1962, the Revenue Act of 1962, and particularly with the prospect o a meaningful tax program this year, we will certainly have the tools to work more effectively for a solution.

The answers to this and other vexing economic questions require close cooperation between the public and private sectors of our societ They also call for wider ~~public~~ discussion of the major issues and broader ~~public~~ understanding of their implications for the individual citizen and for the nation -- the sort of informed public understandin that the specialists in the business and financial press can help to generate. With your help -- and, as President Kennedy said recently "with the help of all of those in business, labor and other professions who share your concern for the future, we shall build a future from which all Americans can take pride as well as sustenance".

oOo

boom-time levels. My feeling, while genuinely optimistic, is not quite s sanguine as this. Last January, the President's Council of Economic Advisors estimated that 1963 Gross National Product would fall within a range of $5 billion either side of the $578 billion figure that was used as the basis of our revenue forecasts. It now looks like the hig side of that range might be about right. That is what I had in mind w I suggested earlier this month that, if the present improvement contin Federal revenues might perhaps exceed our estimates for fiscal 1964 by much as $1 billion. But even such a result would not lead to any appreciable improvement in our employment situation. For that, we mus look to tax reduction.

The first-quarter balance of payments picture is perhaps less rosy, and I think it would be unrealistic to look for any sudden solution in th area. Because we are relying on the slower, but surer, solutions brought about by a market economy, it is entirely possible that this year's defic will still be comparatively large. Obviously, the we have every reason to strive to develop and exploit our techniques fo selling not only goods, but also securities, to foreign buyers. We hav undertaken a great drive to expand our exports -- a drive that is imper tive if our receipts from exports are to meet the irreducible cost of c defense and aid commitments abroad and match the outflow of American long-term investment. We need an equally determined drive by the financial community to sell its very unique range of products.

This, then, has been a brief look at some aspects of the current economic scene. The outlook for the future no one can predict with certainty. But I think most of us will agree that the signs are generally favorable.

In the short run, our economic picture looks bright, but not perha so gloriously rosy as some would paint it. Our present economic upturn is heartening. A number of economists, after scrutinizing the latest pattern of the indicators, and paying particular attention to the risi level of capital investment, are hoping for a long-run upswing to ne

We would, for example, like to see underwriters in this country seek actively and energetically to put the highest practicable proport of their new foreign issues into the hands of foreign subscribers. Moreover, in order to give more foreign subscribers a greater opportun to invest in these issues, we would like to see more of them publicly marketed, rather than privately placed. When issues are privately pla -- and private placements accounted for more than half of the new foreign issues in our market last year -- they are offered almost exclusively to U. S. investors. Last year for example, almost all of th Canadian and Latin American issues, which together accounted for a lar part of the foreign use of our market, were private placements.

~~However,~~ On the other hand

the buyers of publicly placed new foreign issues are by no means all Americans. Last year foreigners purchased more than one-third of the publicly offered foreign issues. The willingness of foreigners to purchase new foreign issues in our market reflects the attractiveness our facilities to both borrowers and lenders. Because of that fact, BETTER that

able to meet the needs of their own nationals, and are more accessible to borrowers from other countries as well. That calls for removal of existing government restrictions, enlargement of capital resources, an improvement of facilities to increase the efficiency of doing business

I am glad to say that some progress in this direction has been ma and that more can be expected. But the development of markets more co-

OURS

parable to those in the United States will take time. Meanwhile, ther is every reason to maintain free access to our market, so that it can continue to function as an important part of the international payment system.

IT IS NOT ENOUGH, HOWEVER, TO

We should not only encourage progress in improving markets abroad

MUST THE

but we should equally encourage participation of foreign capital in ou own market. If we take full advantage of the possibilities of attract: foreign capital -- as borrowers are now attracted -- we can offset to a great extent the outflow of funds from the sale of foreign issues he:

or another, we make access to our market more difficult or more expensive.

~~Unquestionably, a large amount of money is being raised in our capital market by borrowers from countries which enjoy healthy surplus in their own payments position. That is natural enough, since our financial market has unmatched facilities. It is not fettered by excessive government regulations, and it offers abundant resources. It is a market in which both borrower and lender can operate with maximum efficiency and minimum difficulty. Frequently, foreigners make use of our market because their own markets operate under restrictive regulat or simply lack ample resources.~~

Although foreign borrowers undoubtedly contribute to our payments imbalance, it would be a short-sighted solution indeed if we were to make the facilities and resources of our capital market less available to them. The real solution -- as I urged more than a year ago in Rome is the development of capital markets in Europe and elsewhere that are

Unquestionably, a large amount of money is being raised in our capital market~~s~~ by borrowers from countries which enjoy healthy surpluses in their own payments position. That is natural enough, since foreigners can find in our financial market what they often lack in their own: unmatched facilities and resources, and freedom from excessive government regulations. It is a market in which both borrower and lender can operate with maximum efficiency and minimum difficulty.

~~efficiency and minimum difficulty. Frequently, foreigners make use of our market because their own markets operate under restrictive regulati or simply lack ample resources.~~

Although foreign borrowers undoubtedly contribute to our payments imbalance, it would be a short-sighted solution indeed if we were to make the facilities and resources of our capital market less available to them. The real solution -- as I urged more than a year ago in Rome is the development of capital markets in Europe and elsewhere that are debt limit would have to be paid in gold.

Those are but a few examples of the havoc that can [redacted] be wrought in the name of fiscal responsibility. I think they make it obvious that the debt ceiling is not only the wrong instrument to use in attempting to control Federal expenditures, but that an unduly restrictive ceiling could place this country in an untenable fiscal situation. I suppose it would be unrealistic to expect that the seasonal storm over the debt limit through which we are now passing will not deluge us in future years. But I do hope, for the sake of fiscal ~~sanity and~~ sanity and prudence, that its intensity may clear the air and generate some fresh and lucid think about the whole question of the debt limit.

Another vital, if less incendiary, problem that is now receiving considerable attention is our balance of payments position. More speci fically, some in this country have recently expressed concern over the adverse impact on our payments balance of foreign borrowing in the United States capital market, and have suggested that through one means limit legislation, should it be necessary, without having to call a special session of Congress.

And fourth, should we be required to operate between now and the end of August under the present debt ceiling of $305 billion, it would no longer be possible to handle the finances of the United States Government in a prudent and responsible manner. We would be forced to resort to an array of unusual financial procedures of the sort whic] had to be used in 1957-58 -- procedures which, in the end, would only add to the burdens of the taxpayers of this country. A $305 billion debt limit would also deprive us of one of our most important tools for keeping our short-term interest rates competitive with rates abroa(the ability to add to the market supply of short-term Government secur: when the occasion demands. The timely use of this technique has undoubtedly helped reduce the outflow of short-term funds throughout th(past two years by many hundreds of millions of dollars. It is no exaggeration to say that part of the price of an unrealistically restric ti' in combination with other restrictive fiscal measures -- needs no retelling here. But anyone who recalls the lesson of 1957 -- the year from which we date the pattern of slow economic growth which the President's tax program is designed to alter -- is not likely to forge it.

Third, the temporary debt limit approved last week by the House, and currently before the Senate, would provide the absolute minimum levels needed by the Treasury for the proper management of the Federal debt and the Treasury's cash balance. These limits -- $307 billion through June, and $309 billion throughout July and August -- are tight, so tight that they provide little or no room for meeting unforeseen contingencies. The Treasury can attempt to operate within these limits only because it is likely that our expenditure estimates for so short a period will be reasonably accurate and our revenues are unlikely to fall below estimated levels. In addition, since Congress will be in session until some time in the fall, we could always obtain new debt

First, let no one labor under the delusion that the debt ceiling i either a sane or an effective instrument for the control of Federal ex- penditures. No one is more conscious than I of the need to keep goverr ment spending under firm control. But this cannot be done by trying tc exert controls at the tag end of the expenditure process, when the bil] are coming due. The debt limit is not, and can not, be made a substitι for the control of expenditures at the decisive stage of the expenditu1 process -- when the funds are being appropriated.

Second, since the Executive Branch cannot refuse to pay the bills incurred in carrying out the programs approved by the Congress, the onl alternative is simply to delay paying them. That is exactly what hap- pened in 1957, when an unrealistic debt ceiling forced the Executive to defer payment on its bills. No expenditures were cut back; they were simply postponed and government contractors had to wait for their money The unhappy economic effect of that unrealistic 1957 debt ceiling --

exceptionally large portion of the expenditure increases during this Administration has occured in the areas of defense and space. 528

One particularly enlightening comparison shows that, leaving asi only defense and space, all other governmental expenditures in the three-year period 1958=1961 increased by $800 million more than they will in the first three years of the present Administration. That co parison shows, cogently and unanswerably, that this Administration ha continually exercised a firm control over expenditures. And it offer the strongest possible endorsement of what is by far the most signifi cant fact in the present discussion of tax reduction and expenditure control: the President's repeated commitment that, as the economy expands in response to tax reduction and Federal revenues increase, a

Last weeks debate in the House of Representatives over the proposa

substantial portion of those increased revenues will be used to reduce an eliminate the current deficit.

AIU OLD

Last week, this issue of expenditure control was raised in [redacted] within the following fifteen months -- and ~~[illegible]~~ some $8 billion of that amount would represent increased consumer purchasing power. The stimu of a $10 billion tax cut would not stop there. For example, the Joint Eco mic Committee of the United States Congress had estimated that it woul eventually ~~have an impact on our~~ increase our annual Gross National Product ~~four times~~ by 40 billion dollars, ~~greater than its immediate effect.~~

Those, then, are some of the main features of the President's tax program. As an inevitable result of the legislative process, that pro· gam will be somewhat revised by the time the tax bill emerges from the House Ways and Means Committee some weeks ~~from now.~~ hence. However, I am conf cent that the bill the Committee reports out will be one that we can al support wholeheartedly.

Thus far, much of the discussion on tax reduction has centered, on specific tax proposals, but on expenditure control. If the heat o that discussion has sometimes obscured the facts, I think they are no beginning to come through quite clearly -- including the fact that an

~~[illegible]~~ estimates that expenditures

in 1963 530

for plant and equipment will rise to $40 billion from a level of just over $37 billion for 1962. Last year's tax reforms are responsible for at least 43% of the increase.

higher ~~than~~ the rate for the first three months of this year. 78 per

~~shows that at least 43% of the increase~~

But the whole job cannot be done solely by stimulating business investment. No company will produce more goods without markets to abso them. And the best way to assure those markets is to increase consumer purchasing power. The President's program would do that by reducing personal income tax rates from the present range of twenty to ninety-on percent to a much lower range of fourteen to sixty-five percent. Such cut in individual tax rates, combined with the proposed corporate rate reduction, would total $13.6 billion. When the various structural refo that have ~~[illegible]~~ been recommended are taken into account, the net reducti would amount to $10.~~(2)~~ 3 billion.

The impact of that overall cut would be felt much quicker than mos people realize. If the President's program were to receive final appro by October 1st, ~~a total of~~ over $10 billion would be released into the econ society that the President's principal proposal -- substantial tax reduction this year -- is our best hope of accelerating the forward pace of our economy. Let me recall some of its main features:

The President has proposed a cut in the corporate tax rate from 52 to 47 percent to supplement last year's seven percent tax credit foi productive new investment and the liberalization of the rules and procedures governing tax treatment of depreciable equipment. Those two measures reduced business taxes by $2.5 billion a year. The proposed five-poi corporate tax rate reduction would cut business taxes by another $2.5 billion by the time the program is fully in effect. This total of $5 billion would give business forty percent of the overall tax reduction, provide a strong and continuing stimulus toward accelerated economic growth, and increase the profitability of new business investment by almost thirty percent.

The effectiveness of last year's tax changes on capital investment is impressive indeed. The latest McGraw-Hill survey of capital spendi [redacted] become major political issues -- hence subject to the distortions of partisan debate -- requires not only intelligence and judg of a very mature order, but an extremely comprehensive background as w

I am well aware how difficult it is to gather and understand econo mic facts -- let alone interpret them -- when the facts themselves are constantly changing. For, in the fluid and intricate economic picture appearances can be deceiving -- and foresight must rely heavily upon a hindsight that is itself often elusive and uncertain. As a result, so and imaginative evaluation of national economic policy is extraordinar difficult. With this in mind, let me examine briefly with you today some areas of economic policy in which I have direct responsibility.

The most urgent economic business before this nation is the President's tax program. It has quite naturally dominated the public discussion of economic matters. That discussion has inevitably [redacted] brought forth disagreements and misconceptions about the program. But it has also served to strengthen the widespread consensus among all segments of ou

DRAFT 5/19/63

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE FIFTH ANNUAL LOEB AWARDS PRESENTATION LUNCHEON
WALDORF-ASTORIA HOTEL, NEW YORK CITY
WEDNESDAY, MAY 22, 1963, 12:30 P.M., EDT

I am delighted to take part in the presentation of the Loeb Award for distinguished business and financial journalism. It gives me an opportunity to pay tribute both to my friend, Gerald Loeb, who founded these awards, and to their recipients, who can take justifiable pride in this recognition of their excellence in the practice of a demanding craft.

I have had considerable opportunity to observe newsmen at work, both at home and abroad, in the most difficult and sensitive of fields. I have a high regard for them and for the skills they employ in the public service.

Those skills are particularly needed in economic and financial reporting. To achieve and maintain a clear perspective on complex economic problems is difficult enough. To do so when these matters

AT
THE SIXTH ANNUAL UNIVERSITY OF CONNECTICUT
LOEB AWARDS PRESENTATION LUNCHEON
WALDORF-ASTORIA HOTEL, NEW YORK CITY
WEDNESDAY, MAY 22, 1963, 12:30 P.M., EDT

I am delighted to take part in the presentation of the Loeb Awards for distinguished business and financial journalism. It gives me an opportunity to pay tribute both to my friend, Gerald Loeb, who founded these awards, and to their recipients, who can take justifiable pride in this recognition of their excellence in the practice of a demanding craft.

I have had considerable opportunity to observe newsmen at work, both at home and abroad, in the most difficult and sensitive of fields I have a high regard for them and for the skills they employ in the public service.

Those skills are particularly needed in economic and financial reporting. To achieve and maintain a clear perspective on complex economic problems is difficult enough. To do so when these matters become major political issues -- hence subject to the distortions of partisan debate -- requires not only intelligence and judgment of a very mature order, but an extremely comprehensive background as well.

I am well aware how difficult it is to gather and understand economic facts -- let alone interpret them -- when the facts themselves are constantly changing. For, in the fluid and intricate economic picture, appearances can be deceiving -- and foresight must rely heavily upon a hindsight that is itself often elusive and uncertain. As a result, sound and imaginative evaluation of national economic policy is extraordinarily difficult. With this in mind, let me examine briefly with you today some areas of economic policy in which I have direct responsibility.

D-860

5/19/63

DRAFT

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE SIXTH ANNUAL UNIVERSITY OF CONNECTICUT
LOEB AWARDS PRESENTATION LUNCHEON
WALDORF-ASTORIA HOTEL, NEW YORK CITY
WEDNESDAY, MAY 22, 1963, 12:30 P. M., EDT

I am delighted to take part in the presentation of the Loeb Award for distinguished business and financial journalism. It gives me an opportunity to pay tribute both to my friend, Gerald Loeb, who founded these awards, and to their recipients, who can take justifiable pride in this recognition of their excellence in the practice of a demanding craft.

I have had considerable opportunity to observe newsmen at work, both at home and abroad, in the most difficult and sensitive of fields. I have a high regard for them and for the skills they employ in the public service.

Those skills are particularly needed in economic and financial reporting. To achieve and maintain a clear perspective on complex economic problems is difficult enough. To do so when these matters

ø- 860

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
WEDNESDAY, MAY 22, 1963

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT
THE SIXTH ANNUAL UNIVERSITY OF CONNECTICUT
LOEB AWARDS PRESENTATION LUNCHEON
WALDORF-ASTORIA HOTEL, NEW YORK CITY
WEDNESDAY, MAY 22, 1963, 12:30 P.M., EDT

I am delighted to take part in the presentation of the Loel Awards for distinguished business and financial journalism. It gives me an opportunity to pay tribute both to my friend, Gerald Loeb who founded these awards, and to their recipients, who can take justifiable pride in this recognition of their excellence in the practice of a demanding craft.

I have had considerable opportunity to observe newsmen at work, both at home and abroad, in the most difficult and sensitive of fields I have a high regard for them and for the skills they employ in the public service.

Those skills are particularly needed in economic and financial reporting. To achieve and maintain a clear perspective on complex economic problems is difficult enough. To do so when these matters become major political issues -- hence subject to the distortions of partisan debate -- requires not only intelligence and judgment of a very mature order, but an extremely comprehensive background as well.

I am well aware how difficult it is to gather and understand economic facts -- let alone interpret them -- when the facts themselves are constantly changing. For, in the fluid and intricate economic picture, appearances can be deceiving -- and foresight must rely heavily upon a hindsight that is itself often elusive and uncertain. As a result, sound and imaginative evaluation of national economic policy is extraordinarily difficult. With this in mind, let me examine briefly with you today some areas of economic policy in which I have direct responsibility.

D-860

The most urgent economic business before this nation is the President's tax program. It has quite naturally dominated the public discussion of economic matters. That discussion has inevitably brought forth disagreements and misconceptions about the program. But it has also served to strengthen the widespread consensus among all segments of our society that the President's principal proposal -- substantial tax reduction <u>this</u> year -- is our best hope of accelerating the forward pace of our economy. Let me recall some of its main features:

The President has proposed a cut in the corporate tax rate from 52 to 47 percent to supplement last year's seven percent tax credit for productive new investment and the liberalization of the rules and procedures governing tax treatment of depreciable equipment. Those two measures reduced business taxes by $2.5 billion a year. The proposed five-point corporate tax rate reduction would cut business taxes by another $2.5 billion by the time the program is fully in effect. This total of $5 billion would give business forty percent of the overall tax reduction, provide a strong and continuing stimulus toward accelerated economic growth, and increase the profitability of new business investment by almost thirty percent.

The effectiveness of last year's tax changes on capital investmen is impressive indeed. The latest McGraw-Hill survey of capital spending estimates that expenditures for plant and equipment in 1963 will rise to $40 billion from a level of just over $37 billion for 1962. Last year's tax reforms are responsible for at least 43 percent of the increase.

But the whole job cannot be done solely by stimulating business investment. No company will produce more goods without markets to absorb them. And the best way to assure those markets is to increase consumer purchasing power. The President's program would do that by reducing personal income tax rates from the present range of twenty to ninety-one percent to a much lower range of fourteen to sixty-five percent. Such a cut in individual tax rates, combined with the proposed corporate rate reduction, would total $13.6 billion. When the various structural reforms that have been recommended are taken into account, the net reduction would amount to $10.3 billion.

The impact of that overall cut would be felt much quicker than most people realize. If the President's program were to receive final approval by October 1st, over $10 billion would be released into the economy within the following fifteen months -- and some $8 billion of that amount would represent increased consumer purchasing power. The stimulus of a $10 billion tax cut would not stc there. For example, the Joint Economic Committee of the United States Congress had estimated that it would eventually increase our annual Gross National Product by 40 billion dollars.

Those, then, are some of the main features of the President's tax program. As an inevitable result of the legislative process, that program will be somewhat revised by the time the tax bill emerges from the House Ways and Means Committee some weeks hence. However, I am confident that the bill the Committee reports out will be one that we can all support wholeheartedly.

Thus far, much of the discussion on tax reduction has centered, not on specific tax proposals, but on expenditure control. If the heat of that discussion has sometimes obscured the facts, I think they are now beginning to come through quite clearly -- including the fact that an exceptionally large portion of the expenditure increases during this Administration has occured in the areas of defense and space.

One particularly enlightening comparison shows that, leaving aside only defense and space, all other governmental expenditures in the three-year period 1958-1961 increased by $800 million more than they will in the first three years of the present Administration. That comparison shows, cogently and unanswerably, that this Administration has continually exercised a firm control over expenditures. And it offers the strongest possible endorsement of what is by far the most significant fact in the present discussion of tax reduction and expenditure control: the President's repeated commitment that, as the economy expands in response to tax reduction and Federal revenues increase, a substantial portion of those increased revenues will be used to reduce and eliminate the current deficit.

Last week, this issue of expenditure control was raised in an old and familiar context -- when the House of Representatives debated the proposal to raise the temporary debt limit between now and the end of August, and once more brought a hardy perennial to the forefront of the news. As that debate made clear, there are few areas of fiscal policy as much in need of more, light and less heat as the debt limit. I should like to try to supply some needed light:

First, let no one labor under the delusion that the debt ceiling is either a sane or an effective instrument for the control of Federal expenditures. No one is more conscious than I of the need to keep government spending under firm control. But this cannot be done by trying to exert controls at the tag end of the expenditure process, when the bills are coming due. The debt limit is not and can not be made a substitute for the control of expenditures at the decisive stage of the expenditure process -- when the funds are being appropriated.

Second, since the Executive Branch cannot refuse to pay the bills incurred in carrying out the programs approved by the Congress, the only alternative is simply to delay paying them. That is exactly what happened in 1957, when an unrealistic debt ceiling forced the Executive to defer payment on its bills. No expenditures were cut back; they were simply postponed and government contractors had to wait for their money. The unhappy economic effect of that unrealistic 1957 debt ceiling -- in combination with other restrictive fiscal measures -- needs no retelling here. But anyone who recalls the lesson of 1957 -- the year from which we date the pattern of slow economic growth which the President's tax program is designed to alter -- is not likely to forget it.

Third, the temporary debt limit approved last week by the House, and currently before the Senate, would provide the absolute minimum levels needed by the Treasury for the proper management of the Federal debt and the Treasury's cash balance. These limits -- $307 billion through June, and $309 billion throughout July and August -- are tight, so tight that they provide little or no room for meeting unforeseen contingencies. The Treasury can attempt to operate within these limits only because it is likely that our expenditure estimates for so short a period will be reasonably accurate and our revenues are unlikely to fall below estimated levels. In addition, since Congress will be in session until some time in the fall, we could always obtain new debt limit legislation, should it be necessary, without having to call a special session of Congress.

And fourth, should we be required to operate between now and the end of August under the present debt ceiling of $305 billion, it would no longer be possible to handle the finances of the United States Government in a prudent and responsible manner. We would be forced to resort to an array of unusual financial procedures of the sort which had to be used in 1957-58 -- procedures which, in the end, would only add to the burdens of the taxpayers of this country. A $305 billion debt limit would also deprive us of one of our most important tools for keeping our short-term interest rates competitive with rates abroad: the ability to add to the market supply of short-term Government securities when the occasion demands. The timely use of this technique has undoubtedly helped reduce the outflow of short-term funds throughout the past two years by many hundreds of millions of dollars. It is no exaggeration to say that part of the price of an unrealistically restrictive debt limit would have to be paid in gold.

Those are but a few examples of the havoc that can be wrought in the name of fiscal responsibility. I think they make it obvious that the debt ceiling is not only the wrong instrument to use in attempting to control Federal expenditures, but that an unduly restrictive ceiling could place this country in an untenable fiscal situation. I suppose it would be unrealistic to expect that the seasonal storm over the debt limit through which we are now passing will not deluge us in future years. But I do hope, for the sake of fiscal sanity and prudence, that its intensity may clear the air and generate some fresh and lucid thinking about the whole question of the debt limit.

Another vital, if less incendiary, problem that is now receiving considerable attention is our balance of payments position. More specifically, some in this country have recently expressed concern over the adverse impact on our payments balance of foreign borrowing in the United States capital market, and have suggested that through one means or another, we make access to our market more difficult or more expensive.

Unquestionably, a large amount of money is being raised in our capital market by borrowers from countries which enjoy healthy surpluses in their own payments position. That is natural enough, since foreigners can find in our financial market what they often lack in their own: unmatched facilities and resources, and freedom from excessive government regulations. It is a market in which both borrower and lender can operate with maximum efficiency and minimum difficulty.

Although foreign borrowers undoubtedly contribute to our payments imbalance, it would be a short-sighted solution indeed if we were to make the facilities and resources of our capital market less available to them. The real solution -- as I urged more than a year ago in

Rome -- is the development of capital markets in Europe and elsewhere that are better able to meet the needs of their own nationals, and that are more accessible to borrowers from other countries as well. That calls for removal of existing government restrictions, enlargement of capital resources, and improvement of facilities to increase the efficiency of doing business.

I am glad to say that some progress in this direction has been made and that more can be expected. But the development of markets more comparable to ours will take time. Meanwhile, there is every reason to maintain free access to our market, so that it can continue to function as an important part of the international payments system.

It is not enough, however, to encourage progress in improving markets abroad. We must equally encourage the participation of foreign capital in our own market. If we take full advantage of the possibilities of attracting foreign capital -- as borrowers are now attracted -- we can offset to a great extent the outflow of funds from the sale of foreign issues here.

We would, for example, like to see underwriters in this country seek actively and energetically to put the highest practicable proportion of their new foreign issues into the hands of foreign subscribers. Moreover, in order to give more foreign subscribers a greater opportunity to invest in these issues, we would like to see more of them publicly marketed, rather than privately placed.

When issues are privately placed -- and private placements accounted for more than half of the new foreign issues in our market last year -- they are offered almost exclusively to U. S. investors. Last year for example, almost all of the Canadian and Latin American issues, which together accounted for a large part of the foreign use of our market, were private placements.

On the other hand the buyers of publicly placed new foreign issues are by no means all Americans. Last year foreigners purchased more than one-third of the publicly offered foreign issues. The willingness of foreigners to purchase new foreign issues in our market reflects the attractiveness of our facilities to both borrowers and lenders. Because of that fact, we have every reason to strive to develop and exploit our techniques for selling not only goods, but also securities, to foreign buyers. We have undertaken a great drive to expand our exports -- a drive that is imperative if our receipts from exports are to meet the irreducible cost of our defense and aid commitments abroad and match the outflow of American long-term investment. We need an equally determined drive by the financial community to sell its very unique range of products.

This, then, has been a brief look at some aspects of the current economic scene. The outlook for the future no one can predict with certainty. But I think most of us will agree that the signs are generally favorable.

In the short run, our economic picture looks bright, but not perhaps so gloriously rosy as some would paint it. Our present economic upturn is heartening. A number of economists, after scrutinizing the latest pattern of the indicators, and paying particular attention to the rising level of capital investment, are hoping for a long-run upswing to near boom-time levels. My feeling, while genuinely optimistic, is not quite so sanguine as this. Last January, the President's Council of Economic Advisors estimated that 1963 Gross National Product would fall within a range of $5 billion either side of the $578 billion figure that was used as the basis of our revenue forecasts. It now looks like the high side of that range might be about right. That is what I had in mind when I suggested earlier this month that, if the present improvement continues, Federal revenues might perhaps exceed our estimates for fiscal 1964 by as much as $1 billion. But even such a result would not lead to any appreciable improvement in our employment situation. For that, we must look to tax reduction.

The first-quarter balance of payments picture is perhaps less rosy and I think it would be unrealistic to look for any sudden solution in this area. Because we are relying on the slower, but surer, solutions brought about by a market economy, it is entirely possible that this year's deficit will still be comparatively large. Obviously, the payments deficit is a stubborn problem, but with the Trade Expansion Act of 1962, the Revenue Act of 1962, and particularly with the prospect of a meaningful tax program this year, we will certainly have the tools to work more effectively for a solution.

The answers to this and other vexing economic questions require close cooperation between the public and private sectors of our society. They also call for wider discussion of the major issues and broader understanding of their implications for the individual citizen and for the nation -- the sort of informed public understanding that the specialists in the business and financial press can help to generate. With your help -- and, as President Kennedy said recently -- "with the help of all of those in business, labor and other professions who share your concern for the future, we shall build a future from which all Americans can take pride as well as sustenance".

oOo

Release 12:00 noon ~~9:00~~ AM EDT May 21, 1963

~~[illegible]~~ Treasury Issues: ~~DRAFT PRESS RELEASE ON~~ BELGIAN AND SWISS FRANC ~~BOND ISSUES~~ Securities

The Treasury announced today the issuance of additional bonds in its foreign currency series.

These include bonds in the amount of 1.5 billion Belgian francs (equivalent to approximately $30 million) and with a maturity of two years. This Belgian franc issue is similar to previous issues in foreign currencies to Switzerland, Italy, Germany and Austria.

¶ An additional bond was also issued denominated in Swiss francs equivalent to approximately $23 million which, together with the Belgian franc issue, brings total foreign currency security issues to nearly $630 million, of which $605 million is in securities of 15- to 24-months maturity.

D-861

amount of 1.5 billion Belgian francs (equivalent to approximately $30 million) and with a maturity of two years. This Belgian franc issue is similar to previous issues in foreign currencies to Switzerland, Italy, Germany and Austria.

An additional bond was also issued denominated in Swiss francs equivalent to approximately $23 million which, together with the Belgian franc issue, brings total foreign currency security issues to nearly $630 million, of which $605 million is in securities of 15- to 24-months maturity.

oOo

D-861

Info Serv Letterhead

541

FOR RELEASE 12:00 NOON, EDT
Tuesday, May 21, 1963

TREASURY ISSUES BELGIAN FRANC AND
SWISS FRANC SECURITIES

Belgian franc issue, brings total foreign currency security [illegible] to nearly $630 million, of which $605 million is in securities of 15- to 24-months maturity.

D-861

TREASURY DEPARTMENT 542

WASHINGTON, D.C.

FOR RELEASE 12:00 NOON, EDT
TUESDAY, MAY 21, 1963

TREASURY ISSUES BELGIAN FRANC AND
SWISS FRANC SECURITIES

The Treasury announced today the issuance of additional bonds in its foreign currency series.

These include bonds in the amount of 1.5 billion Belgian francs (equivalent to approximately $30 million) and with a maturity of two years. This Belgian franc issue is similar to previous issues in foreign currencies to Switzerland, Italy, Germany and Austria.

An additional bond was also issued denominated in Swiss francs equivalent to approximately $23 million which, together with the Belgian franc issue, brings total foreign currency security issues to nearly $630 million, of which $605 million is in securities of 15- to 24-months maturity.

oOo

D-861

TREASURY DEPARTMENT
Washington

543

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE JAMES A. REED
ASSISTANT SECRETARY OF THE TREASURY
AT THE OBSERVANCE OF NATIONAL MARITIME DAY
BY THE PROPELLER CLUB, PORT OF BOSTON
SHERATON-PLAZA HOTEL, BOSTON, MASSACHUSETTS
WEDNESDAY, MAY 22, 1963, NOON, EDT

It has always been a great pleasure to come back to Boston where I am privileged to enjoy the most pleasant relations with old friends and colleagues. I also experienc a deep satisfaction here, for I have always felt that the air is filled with the histor of the nation, and that the early traditions of making opportunities out of challenges has been carried on. This is particularly true on Maritime Day, for in effect we are today commemorating those early seafaring Bostonians, and other New Englanders, who contributed so importantly toward making the fledgling United States into a commercial and military power in the world. And it seems to me that the members of the Propeller Club, Port of Boston -- and others concerned with New England's maritime affairs -- are carrying on the traditions of the iron men who sailed the wooden ships.

I have been greatly interested in the development programs of the Massachusetts Port Authority, designed as they are to maintain the pre-eminence of the seafaring sector of this area for the benefit of all elements in the community. It seems to me that a fine job is being done. Boston is now once again making a determined effort to keep up with the changes that continue to take place.

Harbor development has been particularly striking. As many of you undoubtedly know, the capacity of ships has grown markedly, and the trend is for more cargo to be carried in fewer ships. This means that cargo handling is concentrated, thus making waterfront space available for other uses such as restaurants, warehouses and office buildings. I think it is clear that the early Yankee ingenuity has been passed on to succeeding generations.

Further evidence of this inheritance of getting things done with maximum effect is the North Terminal Area development. Just as Beacon Hill is being preserved so that the exquisite architecture of an historic era will live on, the people of Boston are showing comparable determination to rehabilitate the North Station-Charlestown area.

Shipbuilding, too, continues to be one of the Boston area's great contributions to the national strength and economy. Bethlehem's Quincy Shipyard is one of the country's largest and finest shipbuilding complexes. I note that this yard has completed two modern ships for the United States Lines out of a six-ship contract. Also, the yard recently completed the largest merchant ship ever built in this country or operated under the United States flag -- the 106,500 deadweight ton tanker, MANHATTAN, and has built a number of other super tankers. While on the subject of shipbuilding and ship operation, today is a good occasion to recall that one of Boston's most famous sons, Mr. Joseph P. Kennedy, was the first chairman of the U. S. Maritime Commission when it was created in 1936. Under him, the report on the "Economic Survey of the U. S. Merchant Marine" became the first clear chart for the future after a long period of maritime quiescence.

In speaking of maritime matters, it is appropriate to comment on some of the

D-862

activities of the Coast Guard. To some of you it may be interesting to know that the Coast Guard, one of the five armed forces of the United States should be in the Treasury -- it is, of course, a part of the Navy in time of war. The reason for its being part of the Treasury Department goes back to the origin of the Coast Guard in 1790 when Alexander Hamilton was the first Secretary of the Treasury. Mr. Hamilton was deeply concerned over the loss of revenue the nation was suffering because of smugglers. President Washington thought that the Congress would be adverse to the expenditure of any substantive amount of money to fight smuggling. Secretary Hamilto argued that 10 cutters could do this job, and so the Coast Guard was organized, with its first operations in this state.

Massachusetts leads the nation in Coast Guard facilities. It has 30 major vessels operating out of Bay State ports. In addition there are two bases, an air station, a captain of the port office, 14 lifeboat stations, 17 light stations, two loran stations, two marine inspection offices, the International Ice Patrol Office, a radio station, four recruiting stations, a supply depot, 14 reserve units and a district office.

Coastguardsmen who man these facilities provide shore and port protection agains smuggling and sabotage. Marine inspection of the maritime industry is another of their duties. They also operate aids to navigation so necessary to safe and efficien marine operations. And, of course, the Coast Guard will search for, and do everythin in its power to rescue, anyone in distress on the high seas and other navigable water

Last year these operating programs of the Coast Guard brought nearly $17,000,000 to Massachusetts through military pay and allowances, civilian salaries, maintenance and other expenses, while construction projects, such as replacing lightships with fixed structures provided about another three-quarters of a million dollars.

Then, too, the Bureau of Customs continues to play a most important role in the large cargo operations and passenger travel through the Port of Boston. It has been gratifying that Customs has been working diligently toward the goal of passing on with speed and courtesy that vast majority of Americans who obey import laws and regulations. In that connection, I am pleased to say that Philip Nichols, a former Bostonian and the Commissioner of Customs is doing an outstanding job.

But, I should like to talk about two other matters that are of great importance to the Treasury and the nation. I refer to the balance of payments and the Administration's tax program. I shall address myself to the latter issue first.

All of you must have been encouraged by the performance of the latest business indicators that show an upturn from the plateau on which the economy has been operati While they augur well for the production of goods and services, the near 6 percent rate of unemployment still is high, and the nation's rate of economic growth is lower than in most other industrialized nations. There is a need, therefore, to foster a more rapidly expanding economy at home while moving closer to a reasonable balance in our international payments.

But it appears difficult to achieve those goals with the present tax system. It was primarily designed in the years when inflation was an omnipresent danger, and when the United States had few, if indeed any, competitors in foreign and domestic markets. Gradually the situation changed. The pent-up domestic demand was filled.

wartime allies rebuilt their economies, employed successfully new technologies for
it and equipment and therefore became highly competitive with the United States.

But the American tax system did not change with the times. By 1961, high tax
es, outmoded depreciation regulations and other tax features were exerting a
ressing force on the economy. The President initiated a number of important tax
posals designed to adapt the country's tax system to the new demands of the Sixties.
maritime industry, along with others, has benefited from the changes already made
will benefit still more if the President's most recent proposals are adopted.

Revision of depreciation guidelines was the first relief measure. These new
es shortened substantially the write-off time for maritime industry equipment and
plified the procedure for computing depreciation. For various types of vessels the
rage life, for depreciation purposes, was reduced by an average of 50 percent. Under
old regulations there were 19 different classifications for various kinds of ships.
useful life of these 19 items ranged from 25 years up to 60 years for certain
sels. The median useful life in the 19 categories was 38 years. The new guidelines
lude all ships, barges, tugs and similar equipment in a single category with a useful
e of 18 years, which is 20 years less than the median age previously assigned to
ilar assets.

Machinery and equipment used in shipbuilding had been assigned useful lives of
a 20 to 25 years. Under the new regulations all of these items were combined into
ingle category and assigned a useful life of 12 years, which resulted in an average
uction of 47 percent.

Compared with the old regulations, the new guidelines permit shipowners to double
amount of depreciation taken on vessels when they compute net income.

Increased depreciation reduces tax liabilities, increases cash flow, and encourages
iness to modernize plant and equipment. The new schedules should also encourage
maritime industry to take advantage of advanced technology, and I am sure that all
you so closely associated with shipping agree that fine as many of the American
ft are, improvement could be made. For example, Vice Admiral Sylvester, Deputy Chief
Naval Operations, recently said that 94 percent of American dry cargo ship tonnage
more than 15 years old, which of course places the nation at a competitive disadvantage

Finally, I should like to point out that under the new procedure, businesses are
ouraged to use for tax purposes shorter depreciable lives than those in the guide-
es, provided the item is actually replaced in that time.

The maritime industry has also benefited from the investment tax credit that passed
t year, which provides that in the first year a new asset is used, 7 percent of its
t can be deducted from the company's tax liability. Unused credits may be carried
k for three years, but not past December 31, 1961, and carried forward for five
rs. This form of tax credit is a direct incentive to investment in capital goods,
luding, of course, ships. But to qualify for the credit, the vessels must be
istered under the American flag.

The maritime industry, in common with others, has a great deal to gain from the
sident's program of tax reduction and reform, which is now before the House Ways
l Means Committee.

Tax rates of individuals would be slashed from their present range of 20 to 91 percent to a range of 14 to 65 percent by 1965. One-fourth of the cut would go into effect in 1963, three-fourths in 1964, and the full cut in January 1965. Considering responsible fiscal policy, such substantial cuts are feasible only if some of the Federal revenues lost in the process are regained by broadening the tax base.

Corporate tax rates would also be reduced from 52 to 47 percent in two stages. The rate would be dropped to 50 percent in 1964 and to 47 percent in 1965. This five percentage point reduction would increase the profitability of new investment in, say, ships by nearly 10 percent. This is on top of the depreciation guidelines and the investment tax credit that have already increased the profitability of new investment by 20 percent.

Small companies would be particularly fortunate under the proposed new tax measur The rate on the first $25,000 of taxable corporate income would fall to 22 percent from the present 30 percent, a reduction of 27 percent. This would result in an immed tax reduction of $233 million in 1963 for the 467,500 companies, including many in the maritime industry, with incomes of $25,000 or less. Corporations with incomes of more than $25,000 would also benefit: combined with the lowered overall rate of 47 percent a corporation with $50,000 of income would enjoy a 16 percent tax reduction, one with $100,000 of income, a 12-1/2 percent cut.

The tax cuts for business would result in higher after-tax income, thus increasin earnings available for expansion, research and development, new product introduction and larger dividends, or a combination of these. The tax program would help to allevi one of the most persistent deterrents to the growth of small enterprises -- the lack of capital for expansion.

The immediate benefits of the tax program to companies in the maritime and other industries should not overshadow the most important objective behind the proposals, which is to hasten recovery to full employment in the next few years and to step-up the economy's rate of growth over a longer period. Tax reduction now will increase consumer and corporate spending, lead to the employment of resources now idle, and encourage more vigorous investment in new plant and equipment.

If we were operating at full employment levels of output, our total output of goods and services would be some $30 to $40 billion greater than it is now. This would mean more trade, both foreign and domestic, and more business for the maritime industry and other shippers.

Such a spur to economic activity, with its concomitant strengthening of American competitive power, would contribute to the solution of the nation's balance of payments problem. As you know, the balance of payments is the dollar difference between all government and private transactions with other countries. Most of the time since World War II we have had an unfavorable balance, largely because of the need to maintai armed forces overseas, which the American people consider to be in the interest of the free world. Our exports have exceeded imports, but not in a sufficient degree to offset the other drains on the dollar.

The deficits in the payments balance in the three years before this Administration came into power averaged $3.5 billion. As a result of President Kennedy's vigorous ittack on this problem, in the past two years that figure has been cut to $2.2 billion. Ilso, the nation's gold loss, which was about $1.5 billion from 1958 through 1960, has iropped below $1 billion in each of the last two years.

What can we do to bring about a reasonable equilibrium in our balance of payments? l self-defeating way would be to place restrictions on our foreign trade and financial relations. Or we might even discontinue meeting our vital commitments overseas, but no responsible government would accede to such a course. The answer, then, is to increase exports, and of course a meaningful contribution that could be made is to carry more of our own exports and imports and indeed, of all types of world trade, in American ships.

The United States exports proportionately less of her economic output than any major industrial nation of the world: in relation to gross national product, Italy sells three times as much abroad as we do, and Germany nearly four times.

In 1962, only 8.8 percent of American exports and imports were carried in American bottoms. This contrasts with 80 percent for Russia, 62.6 percent for France, 53 percen for the United Kingdom, 49.2 percent for Norway, and 33.4 percent for West Germany. Notwithstanding, the balance of payments position of the United States was benefited, probably, in an amount exceeding one-half billion dollars.

But surely that situation could be improved, for when one breaks down the figures, it is clear that the American competitive edge could be sharpened. In 1961, the most recent year for which complete figures are available, 9.4 percent of American imports and exports were shipped in the nation's vessels. But look at how that figure derives: liner dry cargo was at a respectable, although improvable, 29.9 percent. However, other dry cargo was only 6.9 percent and tanker 3 percent. From this, I am sure you can see what an important contribution the maritime industry could make to the balance of payments problems.

The Government is doing all it can to help exporters find new markets abroad. As one official of the Government said some time ago, "We are insisting that the commercial attachés in our embassies finish their paper work promptly in the morning, and then get out and sell." He didn't mean that literally, but he did mean the attachés are doing the spade work so American businessmen can follow up with a better chance of getting the orders.

The Trade Expansion Act of 1962 provided the essential tools for world wide tariff bargaining, especially with the Common Market nations. But in the final analysis, it will be American businessmen, including those in the maritime industry, who must take the initiative to get the business. I am confident that they will do just that, and particularly you enterprising New Englanders. If export business thrives, I believe that the legislation and other measures the Government has initiated and will initiate, will successfully work toward a balance in our international payments. Moreover, I believe that we will achieve that goal at a higher level of trade for the United States and other nations, and therein lies the inherent economic strength that, along with the will of its people, is the power of the Free World.

In closing, I would like to comment on a recent decision of the Supreme Court requiring the Interstate Commerce Commission to allow railroads serving North Atlanti ports to reduce export-import freight rates to prices enjoyed by Southern port rail carriers. The significance of this decision to the Port of Boston is self-evident. Henceforth, railroads serving this area can compete more effectively and it should enhance the prospects of the growth of this great port. I thank you.

oOo

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 February 28, 1963, (90 days remaining until maturity date on August 29, 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 May 31, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 31, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, May 22, 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 May 31, 1963 , in the amount of $ 2,100,860,000 , as follows:

90 -day bills (to maturity date) to be issued May 31, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated February 28, 1963 , and to mature August 29, 1963 , originally issued in the amount of $800,153,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated May 31, 1963 , and to mature November 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/Daylight Saving ~~Standard~~ time, Monday, May 27, 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

D-863

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 22, 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 May 31, 1963, in the amount of $ 2,100,860,000, as follows:

90-day bills (to maturity date) to be issued May 31, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated February 28, 1963, and to mature August 29, 1963, originally issued in the amount of $800,153,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated May 31, 1963, and to mature November 29, 1963.

The bills of both series will be issued on a discount basis unde competitive and noncompetitive bidding as hereinafter provided, and a maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, May 27, 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 February 28, 1963,(90-days remaining until maturity date on August 29, 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 May 31, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 31, 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.

oOo

TREASURY DEPARTMENT

579

WASHINGTON, D.C.

May 22, 1963

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, MAY 24, 1963

MERLE E. ROBERTSON APPOINTED
KENTUCKY SAVINGS BONDS CHAIRMAN

Secretary of the Treasury Douglas Dillon on May 20 appointed Merle E. Robertson volunteer State Chairman of the Kentucky Savings Bonds Committee. Mr. Robertson is Chairman of the Board and President of the Liberty National Bank and Trust Company in Louisville. He succeeds the late Lee P. Miller, who had served as State Chairman from his appointment in June, 1961, until his death last fall.

In announcing the appointment for the customary period of two years, 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."

Mr. Robertson has been one of Kentucky's leading volunteer supporters of the Savings Bonds program since World War II. His appointment as State Chairman of the Savings Bonds Committee climaxes over twenty years of active participation in the promotion of U. S. Savings Bonds.

Mr. Robertson has long been active in numerous civic, charitable, business and educational interest in Louisville and Kentucky. Currently, he is a member of the Board of Directors of Nazareth College; the University of Louisville's International Center; the Louisville Branch of the Federal Reserve Bank of St. Louis; Louisville Chamber of Commerce; and five business firms. He is also a member of the University of Louisville's Board of Overseers; the President's Civic Council, Bellarmine College; and is Treasurer of the Kentucky Independent College Foundation in Louisville. Mr. Robertson is one of two bankers who has served two terms as President of the Kentucky Bankers Association.

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 22, 1963

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, MAY 24, 1963

MERLE E. ROBERTSON APPOINTED
KENTUCKY SAVINGS BONDS CHAIRMAN

Secretary of the Treasury Douglas Dillon on May 20 appointed Merle E. Robertson volunteer State Chairman of the Kentucky Savings Bonds Committee. Mr. Robertson is Chairman of the Board and President of the Liberty National Bank and Trust Company in Louisville. He succeeds the late Lee P. Miller, who had served as State Chairman from his appointment in June, 1961, until his death last fall.

In announcing the appointment for the customary period of two years, 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."

Mr. Robertson has been one of Kentucky's leading volunteer supporters of the Savings Bonds program since World War II. His appointment as State Chairman of the Savings Bonds Committee climaxes over twenty years of active participation in the promotion of U. S. Savings Bonds.

Mr. Robertson has long been active in numerous civic, charitable, business and educational interest in Louisville and Kentucky. Currently, he is a member of the Board of Directors of Nazareth College; the University of Louisville's International Center; the Louisville Branch of the Federal Reserve Bank of St. Louis; Louisville Chamber of Commerce; and five business firms. He is also a member of the University of Louisville's Board of Overseers; the President's Civic Council, Bellarmine College; and is Treasurer of the Kentucky Independent College Foundation in Louisville. Mr. Robertson is one of two bankers who has served two terms as President of the Kentucky Bankers Association.

oOo

THE FUTURE OF THE ANTIDUMPING ACT

REMARKS OF JAMES POMEROY HENDRICK
DEPUTY ASSISTANT SECRETARY OF THE TREASURY, BEFORE
THE NATIONAL COUNCIL OF AMERICAN IMPORTERS
ON WEDNESDAY, MAY 22. 1963

It is with considerable trepidation that I come before you gentlemen today. You know the laws, the regulations, the practices in trade with other countries. Many of you know the Antidumping Act, the subject of today's discussion, intimately, and indeed some of you have attacked its administration bitterly.

My trepidation is the greater when I look at the topic put before us: "The Future of the Antidumping Act." Prediction as to what will happen is definitely not in my line. If you do not object, I would prefer to consider, not what the future of the Antidumping Act is actually going to be, but what alternatives appear on the horizon. Then if any of you decide you prefer one of these alternatives, and are not disciples of Tolstoy's theory that the trend of history is unaffected by individuals' efforts, you may wish to make your preference known in one way or another.

Just on the chance that there may be a few here who belong to the uninitiated, let me describe the Antidumping Act.

To take a fictitious example, we may suppose that the distillers in Scotland suddenly decide to produce bourbon whiskey. (In giving you this example I must assume - doubtful assumption! - that the Scots can produce a sippin' whiskey, bourbon type, which the United States drinkers will enthusiastically drink). The Scotch distillers sell this for $4.00 a bottle to purchasers in Scotland. They then decide to try the United States market. They sell it for $1.00 a bottle to purchasers in the United States. This constitutes selling at a dumping price or to use the technical term "selling at less than fair value," because the price to the United States is lower than the price in the foreign producer's home market. Let us suppose that these sales are in sufficient volume, or, though in small quantity, in sufficiently strategic markets, to injure bourbon whiskey producers in this country. We then have two elements: sales at a dumping price and injury to United States industry. Under these circumstances the Antidumping Act applies; and a special duty will be assessed to bring the $1.00 import price in the United States up to the $4.00 price in Scotland. The dumping duties therefore will be $3.00 per bottle.

That is essentially all there is to the Antidumping Act.

There are, it will be seen, two elements in dumping as defined by the law: price discrimination - i.e. a lower price to the United States market than in the producer's home market - and injury.

Whether there is price discrimination is decided by the Treasury Department.

Whether there is injury is decided by the United States Tariff Commission.

Calculation of price is, in theory, a simple matter - a problem in arithmetic. The major complications ordinarily come in connection with adjustments for varying circumstances of sale in the two markets - the foreign producer's home market sales and his sales to the United States. For example, the whiskey sold in Scotland may come in more or less costly bottles than the same whiskey imported into the United States. Adjustment must be made for this difference in making the price comparison between the price in Scotland and the price to the United States.

Injury is a far more complicated matter. Complicated, not because it takes more time to decide - ordinarily it takes less - but complicated because the Tariff Commission must deal with economics, which is an inexact science.

On the theory that the past is prologue, let me try to give some idea of what have been the important developments and trends in law, regulations, and administration up to now. After that I shall try to deal with the future.

THE LAW

We go back to 1916. A law was passed which made it a crime to sell at a dumping price with intent to injure. Offenders are to be put in prison. This law is still on the books but it has never been enforced.

In 1921 the basic Antidumping Act was passed. It makes extremely difficult reading but essentially it does nothing more than to provide for a dumping duty measured by the difference between a foreign producer's higher home price and lower price to the United States when United States industry is injured.

There have been two amendments to the 1921 law.

One passed in 1954, limited retroactive assessment of dumping duties to 120 days. The law also placed responsibility for determining whether there was injury in the Tariff Commission. Injury determinations had previously been made by the Treasury Department.

The second amendment was passed in 1958 and was the subject of my last appearance before your Council. Essentially, the amendment was designed to close a loophole by means of which certain importers were getting out from under a sensible but technically unavailable interpretation of the law. As a last minute addition, provision was made that an evenly split Tariff Commission decision meant a positive determination of injury - a move highly applauded by those favoring stronger protection of United States manufacturing.

REGULATIONS

No regulations of substantive importance were promulgated until 1955, at which time provisions were put into effect which were later incorporated into the 1958 amendment to the law to which I have referred.

Since then, however, there have been two important new regulations. One, issued in 1960, seriously cut down allowances of deductions for home market expenses such as selling, advertising and research costs. Another, issued in 1961, put an end to refunds by foreign producers of dumping duties charged against importers. Both these regulations have been widely criticized by free flow of trade protagonists.

ADMINISTRATION

Changes also have occured pursuant to shifts in administrative policies. In the very beginning, under President Harding, there were many dumping findings - 28 in the first two years. In the next ten years, under President Coolidge and President Hoover, there were 22 findings, an average of slightly over two a year. In the pre-war years of the Roosevelt administration the pace slowed down to an average of one finding per annum. During and immediately after World War II the law was forgotten, as might be expected - there was no need for it. Thereafter we find the record for President Eisenhower's eight years was three dumping findings; President Kennedy's total in two and a third years has totaled four.

In the past few years we have increased the proportion of cases in which appraisement was withheld, thus making possible retroactive assessment of dumping duties if there is a dumping finding. More cases have been sent to the Tariff Commission with determinations of sales below fair value, and while the Commission has found no injury in most of these, the number of positive dumping findings

55b

is now substantially as high as it ever has been except for the two years 1921 - 1922. In addition to this, a rather large number of cases involving sales at a dumping price have recently been spotted and disposed of pursuant to a technique developed since the 1954 split of authority amendment, designed to protect United States industry with a minimum of governmental interference.

This technique consists of closing out the case where (1) there have been sales at a dumping price but where (2) such sales are discontinued when brought to the dumper's attention and (3) assurance is given that in the future there will be no dumping. In the last two years there have been 20 such cases, an average of 10 a year, which is almost one third of the total number of cases processed during that period. Justification for such disposition is found in the regulations: one can close out a case where the volume of sales or the dumping margin is not more than insignificant. Ordinarily, in such cases, if dumping findings had been made the duties collectible would have been small, both in absolute terms and in relation to United States production figures.

Now in all cases of this sort we consult with the complainant before making a technical determination of no dumping, so as to give him the opportunity to present argument if he so chooses that the volume of sales at a dumping price or the dumping margin (price differential) are in fact significant. Such cases have been closed out without objection from the complainant. Typically the complainant has reasoned - I have got what I wanted; the sales at a dumping price have stopped; if the case goes to the Tariff Commission the Commission may find there is no injury and then the dumping sales can be resumed. So I'll let well enough alone and will not urge reasons for sending the case to the Tariff Commission.

There have been instances in which the complainant did nonetheless present argument designed to show that we should send a case to the Tariff Commission even though the potential dumping duties might be considered small and there was an undertaking not to sell at a dumping price in the future. In such instances the complainant has urged factors such as a sensitive market situation, easily upset even by a small volume of low priced sales. We have in all such instances so far agreed with the complainant that the case may properly be so handled, and these cases have, accordingly, been sent to the Tariff Commission. But quite obviously if in some future case we find the complainant does not establish that there is real justification, we are not going to waste the Tariff Commission's time by referring to it a case which does not meet the regulation's test of "more than insignificant."

Tariff Commission determinations as to what constitutes injury resemble in one respect court cases decided under the Napoleonic Code, as distinguished from case law in the United States or British common law jurisprudential system. That is to say, a decision may be made without establishing a binding precedent. However, we do get some rather clear guide lines from examination of the Commission's opinions. It is clear, for example, that the Commission up to now has been willing to consider injury to a distinct geographic area in the United States actionable under the law. Thus when United Kingdom cast iron soil pipe injured a relatively small number of California producers, that was "injury," though the far more important United States producers elsewhere in the country were unaffected. And when the New York area was found likely to be injured by Dominican cement imports, that justified a dumping finding even though imports of Dominican cement into Puerto Rico, which appears to be the more logical market for Dominican product, did not injure. It is not clear to what extent the Tariff Commission considers predatory intent a necessary ingredient in establishing injury. Commission decisions on this point have appeared sometimes to indicate it is, sometimes that it is not. The question as to whether or not there is injury when a high cost foreign producer sells below fair value at a price identical to that charged by a low cost foreign producer who sells not below fair value, is a point presently under consideration.

SUMMARY

Analysis of the past record shows a large number of dumping findings in 1921 and 1922, the first two years of the law's existence;

a subsequent decrease in the Coolidge - Hoover era, though this is generally considered a period of our history when protectionists were in the ascendancy; thereafter further limitation in activity until World War II brought trade to a standstill. Starting with the Eisenhower administration, increased activity. In 1958 an amendment to the law which is in one respect definitely restrictive. Thereafter increased withholding of appraisement - a restrictive trend. 1960 and 1961 amendments to the regulations which, again, are restrictive in trend. Dumping findings currently made at approximately the same rate as in the Coolidge - Hoover era. In addition, recently increased enforcement by a technique of closing out cases without reference to the Tariff Commission after price revisions which correct what is determined, without objection, to be insignificant dumping. This type of decision has lately been reached in almost a third of our cases. If we consider such decisions to constitute action under the law to eliminate dumping, and they do have that effect, the Kennedy administration is administering the Antidumping Act with far more vigor than has ever been displayed,since the first brief "honeymoon" period, in its forty-two year history.

THE FUTURE

Now as to the future.

The future of the Antidumping Act will depend upon who calls the signals. There are at least four groups one must reckon with as contenders for this assignment.

First, the protagonist of free flow of trade. He believes that if producers in any foreign country are making a particular product cheaper than we can, let's take advantage of the fact and buy the product. Even if they sell their surplus at a price no one here could compete with, that is O. K. as long as the price will remain consistently low. Dumping laws should apply only to sporadic, predatory, low price shipments designed to put our efficient producers out of business, so that the foreign producer, his monopoly in our market assured, can thereafter raise his prices at will.

Second, the protector of United States manufacturing. He believes that no shipment should be allowed into this country unless and until there is proof positive that the import price is not below the price in other markets. Any price discrimination should be met with severe retroactive penalties. If we are foolish enough to continue to include injury to United States industry as an element in dumping, then the loss of even a $1.00 sale by an American competitor should be considered injury.

Third, the reasonable man. He believes the Antidumping Act should be construed so as to protect against injurious dumping but, wherever feasible, not in such a way as to interfere unreasonably with increasing United States exports which, if they are to continue, must in general be matched by increasing United States imports.

Fourth, the bureaucrat who administers the law.

What are these four groups saying or doing today?

1. The protagonist of free flow of trade is, of course, anxious to have amendments to the law which will water it down. He pictures the average foreign producer as a person who, fearing the pitfalls of the American Antidumping Act, is unlikely to risk its application. If the foreign producer is found to have sold at a dumping price that will almost surely be because he did not realize the Treasury would disallow certain adjustments, such as those for quantity differentials or entertainment expenses, which he had considered entirely reasonable. The free flow protagonist knows - and this is a fact - that exact calculation in advance of what is or is not a dumping margin is often quite impossible. Therefore he expects that from time to time a foreign producer will, quite innocently, sell at a dumping price. He also feels that the foreign producer is at a disadvantage in the United States market - his deliveries are slow, his ability to fill repeat orders or to supply parts uncertain. Therefore he should be entitled to sell at a delivered price substantially below the American competition. In any event, the free flow protagonist believes significant sales below fair value occur so seldom and resultant injury to United States industry is so rare that this law should for the most part be put in a pigeon hole. The extreme free flow proponent simply can not conceive

that our great, powerful, efficient, intelligent American industries can really get hurt.

2. The protector of United States manufacturing presses for amendments to tighten up the law. He pictures the average foreign producer as a person who is perfectly willing to take his chances on being hit by the Antidumping Act. The foreign producer sells to us below home price either deliberately, or carelessly. His sole aim is to offe a price below the United States competition, which is his only way of getting acceptance in our market. Even if he is the rare exception who tries to avoid a dumping price, the fact that he may not guess right is no excuse. If he has any doubt whether Treasury will make allowances for circumstances of sale which will put him in the clear, then he should assume Treasury will not; he must take no chances, even though he thereby prices himself out of the market. Any dumping, no matter how small, is essentially an unfair trade practice. It must be punished when found. That low cost foreign imports may benefit American industries other than his own is a matter of no significance. The fact is the dyed-in-the-wool protector of United States manufacturing would be quite content if all imports were limited to coffee and bananas.

3. The reasonable man is almost never heard from.

4. The bureaucrat tries to figure out what he would do if he were a reasonable man, and acts accordingly. Let's hope that every once in a while he succeeds.

Here are some ideas which have been or may be advanced for a change in the situation. They are picked at random; the list is by no means all-inclusive. I express no judgment as to whether they are desirable or not. Some of them may appear to you headed in the right direction; others may not.

To the extent that the trend is toward the free flow of trade, we can expect, for one thing, amendments to the law or procedures directed toward eliminating or reducing withholding of appraisement. Withholding makes possible retroactive assessment of dumping duties. This is how it works. Once an import is appraised no further dumping duties may be assessed with respect to it. If, however, appraisement is withheld with respect to an entry, then dumping duties may be assessed on it even though the dumping finding is not made until weeks or months thereafter. The free flow of trade proponents urge that there is no need for retroactive assessment of dumping duties. They point out that with one (not completely parallel) exception European countries do not assess dumping duties retroactively and they urge that if the injurious sales at a dumping price are brought to a stop the objective of the law is accomplished without the need for assessment of duties which relate only to goods already landed and sold.

The free flow of trade proponents may also be expected to urge more liberal allowance of deductions against home price for expenses incurred in connection with sales in the home market not applicable to sales to the United States - salesmen's salaries, office rent, entertainment of prospective local customers, and so forth.

Besides this they will likely urge a more liberal interpretation by Treasury of the term "fair value." The law provides, as you know, that dumping shall be found if there is injury and sales below "fair value." Treasury construes "fair value" to mean the "fair market value," that is to say, the going price. If, as the free flow proponents urge, Treasury were to construe the word "fair" in the sense of "equitable" then it could exercise considerable discretion in determining whether to send cases to the Tariff Commission and it would refrain from sending over some cases of the kind which it now feels obliged to transmit. If, for example, a particular commodity is imported at a dumping price which, with inclusion of duty and transportation, is above the United States competitive product's price, and United States industry complained, Treasury would be compelled under its present strict construction of "fair value" to send the case to the Tariff Commission even though there might be no sense in taking such action. With a changed definition of "fair value" the case could, if the facts warranted, be dismissed at once.

It may be expected also that the free flow proponents will seek some means of limiting dumping duties in a case where (as with Dominican cement) the Tariff Commission injury decision relates only to one geographic area. In this way shipments below fair value imported into another area, where they do not injure, would not be subject to dumping duties.

In addition, provision might be asked for whereby retroactive dumping duties would be disallowed where the Tariff Commission decision is limited (again, as in the Dominican cement case) to future likelihood of injury.

Other amendments may be proposed along the lines of legislation heretofore introduced with the support of some here today who have advocated the free flow of trade. In particular, as indicated above, free flow proponents may be expected to ask that cases be dismissed unless the import is priced substantially below United States competition, and the sales are made with clearly evident predatory intent.

The protectors of United States manufacturing have recently been far more active than the free flow of trade proponents in getting proposed legislation introduced in Congress. Among other things they want withholding of appraisement at the earliest possible date - ordinarily within a couple of weeks after receipt of the complaint - unless the foreign producer has by then rather clearly shown that the complainant's allegations are unfounded. The protectors would have all of the complaints involving the same product considered simultaneously, so that the question of injury may be decided in the light of shipments from all countries. They are unconcerned that a particular problem relating to one case might hold up all the others for months. They would have every claimed quantity discount cost-justified instead of continuing the present more speedy system of allowing such discounts if actually and <u>bona fide</u> offered to all purchasers in the market under consideration. The protectors would also allow the complainants to have access to the foreign producers' confidential price data so that complainants could be in a position to check on the accuracy of the Treasury Department's arithmetical calculations. If Treasury made a negative determination as to sales below fair value, the protector would at that point allow the complainant to bring this issue before the courts for detailed review, with appraisement withheld all the while.

Both the free flow of trade protagonists and the protectors of United States manufacturing ask for speedier disposition of dumping cases. But some of the protectors' suggested amendments would tend to prolong rather than hasten the final determination - indeed the court review could keep the importer for years in doubt as to whether he should continue to import. Of course the fact is that doubt and delay can often stop imports more effectively than imposition of dumping duties. This being so, the extreme protector will try to prolong each case - particularly one he fears he may lose - as long as he possibly can. It is to the credit of many fair minded United States industrialists that they have not advocated this policy.

We bureaucrats have been by no means deaf to the sounds around us. Last autumn an interdepartmental committee was established to review procedures under the Antidumping Act. Mr. Audett, who is here today, was chairman of that committee. The committee members concentrated their attention principally on one question: What can we do to speed up the processing of cases? Statistics showed an average of 430 days per case. Everyone agreed that was too long, far too long. The committee came up with a series of suggested changes in procedure designed to cut the 430 days to 200. These changes have now been adopted. The Customs staff devoted to processing of cases has been increased. In addition, other improvements have been worked out which Mr. Audett can report to you.

Now let me make some predictions as to the future.

Prediction #1. Processing of cases will be substantially speeded unless amendments to the law are adopted which slow us up.

Prediction #2. The battle between the free flow of trade protagonists and the protectors of United States manufacturing will get hotter within the next few years, unless in the meantime one side surrenders.

Prediction #3. If the free flow protagonists get their way completely a good number of our United States industries could have a really tough time.

Prediction #4. If the protectors get their way completely a good part of our international trade could be reduced to insignificance.

Prediction #5. Even if one side were to get all it wanted, it would never admit it was satisfied.

Prediction #6. (Really this is a prayer rather than a prediction.) Neither side will get all it wants.

Prediction #7. The trend will favor one side or the other depending on the attitude of this government toward international trade. To the extent such trade is considered an essential part of our well-being, the tendency will be toward a construction of the Antidumping Act which will tolerate unimportant sales that are somewhat below foreign home market prices, and will in general consider the foreign producers innocent until proved guilty as we lay out the welcome mat for them. Ideally, from this standpoint, the Antidumping Act will become almost completely forgotten. To the extent, on the other hand, that international trade is considered a less than essential element in our economy, the tendency will be toward a construction of the Antidumping Act which will consider dumping a crime, even though it will probably not be punished by a jail sentence; which will consider every foreign producer a potential dumper and require him to prove beyond a reasonable doubt that he is in the clear before his product may be landed on our shores.

Prediction #8. Changes in direction which we may make in our legislation or administration will be met by corresponding changes in other countries' legislation or administration. Our exports may increase or be curtailed in consequence.

Prediction #9. There will be many proponents of change in this country. They will all have one element in common; none of them will ever admit that the changes they propose are either "free trade" or "protectionist." They will all claim to be "middle of the roaders" devoted only to the best interests of these United States . . . Indeed this claim is even made by the bureaucrat, who at the present moment - I can not tell you what will happen tomorrow - is not advocating any legislative change whatsoever.

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
SENATE FINANCE COMMITTEE
ON THE
DEBT LIMIT
THURSDAY, MAY 23, 1963
10:00 A.M., EDST

Under existing law, the temporary debt limit dropped from $308 billion to $305 billion on April 1, 1963, and is scheduled to decline to $300 billion on June 25, 1963. Should the existing temporary legislation be allowed to expire without further action, the debt ceiling would revert to the permanent level of $285 billion on July 1, 1963.

The graduated reductions established in the debt limit legislation for fiscal 1963 were specifically designed to take care of the seasonal borrowing requirements of the Government under the assumption of a balanced budget. This was clearly indicated in the Hearings before the Senate Finance Committee on June 26, 1962, when I stated:

> "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."

While the prospect of a balanced budget in fiscal year 1963 was admittedly dubious at the time of last year's legislation, it did not appear practical to legislate on any other basis. This was specifically recognized in the report of the Finance Committee which stated:

> "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."

Unfortunately, a balanced budget has not eventuated. As you are aware, the administrative budget deficit for fiscal 1963 was estimated in the January Budget Message at $8.8 billion. While the budget outlook for fiscal 1963 has improved somewhat since the January estimate, we still face a deficit in the neighborhood of $8 billion.

As a consequence of the substantial fiscal 1963 deficit, the graduated reductions in the debt limit cannot be permitted to run their course. Our present projections show that the debt will rise from the present level of $304.0 billion to

$305.6 billion on May 31, a figure $600 million in excess of the present debt limit. From the May 31 level of $305.6 billion, the debt is projected to rise to $306.8 billion in the second week of June, a level $1.8 billion in excess of the present debt limit. On June 25, when the present temporary debt ceiling is scheduled to fall to $300 billion, our projections indicate that the debt will be $304.2 billion, $4.2 billion in excess of the limit. This would place the Treasury and the country in an impossible situation. On July 1, when the debt ceiling reverts to the permanent level of $285 billion, the debt is estimated at $305.3 billion, $20.3 billion in excess of the limit.

The present debt limit legislation was based on a premise which has not been realized. It is not consistent with the financial facts of life which the Treasury must face. It is, therefore, imperative that the debt limit be raised if the financial obligations of the United States, at home and abroad, are to be met.

I am here today to urge the approval of H. R. 6009, which would provide a $307 billion temporary debt limit through the end of the current fiscal year and a $309 billion debt limit

for the period July 1 through August 31, the first two months of fiscal year 1964.

For the past few years the Congress has, prior to the end of each fiscal year, authorized temporary debt ceilings for the entire ensuing fiscal year. H. R. 6009 departs from this custom by providing a limit that will expire on August 31st, after which the debt limit would, in the absence of further Congressional action, return to its permanent level of $285 billion. The reason for this action is that estimates for the fiscal year 1964 must take account of the tax program presently before the Congress. The House of Representatives felt that the prospects for the tax program would be clearer by August. And, by then, the overall outline of fiscal year 1964 appropriations will also be clearer. For these reasons it was felt that a decision on the level of next year's debt limit should be postponed until August.

The temporary debt limits provided by H. R. 6009 are at the absolute minimum levels needed by the Treasury for the proper management of the debt and the Treasury's cash balance between now and the end of August. These proposed limits are tight, so tight that they provide little or no room for meeting unforeseen contingencies. The $307 billion debt limit provides only a $200 million leeway over our mid-June projected debt level of $306.8 billion. Our projections show the debt will actually exceed the $309 billion level during the last two days of August.

The limits in the House bill are lower than those we requested. Our request to the Ways and Means Committee was for $308 billion through June 30th and $310 billion thereafter. The Committee reduced these figures by $1 billion each. We told the Committee that, while we could not recommend the adoption of such tight figures, we would do our best to live with them.

Because of the short period of time involved in the debt limit extension provided by H. R. 6009, the Ways and Means Committee requested the Treasury to supply figures showing the estimated debt and cash balance for each day up through August 31st. These daily projections are the best estimates we can produce, but they cannot be considered highly reliable. Long experience has shown that actual daily receipts and expenditures can, and often do, vary from estimates by as much as several hundred million dollars in either direction. This is true of estimates looking ahead 30 days or less and, of course, would be far more likely in the case of daily estimates looking over three months into the future. For periods longer than 30 days, the type of semi-monthly estimates we have furnished the Congress in the past would seem to be the most appropriate basis for assessing debt limit requirements. The daily estimates furnished to the House Committee at its request do, of course, indicate the general trend of the debt and the cash balance. Since the House action was based upon daily cash and debt figures through the end of August, I am including our latest daily estimates for this period as an attachment to this statement.

In undertaking to operate within the very tight limits set forth in H. R. 6009, the Treasury is making three assumptions: (1) that we can have a reasonable degree of confidence in our expenditure estimates, since they cover a period only three and one-half months into the future; (2) that the likelihood is relatively small that our revenues will fall below the estimated levels; and (3) that, since Congress will be in session throughout the period covered by the legislation, it would be possible to obtain new debt limit legislation promptly, if it should be required, without the necessity of calling a special session of the Congress. For longer periods of time a more adequate allowance for contingencies would be required, and debt limits as tight as those provided in H. R. 6009 would not be acceptable.

The preservation of the financial integrity of the United States is the primary mission and responsibility of the Treasury. It is for this very reason that we cannot willingly accept a debt limit which is so restrictive as to make it impossible to handle the finances of the United States Government in a prudent and responsible manner.

No one is more conscious than I of the necessity of keeping the expenditures of the Federal Government under firm control. This objective cannot be attained, however, by exerting controls at the tag end of the expenditure process, when the bills which must be paid are coming due. The debt limit is not, and cannot be made, a substitute for control of expenditures at the decisive stage of the expenditure process - - in the decisions on appropriations. A debt limit of $307 billion through June 30, 1963 and $309 billion from that date through August 31, 1963, will provide the absolute minimum degree of flexibility needed by the Treasury in handling the financial affairs of the Government. More restrictive debt limits than these would force the Treasury to resort to an array of unsound financial procedures of the sort which had to be used in 1957-58, procedures which, in the end, only add to the burdens of the taxpayers of this country. But apart from cost considerations, it is not in keeping with the status of the United States as banker to the free world to be placed in such a position. The financial community, both here and abroad, would be utterly dismayed should they find that the United States Treasury is no longer permitted to cope in a responsible manner with the routine requirements of fiscal affairs. The consequences of such a situation are fraught with danger for the safety and stability of the dollar.

It is for these reasons, which I believe are compelling, that I urge your prompt approval of H. R. 6009.

oOo

DAY-BY-DAY FOR PERIOD MAY 1 - AUGUST 31, 1963
(In billions of dollars)

Day	May 1963 Cash Bal. (Excl.Gold)	May 1963 Debt Subj. to Limit	June 1963 Cash Bal. (Excl.Gold)	June 1963 Debt. Subj. to Limit	July 1963 Cash Bal. (Excl.Gold)	July 1963 Debt Subj. to Limit	August 1963 Cash Bal. (Excl.Gold)	August 1963 Debt Subj. to Limit
April 30	5.3 *	303.4 *						
1	5.9 *	303.4 *			8.1	305.3	4.9	306.4
2	6.6 *	303.5 *			7.8	305.3	5.0	306.4
3	7.1 *	303.4 *	5.7	305.6	7.5	305.3		
4			5.2	305.6	H O L I	D A Y		
5			4.8	305.6	7.0	305.2	5.0	306.4
6	6.7 *	303.4 *	4.3	305.6			4.5	306.3
7	6.2 *	303.4 *	4.0	305.6			4.2	306.3
8	6.2 *	303.4 *			6.3	305.2	4.2	306.3
9	6.4 *	303.5 *			5.8	305.2	4.2	306.3
10	6.4 *	303.5 *	3.6	305.6	5.5	305.2		
11			3.4	305.6	5.3	305.2		
12			4.5	306.8	5.2	305.2	4.2	306.3
13	6.5 *	303.5 *	4.5	306.8			4.2	306.3
14	6.6 *	303.4 *	4.6	306.8			4.5	306.3
15	5.8 *	303.0 *			5.4	305.7	4.7	306.8
16	6.2 *	303.1 *			5.2	305.5	5.1	306.8
17	6.7 *	303.1 *	4.7	306.8	5.1	305.4		
18			5.1	306.7	5.0	305.4		
19			5.8	306.3	6.7	307.2	5.3	306.8
20	7.1 *	303.1 *	6.9	305.7			5.7	306.8
21	7.4	303.1	8.0	305.4			6.0	306.8
22	7.5	303.0			6.5	307.2	6.2	306.7
23	7.5	304.0			6.2	307.2	6.3	306.7
24	7.4	304.0	7.7	304.3	6.0	307.3		
25			7.8	304.2	5.8	307.3		
26			8.1	304.1	5.7	307.3	6.2	307.7
27	7.0	304.0	8.3	304.0			6.0	307.7
28	6.6	304.0	8.2	305.3			5.8	308.6
29	6.4	305.2			5.5	307.3	5.7	309.4
30	6.4	305.2			5.4	307.5	7.1	310.0
31	6.2	305.6			5.4	306.4		

* Actual

May 23, 1963

The Treasury Guard Force was honored for the completion of its 13th year of consecutive operation without a single lost-time injury. Secretary Dillon presented a Treasury Safety Council certificate to Chief James J. Rowley of the U. S. Secret Service and Captain Lloyd E. Glenn, head of the Guard Force which has responsibility for security of Treasury buildings.

The presentations were made at the Treasury Safety Council's annual meeting marking 15 years of operation of the department's accident prevention program, during which lost-time injuries and the related accident frequency rate were cut almost in half.

oOo

~~SUGGESTED TREASURY NEWS RELEASE~~ ~~5-15-63~~

~~Washington~~, May 23, 1963

Immediate Release ~~(Presentation At 1100 P.M.)~~

SECRETARY DILLON PRESENTS TREASURY SAFETY AWARDS

Secretary of the Treasury Douglas Dillon today presented awards to the U. S. Coast Guard and the Treasury Guard Force in recognition of these two units' contributions to the Treasury Department's safety record.

The Coast Guard's "Safety News," a quarterly publication devoted to accident prevention, received the National Safety Council's Award of Merit for "exceptional service in the promotion of safety." This was the fourth such award made to the publication. It was accepted in behalf of the publication staff by Admiral Edwin J. Roland, Coast Guard commandant, and Lt. Cmdr. Richard Hodges, editor of "Safety News."

~~NOTE: (Admiral F. J. Fabik, Chief of the Office of Engineering, will accept the award if Admiral Roland is unable to be present~~

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 23, 1963

FOR IMMEDIATE RELEASE

SECRETARY DILLON PRESENTS TREASURY SAFETY AWARDS

Secretary of the Treasury Douglas Dillon today presented awards to the U.S. Coast Guard and the Treasury Guard Force in recognition of these two units' contributions to the Treasury Department's safety record.

The Coast Guard's "Safety News," a quarterly publication devoted to accident prevention, received the National Safety Council's Award of Merit for "exceptional service in the promotion of safety." This was the fourth such award made to the publication. It was accepted in behalf of the publication staff by Admiral Edwin J. Roland, Coast Guard Commandant, and Lt. Cmdr. Richard Hodges, editor of "Safety News."

The Treasury Guard Force was honored for the completion of its 13th year of consecutive operation without a single lost-time injury. Secretary Dillon presented a Treasury Safety Council certificate to Chief James J. Rowley of the U.S. Secret Service and Captain Lloyd E. Glenn, head of the Guard Force which has responsibility for security of Treasury buildings.

The presentations were made at the Treasury Safety Council's annual meeting marking 15 years of operation of the Department's accident prevention program, during which lost-time injuries and the related accident frequency rate were cut almost in half.

oOo

selectively, to bring into the world money system the strength of the surplus countries.

In conclusion, I would like to re-emphasize that despite the fact that the decision is indeed difficult the United States is continuing a policy of avoiding what may seem to some to be the "easy" outs, which are in fact not easy but destructive, not only of our own system but of the world trade and payments system. Thus, U. S. policy is currently following two mutually reinforcing courses: keen and continuous efforts to solve the balance of payments problem by relying on the market mechanisms, and equally intense and consistent efforts to keep the world money system running without disturbance in the meantime.

system, while, proceeding in an orderly way toward equilibrium in our own balance of payments, has required something new in the way of a variety of financing devices, in turn made possible only through international monetary cooperation. We have developed cooperatively a growing network of financial arrangements among monetary authorities. Together with the Special Borrowing Arrangements in the International Monetary Fund, these provide a strong defense of the international payments system against speculation. We are now developing this co-operation into another stage, which involves the neutralizing, in certain cases, of accumulating excess dollar holdings of some surplus countries through offering them special Treasury securities denominated in their own currencies. This ~~It~~ also provides a source of foreign currencies for use at times when we can usefully operate in them, with the cooperation of the other central banks involved, but would ~~do~~ not otherwise have an adequate supply of the currencies on hand. This is not only a financing technique but at the present time also supplies a possible way of putting their holdings to use the absence of effective capital markets, which we are also trying to encourage. In essence, it represents the development of credit devices to provide liquidity area of costs and prices. We have been experiencing a remarkable degree of price stability, whereas prices are still rising in the countries that compete with our exports.

This brings us full circle in my brief comments on financial policies and the U. S. balance of payments. I began with the emphasis ~~in~~ we have placed on policies ~~on~~ aimed at getting a market solution to the balance of payments problem in the context of an expanding world trade and an effective payments mechanism. Since we are relying on a market solution to our payments problem, this of necessity takes time and means that we are subject to all of the uncertainties and unpredictabilities of market processes. But in my judgment it means much more than this, namely that:

(1) To get a truly lasting solution we must accept the balance of payments disciplines and not try to avoid them by drastic actions such as attempting to produce a crisis level of interest rates

(2) Subjecting ourselves to the balance of payments disciplines means that the country must be kept alert to the problem and its implications, and your efforts as leading bankers and citizens in your communities have been and can be helpful on this score. But we must do even more to bring an awareness of this problem into the consciousness of the private sector of the economy.

(3) At the same time, the process of trying to provide the reserve currency vital to the present world payments

to follow a moderately stimulative policy, while Treasury debt management relied heavily on the advance refunding technique, involving minimal market impact in achieving significant debt lengthening. Success in the latter may be symbolized by the increase in the average length of the marketable public debt from 4 years 7 months at the outset of 1962 to the current figure of 5 years 1 month.

Finally, and most important in terms of our efforts to "solve" the balance of payments problem, are the continuing policy efforts, both financial and non-financial, to increase the already very favorable U. S. balance on private trade in goods and services. For in a fundamental sense this has to be the source of any real and lasting solution of the balance of payments problem. Specific measures have been taken to improve export credit and credit insurance facilities, to increase services in various ways to American businesses interested in export markets, and to extend that interest to other firms. The real key, of course, is in the competitive position of U. S. industry. This is a central objective of the Administration's tax program (including last year's investment tax credit and liberalization of the rules and procedures governing tax treatment of depreciable equipment) and of our continuing efforts to maintain cost-price-wage stability. The incentives for productive new investment will assist our domestic industry in making the technological and other changes essential to maintaining -- and improving -- its competitive position. The tax program also should result in encouraging investment flows in and toward the United States and may provide greater freedom of action to the monetary authorities. In short, this means that we are encouraging the natural forces of adjustment already working in our direction in the

585

foreign buyers -- the financial counterpart of this Nation's accelerated efforts to sell goods abroad.

On the short-term capital outflow side, ~~while there was~~ in spite of a marked reduction last year -- perhaps in the order of $1/2 billion -- there was still a large outflow. Consequently, we have kept up our efforts to maintain short-term rates of interest in reasonable relationship internationally by the coordination of Federal Reserve policy and Treasury debt management moves. The objective has been to maintain a level of rates which would provide no significant incentive for short-term money to move abroad for interest rate reasons. Both monetary policy and debt management have been directed toward this end.

The role of debt management has been to promote a sustained upward supply pressure on bill yields through timely additions to the supply of Treasury bills. Last year, the Treasury added nearly $8 billion to the outstanding volume of weekly and one-year bills. At the same time, through the use of the new "pre-refunding" technique to reduce the outstanding volume of short coupon debt, as well as through the stretchout of maturing debt, the net increase in debt under one year was limited last year to less than $1-1/2 billion, or roughly twenty per cent of the increase in the debt in calendar 1962. In short, upward pressure on bill rates was maintained without contributing to excessive liquidity in the economy. In order to provide a monetary climate conducive to desired expansion in the domestic economy, however, the Federal Reserve continued

588

flagged the issue publicly in Rome a year ago, developments have been clearly in the right direction. They are perhaps most vividly illustrated in the case of Italy, which has taken several steps to provide a better institutional basis for a developing capital market. We continue to believe that the U. S. market is used in large part because of its advantageous facilities and the availability of savings, not simply because of an interest differential. This is most clearly evident in the fact that a high proportion -- around one-third -- of new foreign security issues floated publicly here are purchased by foreigners. The New York market serves, and we certainly hope will continue to serve, in the role of a financial entrepot for a world employing the dollar as the principal reserve currency. Furthermore, analysis of new foreign issues, totaling more than $1 billion in our market last year, indicates that the largest amount went to Canada, and a sizeable, though lesser, amount went to Japan -- both are countries with which we have a substantial trade surplus. Less than $200 million flowed to Europe through this channel.

There is a problem, however, ~~The real problem~~, as Secretary Dillon noted in a recent speech in New York, in the area of private placements, which accounted for the bulk of the dollar outflow last year on foreign security issues. Clearly, a private placement arranged solely with American lenders leaves no room for foreign participation, even when potentially interested buyers exist. As a result, Secretary Dillon called on the financial community in this country to strive to develop its techniques for selling securities to roughly a plus $4 billion and a minus $3 billion, and a minus $3 billion, netting out to around a $2 billion deficit.

In each of these three major sectors -- trade and service account, government account, capital account -- we have been continuing our efforts to try to improve our balance of payments. First of all, on government account there has been constant effort to try to squeeze down on the dollar drain. On the military expenditures account these efforts, principally representing the military offset arrangements, reduced the net dollar drain last year to around $2 billion, with continuing gross expenditures unchanged around the $3 billion level. The Department of Defense some time ago indicated a further substantial intended reduction ~~toward~~ in the balance of payments impact by fiscal year 1966. Similarly, on the economic aid side, our efforts to tie aid to domestic procurement in the U. S. have reduced the dollar drain to near the $1 billion level. Because of the time lag between aid commitments and deliveries some further reduction in the balance of payments impact of aid expenditures will result from efforts already made. ~~Thus~~ Now it is estimated that some 80 per cent of economic aid dollars currently are tied to U. S. exports. Even more directly, the adoption of the so-called "gold budget" has meant a careful and continuing review of all government expenditures abroad by all government departments and agencies.

On the capital account side, U. S. policy has continued to be one of firmly resisting any move toward restrictions on the use of our capital markets while lending every possible encouragement to a broadening, deepening, and widening of capital markets abroad. Since Secretary Dillon

Second,
(2) The United States has refused to reverse its traditional stand and adopt exchange controls or otherwise interfere with capital movements. We have not intruded into the free flow of funds into and out of our capital markets.

Third, United States
(3) The U. S. has refused to so reduce its overseas military and economic spending programs in a manner that would impair the essential effectiveness of those programs.

United States
(4) Finally, and most importantly, the U. S. has steadfastly refused to contemplate a devaluation of the dollar which could only serve to undermine its underpinning of the world payments system. No reliance has been placed on methods which interfere with the convertibility of the dollar at a fixed rate of exchange. We have kept inviolate the policy of purchasing and selling gold at $35 an ounce. A corollary of this has been our defense of the gold reserve underlying the dollar, a defense which has been conducted along lines consistent with our other principles.

Turning to those things which we <u>have</u> done in a positive sense implementing this same basic policy philosophy and orientation, I will give a quick catalogue of our efforts-- and more particularly our financial policies -- against the background of what may be an ~~a~~ heroic abstraction and oversimplification in terms of the actual balance of payments figures. Last year we ended up with an over-all deficit of something slightly over $2 billion -- a slight improvement over 1961 and well below the level of 1958-60 deficits of just under $4 billion. On trade and service account we had a commercial surplus of somewhat over $4 billion; on government account a dollar drain -- apart from debt receipts -- of around $3 billion; on private U. S. capital account a recorded dollar drain of around $3 billion plus. On an oversimplified basis, then, it was

$3-1/2-4 billion range in 1958-60. In the early 1950's our deficits continued to provide dollars useful in the free world reconstruction process with a minimal outflow of gold. In contrast, in the three years prior to 1961 the gold outflow amounted to around $5 billion.

In meeting this problem the United States has once again taken the more difficult course and continued to accept its responsibility for world leadership. Our whole approach to the balance of payments problem, evidenced in our related financial policies, has been <u>not</u> to take those actions that would be inimical to our entire system and our objectives throughout the world -- <u>not</u> to take those disruptive steps which would simply "stop", without solving, the balance of payments deficit in its tracks, but rather to take those steps which would in fact "solve", or at least lead to a more lasting solution of, the balance of payments problem consistent with our basic principles and objectives.

Those things which we have <u>not</u> done by way of policy in meeting our balance of payments problem are, therefore, just as important to point up as those which we have done. In concrete terms:

First,

(1) The United States has refused to restrict ordinary commercial trade by curbing imports through general tariff increases or trade embargoes. We have, of course, properly put restrictions on <u>non-commercial</u> trade by tying the procurement of goods financed under our foreign economic and military aid programs. That kind of action is entirely appropriate in a country in external deficit having substantial unemployment at home and committed to the maintenance of a fixed exchange rate. But we have resisted any move that would constrict, rather than expand, world trade for commercial purposes.

590

FOR RELEASE: ON DELIVERY

TREASURY DEPARTMENT
Washington

REMARKS OF J. DEWEY DAANE
DEPUTY UNDER SECRETARY OF THE TREASURY
FOR MONETARY AFFAIRS
AT THE ANNUAL SPRING CONFERENCE OF THE
SOUTHEASTERN CHAPTER, ROBERT MORRIS ASSOCIATES
THE CLOISTER HOTEL, SEA ISLAND, GEORGIA
MONDAY, MAY 27, 1963 10:45 am EST

FINANCIAL POLICIES AND THE BALANCE OF PAYMENTS

It was my privilege to address a similar Spring Conference of Robert Morris Associates in Asheville, North Carolina, just fifteen years ago this month. I spoke then on the subject of the Marshall Plan, stressing that it clearly was a difficult decision for us to accept our responsibilities for world leadership and, correspondingly, to accept the full economic implications and consequences of our mutual efforts to assist the recovery of the Western world.

I do not intend to labor the striking changes that have since occurred in the world trade and payments system. At that time the rest of the free world seemingly was confronted with a chronic "dollar shortage", and we were bending every effort to supply the dollars needed for European reconstruction. Today, however, we are confronted with a serious balance of payments problem and bending every effort to defend the dollar. In fact, the U. S. balance of payments problem emerged in the intervening post World War II period. Since 1950, with the exception of 1957, the U. S. has run a deficit in its balance of payments, averaging nearly $1-1/4 billion per year in the early 1950's and then jumping to a

D-863

TREASURY DEPARTMENT
Washington

FOR RELEASE: ON DELIVERY

REMARKS OF J. DEWEY DAANE
DEPUTY UNDER SECRETARY OF THE TREASURY
FOR MONETARY AFFAIRS
AT THE ANNUAL SPRING CONFERENCE OF THE
SOUTHEASTERN CHAPTER, ROBERT MORRIS ASSOCIATES
THE CLOISTER HOTEL, SEA ISLAND, GEORGIA
MONDAY, MAY 27, 1963
10:45 A.M., EST.

FINANCIAL POLICIES AND THE BALANCE OF PAYMENTS

It was my privilege to address a similar Spring Conference of Robert Morris Associates in Asheville, North Carolina, just fifteen years ago this month. I spoke then on the subject of the Marshall Plan, stressing that it clearly was a difficult decision for us to accept our responsibilities for world leadership and, correspondingly to accept the full economic implications and consequences of our mutual efforts to assist the recovery of the Western world.

I do not intend to labor the striking changes that have since occurred in the world trade and payments system. At that time the rest of the free world seemingly was confronted with a chronic "dollar shortage", and we were bending every effort to supply the dollars needed for European reconstruction. Today, however, we are confronted with a serious balance of payments problem and bending every effort to defend the dollar. In fact, the U. S. balance of payments problem emerged in the intervening post World War II period. Since 1950, with the exception of 1957, the U. S. has run a deficit in its balance of payments, averaging nearly $1-1/4 billion per year in the early 1950's and then jumping to a $3-1/2-$4 billion range in 1958-60. In the early 1950's our deficits continued to provide dollars useful in the free world reconstruction process -- with a minimal outflow of gold. In contrast, in the three years prior to 1961 the gold outflow amounted to around $5 billion.

In meeting this problem the United States has once again taken the more difficult course and continued to accept its responsibilitie for world leadership. Our whole approach to the balance of payments problem, evidenced in our related financial policies, has been not to take those actions that would be inimical to our entire system and our objectives throughout the world -- not to take those disruptive steps which would simply "stop", without solving, the balance of payments deficit in its tracks, but rather to take those steps which would in fact "solve", or at least lead to a more lasting solution of, the balance of payments problem consistent with our basi principles and objectives.

Those things which we have not done by way of policy in meetin our balance of payments problem are, therefore, just as important t point up as those which we have done. In concrete terms:

(1) The United States has refused to restrict ordinary commercial trade by curbing imports through general tariff increases or trade embargoes. We have, of course, properly put restrictions on non-commercial trade by tying the procurement of goods financed under our foreign economic and military aid programs. That kind of action is entirely appropriate in a country in external deficit having substantial unemployment at home and committed to the maintenance of a fixed exchange rate. But we have resisted any move that would constrict, rather than expand, world trade for commercial purposes.

(2) The United States has refused to reverse its traditional stand and adopt exchange controls or otherwise interfere with capital movements. We have not intruded into the free flow of funds into and out of our capital markets.

(3) The United States has refused to so reduce its overseas military and economic spending programs in a manner that would impair the essential effectiveness of those programs.

(4) Finally, the most importantly, the United States has steadfastly refused to contemplate a devaluation of the dollar which could only serve to undermine its underpinning of the world payments system. No reliance has been placed on methods which interfere with the convertibility of the dollar at a fixed rate of exchange. We have kept inviolate the policy of purchasing and selling gold at $35 an ounce. A corollary of this has been our defense of the gold reserve underlying the dollar, a defense which has been conducted along lines consistent with our other principles.

Turning to those things which we have done in a positive sense implementing this same basic policy philosophy and orientation, I will give a quick catalogue of our efforts -- and more particularly our financial policies -- against the background of what may be an heroic abstraction and oversimplification in terms of the actual balance of payments figures. Last year we ended up with an over-all deficit of something slightly over $2 billion. -- a slight improvement over 1961 and well below the level of 1958-60 deficits of just under $4 billion. On trade and service account we had a commercial surplus of somewhat over $4 billion; on government account a dollar drain -- apart from debt receipts -- of around $3 billion, on private U. S. capital account a recorded dollar drain of around $3 billion plus. On an oversimplified basis, then, it was roughly a plus $4 billion and a minus $3 billion, and a minus $3 billion, netting out to around a $2 billion deficit.

In each of these three major sectors -- trade and service account, government account, capital account -- we have been continuing our efforts to try to improve our balance of payments. First of all, on government account there has been constant effort to try to squeeze down on the dollar drain. On the military expenditures account these efforts, principally representing the military offset arrangements, reduced the net dollar drain last year to around $2 billion, with continuing gross expenditures unchanged around the $3 billion level. The Department of Defense some time ago indicated that it hoped to cut even this reduced figure in half by fiscal year 1966, with significant parts of this further reduction to be made each year. Similarly, on the economic aid side, our efforts to tie aid to domestic procurement in the U. S. have reduced the dollar drain to near the $1 billion level. Because of the time lag between aid commitments and deliveries some further reduction in the balance of payments impact of aid expenditures will result from efforts already made. Now it is estimated that 80 per cent of economic aid dollars currently are tied to U. S. exports. Even more directly, the adoption of the so-called "gold budget" has meant a careful and continuing review of all government expenditures abroad by all government departments and agencies.

On the capital account side, U. S. policy has continued to be one of firmly resisting any move toward restrictions on the use of our capital markets while lending every possible encouragement to a broadening, deepening, and widening of capital markets abroad. Since Secretary Dillon flagged the issue publicly in Rome a year ago, developments have been clearly in the right direction. They are perha most vividly illustrated in the case of Italy, which has taken several steps to provide a better institutional basis for a developing capital market. We continue to believe that the U. S. market is used in large part because of its advantageous facilities and the availability of savings, not simply because of an interest differential. This is most clearly evident in the fact that a high proportion -- around one-third -- of new foreign security issues floated publicly here are purchased by foreigners. The New York market serves, and we certainly hope will continue to serve, in the role of a financial entrepot for a world employing the dollar as the principal reserve currency. Furthermore, analysis of new foreign issues, totaling more than $1 billion in our market last year, indicates that the largest amount went to Canada, and a sizeable, though lesser, amount went to Japan -- both are countries with which we have a substantial trade surplus. Less than $200 million flowed to Europe through this channel.

There is a problem, however, as Secretary Dillon noted in a recent speech in New York, in the area of private placements, which accounted for the bulk of the dollar outflow last year on foreign security issues. Clearly, a private placement arranged solely with American lenders leaves no room for foreign participation, even when potentially interested buyers exist. As a result, Secretary Dillon called on the financial community in this country to strive to develop its techniques for selling securities to foreign buyers the financial counterpart of this Nation's accelerated efforts to se goods abroad.

On the short-term capital outflow side, in spite of a marked reduction last year -- perhaps in the order of $1/2 billion -- there was still a large outflow. Consequently, we have kept up our efforts to maintain short-term rates of interest in reasonable relationship internationally by the coordination of Federal Reserve policy and Treasury debt management moves. The objective has been to maintain a level of rates which would provide no significant incentive for short-term money to move abroad for interest rate reasons. Both monetary policy and debt management have been directed toward this end.

The role of debt management has been to promote a sustained upward supply pressure on bill yields through timely additions to the supply of Treasury bills. Last year, the Treasury added nearly $8 billion to the outstanding volume of weekly and one-year bills. At the same time, through the use of the new "pre-refunding" technique to reduce the outstanding volume of short coupon debt, as well as through the stretchout of maturing debt, the net increase in debt under one year was limited last year to less than $1-1/2 billion, or roughly twenty per cent of the increase in the debt in calendar 1962. In short, upward pressure on bill rates was maintained without contributing to excessive liquidity in the economy. In order to provide a monetary climate conducive to desired expansion in the domestic economy, however, the Federal Reserve continued to follow a moderately stimulative policy, while

Treasury debt management relied heavily on the advance refunding technique, involving minimal market impact in achieving significant debt lengthening. Success in the latter may be symbolized by the increase in the average length of the marketable public debt from 4 years 7 months at the outset of 1962 to the current figure of 5 years 1 month.

Finally, and most important in terms of our efforts to "solve" the balance of payments problem, are the continuing policy efforts, both financial and non-financial, to increase the already very favorable U. S. balance on private trade in goods and services. For in a fundamental sense this has to be the source of any real and lasting solution of the balance of payments problem. Specific measures have been taken to improve export credit and credit insurance facilities, to increase services in various ways to American businesses interested in export markets, and to extend that interest to other firms. The real key, of course, is in the competitive position of U. S. industry. This is a central objective of the Administration's tax program (including last year's investment tax credit and liberalization of the rules and procedures governing tax treatment of depreciable equipment) and of our continuing efforts to maintain cost-price-wage stability. The incentives for productive new investment will assist our domestic industry in making the technological and other changes essential to maintaining -- and improving -- its competitive position. The tax program also should result in encouraging investment flows in and toward the United States and may provide greater freedom of action to the monetary authorities. In short, this means that we are encouraging the natural forces of adjustment already working in our direction in the area of costs and prices. We have been experiencing a remarkable degree of price stability, whereas prices are still rising in the countries that compete with our exports.

This brings us full circle in my brief comments on financial policies and the U. S. balance of payments. I began with the emphasis we have placed on policies aimed at getting a market solution to the balance of payments problem in the context of an expanding world trade and an effective payments mechanism. Since we are relying on a market solution to our payments problem, this of necessity takes time and means that we are subject to all of the uncertainties and unpredictabilities of market processes. But in my judgment it means much more than this, namely that:

(1) To get a truly lasting solution we must accept the balance of payments disciplines and not try to avoid them by drastic actions such as attempting to produce a crisis level of interest rates.

(2) Subjecting ourselves to the balance of payments disciplines means that the country must be kept alert to the problem and its implications, and your efforts as leading bankers and citizens in your communities have been and can be helpful on this score. But we must do even more to bring an awareness of this problem into the consciousness of the private sector of the economy.

(3) At the same time, the process of trying to provide the reserve currency vital to the present world payments system, while proceeding in an orderly way toward equilibrium in our own balance of payments, has required something new in the way of a variety of financing devices, in turn made possible only through international monetary cooperation. We have developed cooperatively a growing network of financial arrangements among monetary authorities. Together with the Special Borrowing Arrangements in the International Monetary Fund, these provide a strong defense of the international payments system against speculation. We are now developing this cooperation into another stage, which involves the neutralizing, in certain cases, of accumulating excess dollar holdings of some surplus countries through offering them special Treasury securities denominated in their own currencies. This also provides a source of foreign currencies for use at times when we can usefully operate in them, with the cooperation of the other central banks involved, but would not otherwise have an adequate supply of the currencies on hand. This is not only a financing technique but at the present time also supplies a possible way of putting their holdings to use in the absence of effective capital markets, which we are also trying to encourage. In essence, it represents the development of credit devices to provide liquidity selectively, to bring into the world money system the strength of the surplus countries.

In conclusion, I would like to re-emphasize that despite the fact that the decision is indeed difficult the United States is continuing a policy of avoiding what may seem to some to be the "easy" outs, which are in fact not easy but destructive, not only of our own system but of the world trade and payments system. Thus, U. S. policy is currently following two mutually reinforcing courses: keen and continuous efforts to solve the balance of payments problem by relying on the market mechanisms, and equally intense and consistent efforts to keep the world money system running without disturbance in the meantime.

o0o

TREASURY DEPARTMENT

598

WASHINGTON, D.C.

May 27,1963

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS FOR FIRST QUARTER OF 1963

During the first quarter of 1963, the net sale of monetary gold by the United States amounted to $96.1 million. The Treasury's quarterly report, made public today, summarizes net monetary gold transactions with foreign governments, central banks, and international institutions. (Table on reverse side.)

The total decrease in U.S. gold stock in the first quarter of 1963 was $111 million, including the net sale of $15 million worth of gold for domestic industrial, professional, and artistic uses.

D-866

(OVER)

UNITED STATES NET MONETARY GOLD TRANSACTIONS

WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1963 - March 31, 1963

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

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

Country	First Quarter 1963
Austria	-30.0
Brazil	+16.5
Cambodia	-2.3
Egypt	-.4
France	-101.3
Iran	-5.9
Spain	-70.0
Syria	-.1
Turkey	-8.5
United Kingdom	+106.5
Yugoslavia	-.4
All Other	-.1
Total	-96.1

(Figures do not add to total because of rounding.)

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 27, 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 France, except as to importations from the firm of Societe Metallurgique de Normandie, 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 France during 1962 was approximately $7,000,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 27, 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 France, except as to importations from the firm of Societe Metallurgique de Normandie, 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 France during 1962 was approximately $7,000,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPA[illegible]
Tuesday, May 28, 1963.

RES[illegible]

The Treasury [illegible]
Tr[illegible]
[illegible]
[illegible]
[illegible]
The details of the two series [illegible]

RANGE [illegible]
COM[illegible]

[illegible]

a/ Excepting three tenders tota[illegible]
63 percent [illegible]
83 percent [illegible]

TOTAL TENDERS APPLI[illegible]

Di[illegible]				
[illegible]				
[illegible]				
[illegible]hia				
[illegible]				
[illegible]				
[illegible]				
[illegible]				
[illegible]				
[illegible]s				
[illegible]ty				
[illegible]				
[illegible]sco				
[illegible]				

[illegible]

In[illegible]
interest payment period [illegible]
compounding if more than one coupon [illegible]

D-867

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 28, 1963.

May 27, 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 February 28, 1963, and the other series to be dated May 31, 1963, which were offered on May 22, were opened at the Federal Reserve Banks on May 27. Tenders were invited for $1,300,000,000, or thereabouts, of 90-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:	90-day Treasury bills maturing August 29, 1963		:	182-day Treasury bills maturing November 29, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.260 a/	2.960%	:	98.462	3.042%
Low	99.255	2.980%	:	98.453	3.060%
Average	99.257	2.974% 1/	:	98.455	3.055% 1/

a/ Excepting three tenders totaling $2,100,000
63 percent of the amount of 90-day bills bid for at the low price was accepted
83 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 24,656,000	$ 24,079,000	:	$ 18,291,000	$ 3,049,000
New York	1,514,178,000	927,508,000	:	1,082,650,000	617,360,000
Philadelphia	30,602,000	15,602,000	:	8,261,000	3,261,000
Cleveland	20,124,000	19,503,000	:	16,810,000	15,743,000
Richmond	8,542,000	8,542,000	:	4,689,000	2,689,000
Atlanta	26,305,000	23,305,000	:	7,379,000	6,879,000
Chicago	235,451,000	1155,101,000	:	145,532,000	54,888,000
St. Louis	31,133,000	22,043,000	:	7,782,000	6,182,000
Minneapolis	19,944,000	15,204,000	:	6,006,000	3,489,000
Kansas City	20,501,000	20,186,000	:	5,690,000	5,573,000
Dallas	23,068,000	14,698,000	:	7,892,000	2,892,000
San Francisco	79,333,000	56,243,000	:	100,319,000	79,429,000
TOTALS	$2,033,837,000	$1,302,014,000 b/		$1,411,301,000	$801,434,000 c/

b/ Includes $192,722,000 noncompetitive tenders accepted at the average price of 99.257
c/ Includes $49,290,000 noncompetitive tenders accepted at the average price of 98.455
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.04%, for the 90-day bills, and 3.15%, 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 semi-annual compounding if more than one coupon period is involved.

D-867

802

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 28, 1963.

May 27, 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 February 28, 1963, and the other series to be dated May 31, 1963, which were offered on May 22, we opened at the Federal Reserve Banks on May 27. Tenders were invited for $1,300,000,0 or thereabouts, of 90-day bills and for $800,000,000, or thereabouts, of 182-day bill The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	90-day Treasury bills maturing August 29, 1963		:	182-day Treasury bills maturing November 29, 1963	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv Annual Rate
High	99.260 a/	2.960%	:	98.462	3.042%
Low	99.255	2.980%	:	98.453	3.060%
Average	99.257	2.974% 1/	:	98.455	3.055% 1/

a/ Excepting three tenders totaling $2,100,000
63 percent of the amount of 90-day bills bid for at the low price was accepted
83 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 24,656,000	$ 24,079,000	:	$ 18,291,000	$ 3,049,000
New York	1,514,178,000	927,508,000	:	1,082,650,000	617,360,000
Philadelphia	30,602,000	15,602,000	:	8,261,000	3,261,000
Cleveland	20,124,000	19,503,000	:	16,810,000	15,743,000
Richmond	8,542,000	8,542,000	:	4,689,000	2,689,000
Atlanta	26,305,000	23,305,000	:	7,379,000	6,879,000
Chicago	235,451,000	155,101,000	:	145,532,000	54,888,000
St. Louis	31,133,000	22,043,000	:	7,782,000	6,182,000
Minneapolis	19,944,000	15,204,000	:	6,006,000	3,489,000
Kansas City	20,501,000	20,186,000	:	5,690,000	5,573,000
Dallas	23,068,000	14,698,000	:	7,892,000	2,892,000
San Francisco	79,333,000	56,243,000	:	100,319,000	79,429,000
TOTALS	$2,033,837,000	$1,302,014,000 b/		$1,411,301,000	$801,434,000

b/ Includes $192,722,000 noncompetitive tenders accepted at the average price of 99.257
c/ Includes $49,290,000 noncompetitive tenders accepted at the average price of 98.455
1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide yields of 3.04%, for the 90-day bills, and 3.15%, for t 182-day bills. Interest rates on bills are quoted in terms of bank discount with return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day yea 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 semi-annu compounding if more than one coupon period is involved.

D-867

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 March 7, 1963, (91 days remaining until maturity date on September 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 June 6, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 6, 1963. Cash

604

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, May 29, 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 June 6, 1963, in the amount of $ 2,102,211,000, as follows:

91 -day bills (to maturity date) to be issued June 6, 1963, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated March 7, 1963, and to mature September 5, 1963, originally issued in the amount of $ 800,547,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000, or thereabouts, to be dated June 6, 1963, and to mature December 5, 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/Daylight Saving time, Monday, June 3, 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

2-858

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 29, 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 June 6, 1963, in the amount of $ 2,102,211,000, as follows:

91-day bills (to maturity date) to be issued June 6, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated March 7, 1963, and to mature September 5,1963, originally issued in the amount of $ 800,547,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated June 6, 1963, and to mature December 5, 1963.

The bills of both series will be issued on a discount basis und competitive and noncompetitive bidding as hereinafter provided, and maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, June 3, 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 receive 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-868

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated March 7, 1963, (91-days remaining until maturity date on September 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 June 6, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 6, 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.

oOo

Mr. Bowman is a member of the American and Georgia State Bar Associations. He is a member of Phi Delta Thelta and the Phi Delta Phi fraternaties. He has been active in Barnsville, Georgia, civic and religious activities.

He is married to the former Isabella Nichols of GRIFFIN, Georg.

Mr. and Mrs. Bowman have a son, Joseph Nichols, (~~eight~~ seven) ~~two~~, and a daughter Mary Bayne, (age) five. ~~three and~~

reside at 3204 Old Dominion Boulevard, Alexandria, Virginia.

oOo

607

DRAFT (TREASURY INFORMATION LETTERHEAD)

May ~~28,~~ 31 1963

FOR IMMEDIATE RELEASE

JOSEPH M. BOWMAN NAMED DEPUTY ASSISTANT TO THE SECRETARY OF THE TREASURY (CONGRESSIONAL RELATIONS)

The Treasury today announced the appointment of Joseph M. Bowman as a Deputy Assistant to the Secretary of the Treasury. Mr. Bowman will serve as assistant to Joseph W. Barr, Assistant to the Secretary, in carrying out his responsibilities of Congressional liaison and related duties.

Mr. Bowman comes to the Treasury from the Department of Labor where he served as Congressional Liaison Officer. Before that, he was Legislative Assistant to Congressman John J. Flynt of Georgia. Prior to Government service, Mr. Bowman was a partner in the Barnsville, Georgia, law firm of Kennedy, Kennedy, Seay and Bowman, 1959-1962.

Born at Valdosta, Georgia, June 23, 1931, Mr. Bowman received his education in the public schools of Quitman, Georgia, and his LLB degree in 1957 from Emory University. He served as a navigator with the U.S. Air Force from 1952 to 1956, attaining the rank of Captain.

x — 869

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 31, 1963

FOR IMMEDIATE RELEASE

JOSEPH M. BOWMAN NAMED DEPUTY ASSISTANT TO THE
SECRETARY OF THE TREASURY (CONGRESSIONAL RELATIONS)

The Treasury today announced the appointment of Joseph M. Bowman as a Deputy Assistant to the Secretary of the Treasury. Mr. Bowman will serve as assistant to Joseph W. Barr, Assistant to the Secretary, in carrying out his responsibilities of Congressional liaison and related duties.

Mr. Bowman comes to the Treasury from the Department of Labor where he served as Congressional Liaison Officer. Before that, he was Legislative Assistant to Congressman John J. Flynt of Georgia. Prior to Government service, Mr. Bowman was a partner in the Barnesville,Georgia, law firm of Kennedy, Kennedy, Seay and Bowman, 1959-1962.

Born at Valdosta, Georgia, June 23, 1931, Mr. Bowman received his education in the public schools of Quitman, Georgia, and his LLB degree in 1957 from Emory University. He served as a navigator with the U. S. Air Force from 1952 to 1956, attaining the rank of Captain.

Mr. Bowman is a member of the American and Georgia State Bar Associations. He is a member of Phi Delta Thelta and the Phi Delta Phi fraternities. He has been active in Barnesville, Georgia, civic and religious activities.

He is married to the former Isabella Nichols of Griffin, Georgia. Mr. and Mrs. Bowman have a son, Joseph Nichols, seven, and a daughter, Mary Bayne, five, and they reside at 3204 Old Dominion Boulevard, Alexandria, Virginia.

oOo

D-869

DATE LOANED	BORROWER'S NAME	PHONE NUMBER
2/4/76	Beltain	2438

Treas.
HJ
10
.A13P4 U.S. Treasury Dept.

AUTHOR

Press Releases

TITLE

v.136

DATE LOANED	BORROWER'S NAME	PHONE NUMBER
2/4/76	Beltan	2438