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United States Savings Bonds Issued and Redeemed Through September 30, 1963
(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstanding of Amt. Issued
MATURED				
Series A-1935 - D-1941	5,003	4,990	13	.26
Series F & G-1941 - 1950	28,512	28,383	129	.45
UNMATURED 3/				
Series E:				
1941	1,827	1,541	286	15.65
1942	8,073	6,834	1,239	15.35
1943	12,998	10,992	2,006	15.43
1944	15,132	12,661	2,471	16.33
1945	11,844	9,707	2,137	18.04
1946	5,324	4,139	1,185	22.26
1947	5,015	3,717	1,298	25.88
1948	5,166	3,722	1,445	27.97
1949	5,082	3,572	1,510	29.71
1950	4,432	3,029	1,403	31.66
1951	3,838	2,608	1,229	32.02
1952	4,018	2,665	1,352	33.65
1953	4,569	2,835	1,734	37.95
1954	4,611	2,726	1,885	40.88
1955	4,773	2,786	1,988	41.65
1956	4,584	2,684	1,900	41.45
1957	4,305	2,438	1,867	43.37
1958	4,161	2,192	1,969	47.32
1959	3,888	2,001	1,887	48.53
1960	3,867	1,828	2,039	52.73
1961	3,876	1,614	2,262	58.36
1962	3,729	1,318	2,410	64.63
1963	2,308	366	1,942	84.14
Unclassified	514	526	- 12	--
Total Series E	127,931	88,500	39,431	30.82
Series H (1952 - Jan. 1957) 3/....	3,670	1,375	2,295	62.53
H (Feb. 1957 - 1963)	5,665	671	4,995	88.17
Total Series H	9,336	2,046	7,290	78.08
Total Series E and H	137,267	90,546	46,721	34.04
Series F and G (1951 - 1952).....	1,008	815	4/ 192	19.05
Series J and K (1952 - 1957)	3,702	2,018	1,684	45.49
Total Series F, G, J and K	4,710	2,833	1,876	39.83
All Series: Total matured	33,515	33,373	142	.42
All Series: Total unmatured	141,977	93,379	48,597	34.23
All Series: Grand Total	175,492	126,752	48,739	27.77

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.

BUREAU OF THE PUBLIC DEBT

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BUREAU OF THE PUBLIC DEBT

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, October 1, 1963.

September 30, 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 July 5, 1963, and the other series to be dated October 3, 1963, which were offered on September 25, were opened at the Federal Reserve Banks on September 30. 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 January 2, 1964		:	182-day Treasury bills maturing April 2, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.148	3.371%	:	98.234 a/	3.493%
Low	99.136	3.418%	:	98.218	3.525%
Average	99.139	3.406% 1/	:	98.223	3.515% 1/

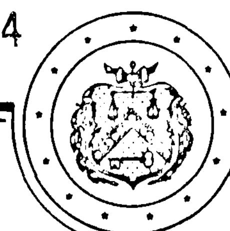
a/ Excepting one tender of $300,000
13 percent of the amount of 91-day bills bid for at the low price was accepted
55 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 25,813,000	$ 15,813,000	:	$ 4,247,000	$ 4,247,000
New York	1,502,439,000	903,439,000	:	946,612,000	609,112,000
Philadelphia	25,792,000	10,792,000	:	9,439,000	4,439,000
Cleveland	40,149,000	40,149,000	:	11,846,000	11,846,000
Richmond	13,872,000	12,872,000	:	2,124,000	2,124,000
Atlanta	21,613,000	15,699,000	:	5,180,000	5,180,000
Chicago	202,570,000	118,260,000	:	101,476,000	48,676,000
St. Louis	35,148,000	28,600,000	:	21,877,000	20,377,000
Minneapolis	25,615,000	20,510,000	:	5,542,000	4,542,000
Kansas City	27,148,000	27,148,000	:	15,417,000	15,417,000
Dallas	22,322,000	14,452,000	:	9,272,000	8,822,000
San Francisco	103,916,000	90,151,000	:	72,405,000	65,665,000
TOTALS	$2,046,397,000	$1,301,185,000 b/	:	$1,205,437,000	$800,447,000 c/

b/ Includes $221,287,000 noncompetitive tenders accepted at the average price of 99.139
c/ Includes $60,289,000 noncompetitive tenders accepted at the average price of 98.223
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.49%, for the 91-day bills, and 3.64%, 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 period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



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But adequate liquidity will not make our machinery of adjustment work automatically, nor can its development be safely put off until emergencies arise. Instead, its effective use will require governments of all nations with a stake in a liberal trading order to work together continuously in many areas: in developing a mix of domestic policies appropriate to external circumstances -- in adjusting trade policies -- in sharing the burdens of aid and defense -- in providing long-term capital -- and in eliminating rigidities and inefficiencies in their economies that impede and distort the adjustment process. That willingness, I believe, is now being demonstrated more fully than at any time in the past. This is the real source of my confidence -- not only that the United States will restore balance in its own accounts, we intend in any event -- but also that a true equilibrium can be restored within a framework of expanding trade, flourishing growth, and monetary stability.

that these adjustments must take place, for no workable international monetary system will allow a nation to continue to run a deficit -- or for that matter a surplus -- for an indefinite period.

The critical question is how the adjustments are to be made. Balance can be -- and too often in the past has been -- forced by measures that endanger domestic stability or the prospects for growing trade. Those alternatives are not open to us today if the bright promise of all that has been accomplished since Bretton Woods is to be fulfilled. Nor can the industrialized countries afford to undermine the defenses of freedom or to withdraw their support of the developing nations.

The only realistic solution is to find effective ways for reconciling the requirements of a convertible currency system based on fixed exchange rates with the freedom of each nation to pursue domestic growth and stability. No methods will work instantaneously, and one prerequisite to their proper functioning is the availability of adequate liquidity -- in the form of international reserves or ready access to credit. The studies now being launched provide fresh assurance that these liquidity needs will be met effectively in the more distant future, just as they are being met effectively today.

But adequate

freedom of markets toward which we have all worked in the postwar period carries with it the implication that short-term interest rates in the major trading countries must inevitably be kept reasonably well in line with each other.

Both problems and opportunities are implicit in these circumstances. Domestic objectives will sometimes limit the practicable range of fluctuation in interest rates that can be undertaken for facilitating balance of payments adjustment. But, since the margin between rate relationships that attract or repel short-term funds is likely to be relatively narrow, it will usually be feasible to encourage small changes in short-term rates in the interest of speeding restoration of international equilibrium without disturbing the domestic economy.

Most promising of all in terms of facilitating the adjustment process is the increasingly close and continuous consultation on these matters that has developed in the forums provided by this institution, by the Organization for Economic Co-operation and Development, and elsewhere. This has been particularly evident in the area of short-term capital flows and interest rates. But we are also coming to understand that this same kind of consultation and cooperation is essential in other areas as well. We know that any adjustment demands offsetting changes in the position of deficit and surplus nations. We also know, in the last analysis,

that these

The impediments to the development of more adequate European capital markets are currently under close and continuing study within the Organization for Economic Co-operation and Development, and progress is beginning to be visible. As efforts to improve European capital markets come to fruition and the remaining controls and restrictions are eliminated -- and as our own domestic demands for capital put increased pressures upon our supply of savings -- there is every reason to believe that the nee for extraordinary action of the kind we are now taking will be eliminated.

When the Fund was established, there was great apprehension that sudden and massive short-term capital movements might again become a disruptive influence as they had in the disturbed climat of the 1930's. Gratifying progress has been made in developing sturdy defenses against such threats to our convertible currency system through the concerted cooperative efforts of the industrial countries. A chain of new facilities for coping with such pressur is now in place and tested, and there are grounds for confidence the processes of adjustment can be shielded from perverse speculat flows in the future.

With the restoration of convertibility, however, it has beco apparent that a sizable volume of capital is ready to move from country to country in response to relatively small shifts in interest rates. Thus, the stability of exchange rates and

a rough alignment with those in most other industrialized countries. The purpose is quite simple -- to speed the essential redirection of capital flows in a manner comparable to an equivalent, but presently impracticable, rise in our entire structure of interest rates.

We view this tax solely as a necessary -- but temporary -- expedient to meet a specific situation that has arisen in large part out of a structural imbalance in the capital markets of the free world. Borrowers from deficit and surplus countries alike converge upon the New York market, not only because of our lower structure of long-term interest rates -- since equivalent or lower rates can be found in at least two other countries -- but because it is still the only source for international capital in whatever size and form desired, freely available to any borrower able to meet the normal market test of creditworthiness, and offering highly efficient distribution facilities with low issuing costs. In contrast, potential alternative markets are in most cases subject to official controls or have difficulty in supplying the needed funds in the volume required. And, with few exceptions, they are characterized by high and rigid rate structures. In the face of this situation, we must temporarily help to redirect the demands pressing on our market through a tax that will increase the costs of long-term borrowing here by foreigners.

The impediments

to generate large savings, continue to supply reasonable amounts of capital to aid the development of other nations. But, it is perfectly clear that maintenance of outflows at the recent pace, far from being a constructive force in world payments, would soon put intolerable strains on the international monetary systemmeas a whole.

As our program of tax reduction takes hold and there are stronger incentives to employ a larger portion of our savings at home, normal market forces will work strongly in the direction of reducing this outflow of long-term capital to more tolerable levels. But the experience of the past year makes clear that we cannot rely on these longer-term forces of adjustment to meet our immediate problem. Nor is it feasible to speed the process of adjustment by artificial attempts to force our entire structure of long-term interest rates sharply and suddenly higher. If possible at all in the face of the huge supply of savings flowing into our markets, this course of action would require so drastic a tightening of credit as to seriously jeopardize the prospects for domestic expansi

In this situation, we have recommended enactment of a temporary Interest Equalization Tax which will have the effect of raising the costs of portfolio capital in our market by 1% for borrowers in the developed countries abroad. This will bring these costs into

a rough

commitments are fully reflected in actual disbursements, only some 10% of the aid from our various foreign assistance programs will be provided in the form of dollars. At the same time, I believe that we must guard against any tendency to make the "tying" of aid into a subtle new form of protection for home industries. Rather, the logic of our efforts to expand multilateral trade and promote international efficiency through competition among the producers of all nations demands that it be used as a temporary device, reserved for periods of balance of payments strains.

With forces of adjustment underway in both our Government and our commercial trade accounts, the most pressing problem in terms of our balance of payments has been the recent acceleration in the outflow of long-term capital. The net outflow of such capital during the first half of this year reached an annual rate of $3.8 billion. This was fully $1.3 billion higher than the already substantial figures for 1962, and nearly double the rate maintained over the years 1959-1961. While some of this recent increase stems from direct investment, a flood of new foreign borrowings totaling nearly $1 billion in only six months was the major factor. This is Considerably more than three ~~about four~~ times the volume we have been accustomed to.

It is entirely consistent with restoration of full equilibrium in international payments that the United States, with its capacity

to generate

context, is an inescapable part of the kind of world we live in. But we are also learning that methods of handling these Government out-payments, and more appropriate distribution of their balance of payments impact, can also contribute to the adjustment process without subverting their essential purpose.

Important savings have already been made in this area, reducing net outflows under our defense and aid programs from $3.8 billion in 1960 to $3.0 billion in 1962. A large portion of this improvement can be traced to the recognition by some European countries of their growing capacity to assume a greater share of the foreign exchange costs of the common defense. As a result, the drain on our payments from maintaining our troops in Germany and Italy is now virtually fully offset by their purchase of military equipment and supplies from the United States -- equipment which, because of the size and flexibility of our ~~armaments~~ defense industry, can be produced more rapidly and more economically in the United States than in their own countries. Thus these arrangements have simultaneously strengthened the free world's military and economic defenses.

In addition, we have adopted a policy of providing the great bulk of our economic aid to developing countries in the form of goods and services, so that it can be brought within the limits of our capacity without impairing its effectiveness. When current

commitments are

adjustment of our entire balance of payments. Highly tentative, but nonetheless encouraging, signs of an improvement in our international competitive position are developing. But it is clear that the contribution that exports can make to over-all balance will be heavily dependent upon the adjustment policies of other nations as well. By this I do not, of course, mean to suggest that surplus nations have a responsibility to inflate, any more than it would be consistent with our internal needs to force deflation. Nor, in our particular situation, would it be reasonable to look only -- or primarily -- to increases in our commercial trade balance as the solution for our payments problem.

But opportunities do exist for surplus nations, in instances where inflationary pressures are evident, to serve the interests both of their own domestic stability and of external balance by reducing or eliminating barriers to imports, including those from the United States. In the search for effective adjustment mechanisms within the context of a convertible currency system, this kind of action, it seems to me, can become, for surplus countries, a modern substitute for the inflationary price adjustments that we must all do everything, to avoid.

A basic factor in our own deficit position has been the heavy burden we carry for the defense of the free world and for assisting the development of less favored nations. This burden, in a wider

context, is

the tax program takes hold. Meanwhile, we are continuing successfully to finance our budgetary deficit outside the banking system. For instance, in the year that ended August 31, the latest date for which figures are available, the combined holdings of Government debt in the hands of our Federal Reserve and commercial banks declined by more than $1½ Billion. We have also made further progress in improving the maturity structure of our marketable debt. As a result of our latest advance refunding, the average life of that debt exceeded 5-1/4 years for the first time since 1956. We are not faced, therefore, with the kind of excessive liquidity that could fuel inflationary developments as our economy moves toward fuller employment.

Perhaps most significant of all in terms of the outlook for prices, our manufacturing labor costs per unit of output have declined over the past three years -- the first time since World War II that this basic measure of our competitive strength has improved for so long a period, or during a time of substantial recovery. And the rate of wage increases in our manufacturing industry is holding within the range of past and anticipated productivity increases.

In this way, we are encouraging basic corrective forces in terms of costs and prices that should provide a firm base for improving our trading position, thus contributing to the orderly

adjustment of

recent 1/2% increase in the Federal Reserve discount rate. We can already see indications that the deterioration in our accounts during the first half of the year is being arrested.

These new actions will complement and reinforce the longer-run measures we have been taking to achieve both external balance and more rapid domestic growth. Basic to our strategy for achieving these twin goals is a bread program of individual and corporate tax reduction totaling $11 billion, which, after passage by our House of Representatives last week, is now before our Senate. It will provide an impetus to the domestic economy in a manner consistent with our international position. It will give increased flexibility to our monetary authorities in meeting balance of payments requirements. The added incentives for use of capital in the U. S. will enhance the relative attractiveness of investment here for Americans and foreigners alike. At the same time, the increased productivity associated with rising investment, together with greater incentives to develop and market new products and to apply more rapidly the fruits of our vast research capabilities, will reinforce the efforts we are making to increase our exports.

Our ability to expand production -- which is implicit in our current unemployment, in our rapidly growing labor force, and in our margin of underutilized industrial capacity -- provides protection against upward price pressures as the stimulus from

the tax

However, unemployment is still excessive. And we are not fully utilizing our available savings or our existing productive plant capacity. True, investment activity has risen in response to increases in demand and to measures introduced a year ago to liberalize the tax treatment of depreciation and provide an investment tax credit. But new investment still remains below the levels required to support a full employment economy and to assure the position of our industry among the leaders in technological progress.

At the same time, our over-all balance of payments has responded slowly to the series of measures we have undertaken since 1961. The over-all deficit was reduced to $2.2 billion in 1962, from $3.9 billion in 1960 and $2.4 billion in 1961. But th deficit grew markedly larger during the first half of 1963.

When this situation first became apparent, we made a thoroug going review of our entire balance of payments program, which culminated in a series of decisions announced by the President on July 18. Resulting programs now underway will, by the end of next year, bring a reduction of $1 billion in the annual rate of dollar expenditures abroad for defense, aid and other Government program Savings of similar magnitude are also expected on capital account as a result of the proposed Interest Equalization Tax and the firmer structure of short-term interest rates accompanying the

recent 1/2%

market rigidities that inhibit the process of adjustment. And we are learning that new techniques can be developed for assisting the process of adjustment that are consistent with domestic goals and competitive markets.

Much of this can be illustrated by analysis of the position of the United States, faced as we are with the twin tasks of achieving more rapid growth at home while simultaneously closing the troublesome gap in our balance of payments. And many of the lessons of this experience, I believe, will prove sooner or later to be more generally applicable to the problems of international adjustment.

Business activity in the United States has continued to expand over the past year at a fairly steady pace. Total output has now reached a rate of over $585 billion a year -- in real terms more than 13% above the level of early 1961.

Measured against other peacetime expansions of the past forty years, this performance has been encouraging. All but one of these recovery periods have now been equalled or exceeded in terms of percentage increase in output, and that single exception took place only after the steep declines in production during the early 1930's. Prices of manufactured goods have remained virtually unchanged during the current expansion, extending the period of stability that has existed since 1958.

However, unemployment

without damaging consequences for either domestic growth and stability or the free flow of trade among nations. That is why as part of the adjustment process, a country experiencing deficits needs reserves to draw upon, or credit that it can rely upon. That is also why a country receiving the counterpart in surpluses needs assets of assured value, in amounts and forms that will not disrupt its own economy. But in the last analysis without effective adjustments by both deficit and surplus countries, no amount of liquidity will enable us to achieve the mutual benefits of a closely integrated world economy within a framework of steady growth accompanied by monetary stability.

The challenge implicit in this situation is clear. Side by side with our studies of possible liquidity needs, we must consciously seek out means of improving the process of international adjustment itself, while preserving our separate abilities to meet our respective domestic needs.

This is a large order, but one that is well within our capacities. Much has been learned from the experience of recent years. We have come to recognize that in shaping domestic policies and choosing from the various tools available for use, their varying impact upon our external accounts, and upon those of our trading partners, must be taken fully into account. There is greater awareness of the need to identify and eliminate those

the international monetary system may prove to be desirable. The United States finds itself in general agreement with all of these thoughts.

But in discussing this matter, I would like to make one point crystal clear: The United States does not view possible improvement in the methods of supplying international liquidity as relieving it of the compelling and immediate task of reducing its own payments deficit. Indeed, it is largely the prospect of the elimination of the United States payments deficit that makes it necessary and advisable to undertake these studies.

Nor can the provision of appropriate facilities for internati liquidity relieve nations of their joint responsibilities for effective and timely action to eliminate such imbalances in trade and payments as may arise in the future. In a world of fixed exchange rates and convertible currencies, deficits and surpluses emerge from a wide variety of causes, both domestic and internatio The necessity to make cash outlays for defense and aid, shifts in the basic pattern of demand for internationally traded goods, the development of new products, resources and production techniq and developments in capital markets can be just as important as changes in average price levels and aggregate demand within countr

The adjustments necessary to correct these deficits and surpluses take time if they are to proceed in an orderly fashion,

without damaging

1963 is no exception. In particular, it deals at some length with the adequacy of existing arrangements for providing international liquidity during the coming years. The authors point out that liquidity is not simply a matter of the aggregate of official holdings of gold or foreign exchange, and they review the progress made in recent years -- in considerable part under the auspices of the Fund itself -- in supplementing these resources with international credit. But the Report also recognizes that the needs of nations for assured means of financing balance of payments deficits -- either by drawing upon a stock of liquid assets or by means of borrowing -- can be expected to increase over time. At the same time, as the deficit in the balance of payments of the United States is narrowed and closed, that deficit will no longer contribute to the liquidity of other nations in the manner and magnitude of the last few years.

The Fund's Report has now been supplemented by the thoughtful and important statement of its new Managing Director. Mr. Schweitzer indicated that the Fund expects to study the problem of international liquidity and has expressed the Fund's readiness to cooperate with others in such a study. He points out that studies of this problem are timely even though there is at present no sign of any shortage in international liquidity. He has also given us his view that the Fund should be at the center of whatever strengthening of

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through its regular consultations, and by providing timely financial support for well conceived stabilization programs. In addition, the new compensatory financing facilities announced last March mark an important and constructive advance in the services available to members heavily dependent upon exports of primary commodities.

These activities in support of balanced, dynamic growth are, of course, complemented by those of the Fund's companion Bretton Woods institution, the World Bank and its affiliates, now under the able direction of George Woods. I should mention particularly at this year's meeting the work of the International Development Association, whose activities in so short a span of time offer so much promise for the future. Action by the Part One countries on the proposals for increasing its resources will mark another milestone in the work to which it is dedicated and in which we are all joined together.

The successive Annual Reports of the International Monetary Fund have expertly traced the evolution of our international monetary system since World War II. They have also made clear that new problems have a way of emerging as older ones are solved. The Report for

1963 is

For Release: Upon Delivery

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE ANNUAL MEETING OF THE
INTERNATIONAL MONETARY FUND, OCTOBER 1, 1963
approximately 11:45 AM EDT

At the outset of my remarks, I ask you to join with me in paying tribute to our late, great colleague and good friend, Per Jacobsson. Firmly dedicated throughout his long and distinguished career to the cause of financial stability, he guided the International Monetary Fund with a deep understanding of the needs and realities of his times. The responsibilities of Managing Director have now passed into the capable hands of Pierre-Paul Schweitzer. His willingness to assume these duties provides us with fresh assurance that the Fund, building on its current strength and influence at the center of the international monetary system, will successfully meet the fresh challenges that lie ahead.

It is also a pleasure to welcome to the Fund family an unusually large number of new members, bringing our group to more than 100. The election of a nineteenth Executive Director who will cast the votes of a group of the many new African members is symbolic of the increasing usefulness of the Fund to the emerging nations.

I am sure that each of these new members will profit from the important assistance the Fund can render to their further development through its expanding program of technical assistance in the areas of central banking and fiscal practices and policies,

D-990

FOR RELEASE: UPON DELIVERY

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
AND
UNITED STATES GOVERNOR OF THE INTERNATIONAL MONETARY FUND
BEFORE THE
ANNUAL MEETING OF THE INTERNATIONAL MONETARY FUND
APPROXIMATELY 11:45 A.M., EDT
TUESDAY, OCTOBER 1, 1963

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D-990

The successive Annual Reports of the International Monetary Fund have expertly traced the evolution of our international monetary system since World War II. They have also made clear that new problems have a way of emerging as older ones are solved. The Report for 1963 is no exception. In particular, it deals at some length with the adequacy of existing arrangements for providing international liquidity during the coming years. The authors point out that liquidity is not simply a matter of the aggregate of official holdings of gold or foreign exchange, and they review the progress made in recent years -- in considerable part under the auspices of the Fund itself -- in supplementing these resources with international credit. But the Report also recognizes that the needs of nations for assured means of financing balance of payments deficits -- either by drawing upon a stock of liquid assets or by means of borrowing -- can be expected to increase over time. At the same time, as the deficit in the balance of payments of the United States is narrowed and closed, that deficit will no longer contribute to the liquidity of other nations in the manner and magnitude of the last few years.

The Funds's Report has now been supplemented by the thoughtful and important statement of its new Managing Director. Mr. Schweitzer indicated that the Fund expects to study the problem of international liquidity and has expressed the Fund's readiness to cooperate with others in such a study. He points out that studies of this problem are timely even though there is at present no sign of any shortage in international liquidity. He has also given us his view that the Fund should be at the center of whatever strengthening of the international monetary system may prove to be desirable. The United States finds itself in general agreement with all of these thoughts.

But in discussing this matter, I would like to make one point crystal clear: The United States does not view possible improvements in the methods of supplying international liquidity as relieving it of the compelling and immediate task of reducing its own payments deficit. Indeed, it is largely the prospect of the elimination of the United States payments deficit that makes it necessary and advisable to undertake these studies.

Nor can the provision of appropriate facilities for international liquidity relieve nations of their joint responsibilities for effective and timely action to eliminate such imbalances in trade and payments as may arise in the future. In a world of fixed exchange rates and convertible currencies, deficits and surpluses

emerge from a wide variety of causes, both domestic and international. The necessity to make cash outlays for defense and aid, shifts in the basic pattern of demand for internationally traded goods, the development of new products, resources and production techniques, and developments in capital markets can be just as important as changes in average price levels and aggregate demand within countries.

The adjustments necessary to correct these deficits and surpluses take time if they are to proceed in an orderly fashion, without damaging consequences for either domestic growth and stability or the free flow of trade among nations. That is why, as part of the adjustment process, a country experiencing deficits needs reserves to draw upon, or credit that it can rely upon. That is also why a country receiving the counterpart in surpluses needs assets of assured value, in amounts and forms that will not disrupt its own economy. But in the last analysis without effective adjustments by both deficit and surplus countries, no amount of liquidity will enable us to achieve the mutual benefits of a closely integrated world economy within a framework of steady growth accompanied by monetary stability.

The challenge implicit in this situation is clear. Side by side with our studies of possible liquidity needs, we must consciously seek out means of improving the process of international adjustment itself, while preserving our separate abilities to meet our respective domestic needs.

This is a large order, but one that is well within our capacities. Much has been learned from the experience of recent years. We have come to recognize that in shaping domestic policies and choosing from the various tools available for use, their varying impact upon our external accounts, and upon those of our trading partners, must be taken fully into account. There is greater awareness of the need to identify and eliminate those market rigidities that inhibit the process of adjustment. And we are earning that new techniques can be developed for assisting the rocess of adjustment that are consistent with domestic goals and ompetitive markets.

Much of this can be illustrated by analysis of the position f the United States, faced as we are with the twin tasks of chieving more rapid growth at home while simultaneously closing he troublesome gap in our balance of payments. And many of the essons of this experience, I believe, will prove sooner or later o be more generally applicable to the problems of international djustment.

Business activity in the United States has continued to expand over the past year at a fairly steady pace. Total output has now reached a rate of over $585 billion a year -- in real terms more than 13% above the level of early 1961.

Measured against other peacetime expansions of the past forty years, this performance has been encouraging. All but one of these recovery periods have now been equalled or exceeded in terms of percentage increase in output, and that single exception took place only after the steep declines in production during the early 1930's. Prices of manufactured goods have remained virtually unchanged during the current expansion, extending the period of stability that has existed since 1958. However, unemployment is still excessive. And we are not fully utilizing our available savings of our existing productive plant capacity. True, investment activity has risen in response to increases in demand and to measures introduced a year ago to liberalize the tax treatment of depreciation and provide an investment tax credit. But new investment still remains below the levels required to support a full employment economy and to assure the position of our industry among the leaders in technological progress.

At the same time, our over-all balance of payments has responded slowly to the series of measures we have undertaken since 1961. The over-all deficit was reduced to $2.2 billion in 1962, from $3.9 billion in 1960, and $2.4 billion in 1961. But the deficit grew markedly larger during the first half of 1963.

When this situation first became apparent, we made a thorough-going review of our entire balance of payments program, which culminated in a series of decisions announced by the President on July 18. Resulting programs now underway will, by the end of next year, bring a reduction of $1 billion in the annual rate of dollar expenditures abroad for defense, aid and other Government programs. Savings of similar magnitude are also expected on capital account as a result of the proposed Interest Equalization Tax and the firmer structure of short-term interest rates accompanying the recent 1/2% increase in the Federal Reserve discount rate. We can already see indications that the deterioration in our accounts during the first half of the year is being arrested.

These new actions will complement and reinforce the longer-run measures we have been taking to achieve both external balance and more rapid domestic growth. Basic to our strategy for achieving

these twin goals is a broad program of individual and corporate tax reduction totaling $11 billion, which, after passage by our House of Representatives last week, is now before our Senate. It will provide an impetus to the domestic economy in a manner consistent with our international position. It will give increased flexibility to our monetary authorities in meeting balance of payments requirements. The added incentives for use of capital in the U. S. will enhance the relative attractiveness of investment here for Americans and foreigners alike. At the same time, the increased productivity associated with rising investment, together with greater incentives to develop and market new products and to apply more rapidly the fruits of our vast research capabilities, will reinforce the efforts we are making to increase our exports.

Our ability to expand production -- which is implicit in our current unemployment, in our rapidly growing labor force, and in our margin of underutilized industrial capacity -- provides protection against upward price pressures as the stimulus from the tax program takes hold. Meanwhile, we are continuing successfully to finance our budgetary deficit outside the banking system. For instance, in the year that ended August 31, the latest date for which figures are available, the combined holdings of Government debt in the hands of our Federal Reserve and commercial banks declined by more than $1-1/2 billion. We have also made further progress in improving the maturity structure of our marketable debt. As a result of our latest advance refunding, the average life of that debt exceeded 5-1/4 years for the first time since 1956. We are not faced, therefore, with the kind of excessive liquidity that could fuel inflationary developments as our economy moves toward fuller employment.

Perhaps most significant of all in terms of the outlook for prices, our manufacturing labor costs per unit of output have declined over the past three years -- the first time since World War II that this basic measure of our competitive strength has improved for so long a period, or during a time of substantial recovery. And the rate of wage increases in our manufacturing industry is holding within the range of past and anticipated productivity increases.

In this way, we are encouraging basic corrective forces in terms of costs and prices that should provide a firm base for improving our trading position, thus contributing to the orderly adjustment of our entire balance of payments. Highly tentative,

but nonetheless encouraging, signs of an improvement in our international competitive position are developing. But it is clear that the contribution that exports can make to over-all balance will be heavily dependent upon the adjustment policies of other nations as well. By this I do not, of course, mean to suggest that surplus nations have a responsibility to inflate, any more than it would be consistent with our internal needs to force deflation. Nor, in our particular situation, would it be reasonable to look only -- or primarily -- to increases in our commercial trade balance as the solution for our payments problem.

But opportunities do exist for surplus nations, in instances where inflationary pressures are evident, to serve the interests both of their own domestic stability and of external balance by reducing or eliminating barriers to imports, including those from the United States. In the search for effective adjustment mechanisms within the context of a convertible currency system, this kind of action, it seems to me, can become, for surplus countries, a modern substitute for the inflationary price adjustments that we must all do everything we can to avoid.

A basic factor in our own deficit position has been the heavy burden we carry for the defense of the free world and for assisting the development of less favored nations. This burden, in a wider context, is an inescapable part of the kind of world we live in. But we are also learning that methods of handling these Government out-payments, and more appropriate distribution of their balance of payments impact, can also contribute to the adjustment process without subverting their essential purpose.

Important savings have already been made in this area, reducing net outflows under our defense and aid programs from $3.8 billion in 1960 to $3.0 billion in 1962. A large portion of this improvement can be traced to the recognition by some European countries of their growing capacity to assume a greater share of the foreign exchange costs of the common defense. As a result, the drain on our payments from maintaining our troops in Germany and Italy is now virtually fully offset by their purchase of military equipment and supplies from the United States -- equipment which, because of the size and flexibility of our defense industry, can be produced more rapidly and more economically in the United States than in their own countries. Thus these arrangements have simultaneously strengthened the free world's military and economic defenses.

In addition, we have adopted a policy of providing the great bulk of our economic aid to developing countries in the form of goods and services, so that it can be brought within the limits of our capacity without impairing its effectiveness. When current commitments are fully reflected in actual disbursements, only some 10% of the aid from our various foreign assistance programs will be provided in the form of dollars. At the same time, I believe that we must guard against any tendency to make the "tying" of aid into a subtle new form of protection for home industries. Rather, the logic of our efforts to expand multilateral trade and promote international efficiency through competition among the producers of all nations demands that it be used as a temporary device, reserved for periods of balance of payments strains.

With forces of adjustment underway in both our Government and our commercial trade accounts, the most pressing problem in terms of our balance of payments has been the recent acceleration in the outflow of long-term capital. The net outflow of such capital during the first half of this year reached an annual rate of $3.8 billion. This was fully $1.3 billion higher than the already substantial figures for 1962, and nearly double the rate maintained over the years 1959-1961. While some of this recent increase stemmed from direct investment, a flood of new foreign borrowings totaling nearly $1 billion in only six months was the major factor. This is considerably more than three times the volume we have been accustomed to.

It is entirely consistent with restoration of full equilibrium in international payments that the United States, with its capacity to generate large savings, continues to supply reasonable amounts of capital to aid the development of other nations. But, it is perfectly clear that maintenance of outflows at the recent pace, far from being a constructive force in world payments, would soon put intolerable strains on the international monetary systems as a whole.

As our program of tax reduction takes hold and there are stronger incentives to employ a larger portion of our savings at home, normal market forces will work strongly in the direction of reducing this outflow of long-term capital to more tolerable levels. But the experience of the past year makes clear that we cannot rely on these longer-term forces of adjustment to meet our immediate problem. Nor is it feasible to speed the process of adjustment by artificial attempts to force our entire structure of long-term interest rates sharply and suddenly higher. If possible at all

in the face of the huge supply of savings flowing into our markets, this course of action would require so drastic a tightening of credit as to seriously jeopardize the prospects for domestic expansion.

In this situation, we have recommended enactment of a temporary Interest Equalization Tax which will have the effect of raising the costs of portfolio capital in our market by 1% for borrowers in the developed countries abroad. This will bring these costs into a rough alignment with those in most other industrialized countries. The purpose is quite simple -- to speed the essential redirection of capital flows in a manner comparable to an equivalent, but presently impracticable, rise in our entire structure of interest rates.

We view this tax solely as a necessary -- but temporary -- expedient to meet a specific situation that has arisen in large part out of a structural imbalance in the capital markets of the free world. Borrowers from deficit and surplus countries alike converge upon the New York market, not only because of our lower structure of long-term interest rates -- since equivalent or lower rates can be found in at least two other countries -- but because it is still the only source for international capital in whatever size and form desired, freely available to any borrower able to meet the normal market test of creditworthiness, and offering highly efficient distribution facilities with low issuing costs. In contrast, potential alternative markets are in most cases subject to official controls or have difficulty in supplying the needed funds in the volume required. And, with few exceptions, they are characterized by high and rigid rate structures. In the face of this situation, we must temporarily help to redirect the demands pressing on our market through a tax that will increase the costs of long-term borrowing here by foreigners.

The impediments to the development of more adequate European capital markets are currently under close and continuing study within the Organization for Economic Co-operation and Development, and progress is beginning to be visible. As efforts to improve European capital markets come to fruition and the remaining controls and restrictions are eliminated -- and as our own domestic demands for capital put increased pressures upon our supply of savings -- there is every reason to believe that the need for extraordinary action of the kind we are now taking will be eliminated.

When the Fund was established, there was great apprehension that sudden and massive short-term capital movements might again become a disruptive influence as they had in the disturbed climate of the 1930's. Gratifying progress has been made in developing sturdy defenses against such threats to our convertible currency system through the concerted cooperative efforts of the industrialized countries. A chain of new facilities for coping with such pressures is now in place and tested, and there are grounds for confidence that the processes of adjustment can be shielded from perverse speculative flows in the future.

With the restoration of convertibility, however, it has become apparent that a sizable volume of capital is ready to move from country to country in response to relatively small shifts in interest rates. Thus, the stability of exchange rates and freedom of markets toward which we have all worked in the postwar period carries with it the implication that short-term interest rates in the major trading countries must inevitably be kept reasonably well in line with each other.

Both problems and opportunities are implicit in these circumstances. Domestic objectives will sometimes limit the practicable range of fluctuation in interest rates that can be undertaken for facilitating balance of payments adjustment. But, since the margin between rate relationships that attract or repel short-term funds is likely to be relatively narrow, it will usually be feasible to encourage small changes in short-term rates in the interest of speeding restoration of international equilibrium without disturbing the domestic economy.

Most promising of all in terms of facilitating the adjustment process is the increasingly close and continuous consultation on these matters that has developed in the forums provided by this institution, by the Organization for Economic Co-operation and Development, and by the Bank for International Settlements. This has been particularly evident in the area of short-term capital flows and interest rates. But we are also coming to understand that this same kind of consultation and cooperation is essential in other areas as well. We know that any adjustment demands offsetting changes in the position of deficit and surplus nations. We also know, in the last analysis, that these adjustments must take place, for no workable international monetary system will allow a nation to continue to run a deficit -- or for that matter a surplus -- for an indefinite period.

The critical question is how the adjustments are to be made. Balance can be -- and too often in the past has been -- forced by measures that endanger domestic stability or the prospects for growing trade. Those alternatives are not open to us today if the bright promise of all that has been accomplished since Bretton Woods is to be fulfilled. Nor can the industrialized countries afford to undermine the defenses of freedom or to withdraw their support of the developing nations.

The only realistic solution is to find effective ways for reconciling the requirements of a convertible currency system based on fixed exchange rates with the freedom of each nation to pursue domestic growth and stability. No methods will work instantaneously, and one prerequisite to their proper functioning is the availability of adequate liquidity -- in the form of international reserves or ready access to credit. The studies now being launched provide fresh assurance that these liquidity needs will be met effectively in the more distant future, just as they are being met effectively today.

But adequate liquidity will not make our machinery of adjustment work automatically, nor can its development be safely put off until emergencies arise. Instead, its effective use will require governments of all nations with a stake in a liberal trading order to work together continuously in many areas: in developing a mix of domestic policies appropriate to external circumstances -- in adjusting trade policies -- in sharing the burdens of aid and defense -- in providing long-term capital -- and in eliminating rigidities and inefficiencies in their economies that impede and distort the adjustment process. That willingness, I believe, is now being demonstrated more fully than at any time in the past. This is the real source of my confidence -- not only that the United States will restore balance in its own accounts, we intend to carry out that responsibility in any event -- but also that a true equilibrium can be restored within a framework of expanding trade, flourishing growth, and monetary stability.

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the course of the coming year. They requested the Deputies in carrying out these studies to maintain close working relations with the International Monetary Fund and with other international bodies concerned with monetary matters. Any specific suggestions resulting from the studies by the Deputies will be submitted to the Ministers and Governors for consideration.

6. The Ministers and Governors believe that such an examination of the international monetary system will further strengthen international financial cooperation, which is the essential basis for the continued successful functioning of the system.

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5. The Ministers and Governors have noted with approval the statement by the Managing Director that the International Monetary Fund will ~~continue to examine~~ develop and intensify its studies of these long-run questions. They, for their part, have now instructed their Deputies to examine these questions, and to report to them on the progress of their studies and discussions over

actions by a number of countries designed to reduce or remove surpluses, as evidence of progress toward a better basic international equilibrium. The Ministers and Governors reaffirmed the objective of reaching such balance at high levels of economic activity with a sustainable rate of economic growth and in a climate of price stability.

"3. In examining the functioning of the international monetary system, the Ministers and Governors noted that the present national reserves of member countries, supplemented as they are by the resources of the IMF, as well as by a network of bilateral facilities, seemed fully adequate in present circumstances to cope with possible threats to the stability of the international payments system. In this connection, the Ministers reviewed the "General Arrangements to Borrow" in the International Monetary Fund and reiterated their determination that these resources would be available for decisive and prompt action.

"4. In reviewing the longer-run prospects, the Ministers and Governors agreed that the underlying structure of the present monetary system -- based on fixed exchange rates and the established price of gold -- has proven its value as the

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Not to be released before 6:00 P.M. EST, Wednesday October 2

~~LIMITED OFFICIAL USE~~

~~PROPOSED DRAFT OF~~
~~COMMUNIQUE OF THE GROUP OF TEN~~

" 1. In the course of the annual meeting of the International Monetary Fund, the Ministers and Central Bank Governors of the 10 countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States) participating in the agreement of December 1961 to supplement the resources of the International Monetary Fund met in Washington, together with Mr. Pierre-Paul Schweitzer, Managing Director of the Fund. In this meeting, they discussed the international payments situation and reviewed the functioning of the international monetary system now and in the future in the light of their common aims as reflected in the Fund's Charter.

" 2. They agreed that the removal of the imbalances still existing in the external accounts of some major countries was the most important objective to be pursued over the near future. For this reason they welcomed the recent efforts of ~~some~~ certain deficit countries to improve their balances of payments, as well as

FOR RELEASE AT 6:00 P.M. EDT
WEDNESDAY, OCTOBER 2, 1963

The following statement was issued today on behalf of the "Group of 10" members of the International Monetary Fund by Douglas Dillon, Secretary of the Treasury of the United States.

D-991

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WEDNESDAY, OCTOBER 2, 1963

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D-991

"4. In reviewing the longer-run prospects, the Ministers and Governors agreed that the underlying structure of the present monetary system -- based on fixed exchange rates and the established price of gold -- has proven its value as the foundation for present and future arrangements. It appeared to them, however, to be useful to undertake a thorough examination of the outlook for the functioning of the international monetary system and of its probable future needs for liquidity. This examination should be made with particular emphasis on the possible magnitude and nature of the future needs for reserves and for supplementary credit facilities which may arise within the framework of national economic policies effectively aiming at the objectives mentioned in paragraph 2. The studies should also appraise and evaluate various possibilities for covering such needs.

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"6. The Ministers and Governors believe that such an examination of the international monetary system will further strengthen international financial cooperation, which is the essential basis for the continued successful functioning of the system."

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

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated July 11, 1963, (91 days remaining until maturity date on January 9, 1964) 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 October 10, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 10, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, October 2, 1963

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing October 10, 1963, in the amount of $2,101,672,000, as follows:

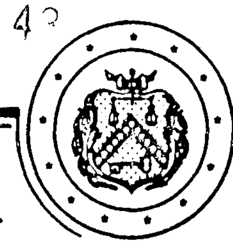
91-day bills (to maturity date) to be issued October 10, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated July 11, 1963, and to mature January 9, 1964, originally issued in the amount of $800,351,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated October 10, 1963, and to mature April 9, 1964.

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, October 7, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 2, 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 October 10,1963, in the amount of $ 2,101,672,000, as follows:

91-day bills (to maturity date) to be issued October 10, 1963, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated July 11,1963, and to mature January 9,1964, originally issued in the amount of $ 800,351,000, the additional and original bills to be freely interchangeable.

182-day bills, for $800,000,000, or thereabouts, to be dated October 10, 1963, and to mature April 9, 1964.

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, October 7, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated July 11, 1963, (91- days remaining until maturity date on January 9, 1964) 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 October 10, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 10, 1963. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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

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Immediately after the closing hour, tenders will be opened at the Federal Reserve
and Branches, following which public announcement will be made by the Treasury
tment of the amount and price range of accepted bids. Those submitting tenders
be advised of the acceptance or rejection thereof. The Secretary of the Treasury
ssly reserves the right to accept or reject any or all tenders, in whole or in part,
is action in any such respect shall be final. Subject to these reservations, non-
titive tenders for $ 400,000 or less without stated price from any one
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r will be accepted in full at the average price (in three decimals) of accepted
titive bids. **Settlement for accepted tenders** in acc**ordance with the bids must be**
completed at the Federal Reserve Banks **on October 15, 1963, in cash or other**
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itely available funds or in a like face **amount** of **Treasury bills maturing on October**
3. Cash and exchange tenders will receive equal treatment. Cash adjustments will
for **differences** between **the par value of maturing bills accepted in exchange and**
he price of the new bills.

~~of existing deposits when so notified by the Federal Reserve Bank of its District.~~

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

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for cash ~~and in exchange for~~ Treasury bills maturing October 15, 1963, in the amount of $2,500,103,000.

TREASURY DEPARTMENT
Washington
October 2, 1963

TREASURY OFFERS $2 BILLION IN MARCH TAX BILLS

FOR IMMEDIATE RELEASE,

The Treasury Department, by this public notice, invites tenders for $2,000,000,000 or thereabouts, of 160 -day Treasury bills. The bills will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be designated Tax Anticipation Series, they will be dated October 15, 1963 and they will mature March 23, 1964 . They will be accepted at face value in payment of income and profits taxes due on March 15, 1964 , and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpayers desiring to apply these bills in payment of March 15, 1964 , income and profits taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before March 15, 1964 , and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before March 15, 1964 , to the District Director of Internal Revenue for the District in which such taxes are payable. The bills will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Wednesday, October 9, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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TREASURY DEPARTMENT

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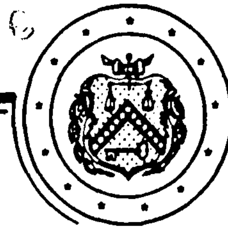

WASHINGTON, D.C.

October 2, 1963

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 2, 1963

NOTE TO CORRESPONDENTS:

The following material is being made available in connection with the White House announcement today of a special Task Force on International Investment. The material includes an excerpt from President Kennedy's July 18 message on Balance of Payments and an information paper on the organization plan and working program for the Task Force.

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EXCERPT FROM THE PRESIDENT'S SPECIAL MESSAGE ON BALANCE OF PAYMENTS
July 18, 1963

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6. <u>Investment by foreign savers in the securities of United States private companies</u> has fallen rapidly to less than $150 million in 1962. The better climate for investment that will flow from enactment of the program for tax reduction and reform now before the Congress will do much to improve this situation but a direct action program is also needed to promote overseas sales of securities of U. S. companies. Such a program should also be designed to increase foreign participation in the financing of new or expanded operations on the part of U. S. companies operating abroad.

To meet these two facets of a single problem, a new and positive program should be directed to the following areas of effort:

(a) The identification and critical appraisal of the legal, administrative and institutional restrictions remaining in the capital markets of other industrial nations of the Free World which prevent the purchase of American securities and hamper U. S. companies in financing their operations abroad from non-U. S. sources;

(b) A review of U. S. Government and private activities which adversely affect foreign purchase of the securities of U. S. private companies; and

(c) A broad and intensive effort by the U. S. financial community to market securities of U. S. private companies to foreign investors, and to increase the availability of foreign financing for U. S. business operating abroad.

Such a program will necessarily involve a pooling of the know-how and efforts of the Government and the financial community. I have asked the Treasury Department, in consultation with the State Department, to develop an organization plan and program.

The increased freedom of capital movement and increased participation by foreign citizens and financial institutions in the ownership and financing of American business, towards which these efforts are directed, will serve to strengthen the economic and political ties of the Free World as well as its monetary system. Securities of U. S. private firms could be and should be one of our best selling exports. An increasing foreign investment in these securities will encourage a more balanced two-way capital traffic between the United States and other capital markets and minimize the impact of net long-term capital outflows from the United States on our balance of payments.

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September 27, 1963

ORGANIZATION PLAN AND WORKING PROGRAM FOR PROMOTING INCREASED FOREIGN INVESTMENT IN SECURITIES OF UNITED STATES COMPANIES AND SURVEYING THE AVAILABILITY OF FOREIGN FINANCING TO U. S. BUSINESS OPERATING ABROAD -- ESTABLISHMENT OF PRESIDENTIALLY APPOINTED TASK FORCE FOR COMBINED GOVERNMENT-PRIVATE ACTION ON INTERNATIONAL INVESTMENT CAPITAL ASPECTS OF THE BALANCE OF PAYMENTS.

Background

Areas of opportunity for combined government-private action to deal affirmatively with the U. S. balance of payments problem include the promotion of an increased flow of long-term private investment from abroad into securities of U. S. private companies and surveying the availability of foreign financing to U. S. business operating abroad.

Increasing freedom of capital movement and participation by citizens and financial institutions of free countries in the financing and ownership of American business will serve to strengthen the economic and political ties of the Free World as well as its monetary system. Securities of U. S. private firms could and should be one of our best selling exports. An increasing foreign investment in these securities will encourage a more balanced two-way capital traffic between the United States and other capital markets and minimize the impact of net long-term capital outflows from the United States on our balance of payments.

The largest single element of imbalance in the U. S. current balance of payments is the investment of American long-term capital abroad. As the name implies, this is a movement of our permanent savings; it is not an expense. It adds to the income-producing assets we own in other countries. Nevertheless, since these funds must be converted to other currencies when sent abroad, they constitute dollar claims with a potential call upon our gold reserves.

Last year the net long-term capital outflow from the United States -- U. S. direct and long-term portfolio investments abroad minus foreign direct and long-term portfolio investments in the U. S. -- was approximately $2.5 billion; allowing for unrecorded items it may have been around $3 billion. Since 1946 our net long-term outflow of private capital has totaled $26 billion. More than two-thirds of this money went into "direct investment" by American firms doing business abroad -- that is, into bricks, mortar and machinery. The remainder -- approximately one-third -- went into "portfolio investment" by U. S. investors -- that is, into securities of foreign corporations and governmental bodies.

All this is good for our long-run balance of payments. It brought to the United States in 1962 earnings of $3.8 billion -- a stream of earnings which last year increased at the annual rate of $400 million.

But current traffic in capital, as well as in goods, should move on a two-way basis, to the United States as well as away from it, in volumes that add to and support balance rather than create imbalance.

Foreign long-term investment in the U. S. in 1962, including direct and portfolio, amounted to $246 million, representing a drop from $466 million in 1961. A special program has been mounted in the Department of Commerce to encourage long-term direct investment by foreigners in physical plant, machinery and real estate in the United States for operation under their control or in joint ventures, as distinct from portfolio investment. This is an important but relatively minor percentage of the potential area for foreign investment. For example, according to a recent analysis by the European Economic Community of Western European and British investment in the U. S., only 35 percent was direct, the remainder being portfolio investment.

These facts point clearly to the conclusion that, rather than the imposition of controls to limit the freedom of U. S. citizens and institutions to make long-term investments abroad, the best opportunity to move toward a two-way balance in long-term capital flows is the promotion of an increased flow of foreign portfolio investment in securities of U. S. private companies.

But promotion of this increased flow of long-term foreign portfolio investment in U. S. securities requires our best efforts

public and private, to make possible and encourage this outside participation in, and ownership of, American enterprise; indeed, it requires something more -- the cooperation of other developed countries with sources of capital.

Mobility in some Old World capital markets is limited. The best evidence is that employers of money often come to the broader, more flexible, American capital market for their sources of supply. Savings of many individuals and institutions in the Free World pile up in short-term investments or foreign exchange, while those seeking to hire long-term capital come to the United States. For these and other reasons, there is the paradox of countries with balance of payments surpluses importing capital from the outside.

As American industry is modernized, re-equipped, and expanded, profitable U. S. investment opportunities will be provided, not only for domestic savers but for savers in other countries as well. Foreign borrowers will continue to be accommodated in the American capital market on reasonable and equitable terms. We would, however, like to have the opportunity to welcome and accommodate foreign savers as freely. But before these funds can flow easily to the United States, as a matter of free choice of the owners of capital, other countries must modernize their capital markets, easing those remaining restrictions which still impede two-way traffic in the productive use of savings.

We should now begin aggressively to encourage the investment of foreign savings in American securities. Equity ownership in shares in American business should be among our best selling exports. Here is an area rich in opportunity for combined government and private action, for many obstacles stand in the way of this potential flow of foreign investment funds to the stronghold of free enterprise in the United States.

First, there are a number of direct controls in some countries which might otherwise be substantial sources for capital inflows to the U. S., including currency exchange controls and laws governing capital markets.

Second, due in part to such impediments, much less than a full effort has been exerted by the U. S. private sector to market its securities in Western Europe or to make financial arrangements overseas to support its foreign operations. Yet the private advantages, particularly for American international firms operating outside the United States, extend even beyond the balance of payments area.

The welcome which United States firms meet abroad is extremely important to their foreign operations and growth. They would receive far more cooperation, however, if an even larger number of citizens and financial institutions in the host countries owned shares in U. S. companies. In our highly competitive world, a sharing of ownership and profits, as well as of technology, may be the most effective answer to the political reaction to which American enterprise abroad may be exposed.

On this analysis U. S. international business has a real stake in the opening up of foreign capital markets, and the sale of securities in U. S. companies to individual and institutional investors in countries now dynamically generating savings, such as those in Western Europe.

Third, the receptivity of foreign investors toward U. S. private securities has diminished in recent years because, among other things, Western Europe seemed to be the more promising place for investment. Recent trends and current developments may work a change in this point of view. There is an improving outlook for profits in the United States -- profits both before and particularly after taxes. This in turn could combine with the confidence of Western Europeans in the strength and safety of the United States to make portfolio investment in American private securities highly attractive.

A great deal can be done on the government-to-government level, as a matter of law and regulations, in improving the opportunities for citizens and financial institutions in Western Europe to invest in securities of U. S. private business. Much also can be done in the private sector.

Need for Specific Organization Plan and Working Program

Against this background it seems desirable to formulate a specific organization plan and working program to promote an increased flow of long-term investment into securities of United States private companies. This plan and program should be directed to:

(1) The identification of the legal, administrative and institutional restrictions remaining in the capital markets of the developed nations of the Free World which unduly inhibit the flow of private savings into securities of private companies of other countries, and alternative plans for their elimination or reduction.

(2) A review of U. S. Government and private activities which affect adversely foreign participation in our capital markets through the purchase of securities of U. S. private companies.

(3) A broad and intensive effort by the U. S. private sector to market securities of U. S. private companies to foreign savers and increase the availability of foreign financing of U. S. business operating abroad.

Establishment of Presidentially Appointed Task Force for Combined Government-Private Action

The directions of the plan or program outlined above necessarily involve a pooling of the knowhow and efforts of both the Government and the U. S. private, financial and business community. In view of the importance and significance of this initiative and the national public interest therein, the President has established a 13-man task force composed of representatives of appropriate executive departments, the Federal Reserve System, and informed persons engaged in U. S. private business to prepare a program for the promotion of foreign investment in U. S. enterprise. The findings and recommendations of this joint task force are to be submitted to the President and to the Secretaries of State and Treasury and the Chairman of the Federal Reserve Board in approximately three months. The task force is constituted as follows:

1. Representing the Department of the Treasury: Henry H. Fowler, Under Secretary.

2. Representing the Department of State: Robert M. McKinney, retiring U. S. ambassador to Switzerland.

3. Representing the Federal Reserve System: Ralph A. Young, adviser to the Board of Governors of the Federal Reserve System.

4. Representing the Federal Reserve Bank of New York: Charles A. Coombs, vice president for foreign operations.

Two members from U. S. companies having sizable operations, employees and capital in Western Europe.

5. Arthur K. Watson, president, IBM World Trade Corporation.

6. Andre Meyer, senior partner, Lazard Freres & Company, N. Y.

7. George F. James, senior vice president for planning and finance, Socony Mobil Oil Company, Inc.

8. A member from a bank with international commercial operations and with a trust department active in placing foreign capital in U. S. securities: Walter B. Wriston, executive vice president, First National City Bank of N. Y.

9. Representing a major U. S. stock exchange: G. Keith Funston, president, N. Y. Stock Exchange.

10. A member from a security dealer active in foreign markets: George J. Leness, president, Merrill, Lynch, Pierce, Fenner and Smith.

11. A member from an investment banking firm active in foreign markets: John M. Young, partner, Morgan Stanley and Company.

12. A member from the mutual fund and investment trust industry: Dorsey Richardson, president, Investment Company Institute.

13. A member familiar with the legal aspects of international finance and investment: Frederick M. Eaton, partner, Shearman & Sterling.

Under Secretary Fowler will serve as chairman and Ambassador McKinney will serve as executive officer. The task force will have offices at the Federal Reserve Bank of New York and a staff on loan from the Departments of Treasury and State, the Federal Reserve System and the Federal Reserve Bank of New York.

Work Program

The work program to be developed breaks down into two somewhat separate projects:

(A) Ways and means of enlarging the net flow of general foreign long-term investment into U. S. securities. This project should focus priority attention on Western Europe, Canada and Japan because the prospects there are more promising and capital resources in the lesser developed or nonindustrial countries are sorely needed locally. There is some question about the desirability of draining these funds away from local use. But a two-way capital flow of long-term investment in and out of the United States from industrialized or developed countries with more balance than that which characterizes the current situation will strengthen both the Free World monetary system and draw the peoples in private economies of these countries closer together.

(B) Ways and means of enlarging the availability of foreign financing of American business operating abroad. American private companies have directly invested upwards of $36 billion in the manufacture and sale of goods and services, mining and smelting, petroleum, trading and miscellaneous enterprises outside the United States. Each year existing operations are modified or expanded or new operations are undertaken requiring substantial capital outlays. Both the private interest of the companies concerned and the public interest would be served by providing an appropriate measure of financial support and participation in these expanding operations locally or from sources external to the United States. Certainly, increased availability of foreign financing would diminish the outflow of current long-term capital from the United States and thereby bring the net capital outflow more into balance.

It is difficult to forecast in advance with precision just how these two separate projects will develop. It does seem clear, however, that the first phase of the work of the Task Force should be a quiet, intensive analysis of the present situation -- what efforts have been undertaken and what measure of success has attended them -- what obstacles, public and private, stand in the way. Following this phase of careful examination and analysis, the Task Force will be in a position to develop a program of specific recommendations, including the steps by the U. S. Government and foreign governments and the various private institutions, which would achieve the desired result.

Without attempting to be definitive, there is set forth below an outline of a work program along the described lines for the two specific projects.

(A) Increasing the flow of long-term investment in U. S. corporate activities. This project should include:

1. A Review of the Present Situation: a) A detailed examination of the efforts that have been made by the U. S. financial community to attract European funds into investment in U. S. corporate securities. This would cover the methods, organizational patterns and activities of firms and institutions in the various sectors of the U. S. financial community (underwriting, sales and distribution, etc.), as they relate to new U. S. corporate issues, as well as outstanding securities. It would also provide a background in qualitative and quantitative terms for the launching of an intensified effort in this field.

b) The identification and appraisal of obstacles encountered to foreign investment in U. S. corporate securities, particularly by individuals and institutions in Western Europe. This would include an examination of specific problems in selling, trading and investing in U. S. securities, particularly legal, administrative, regulatory, institutional and organizational barriers encountered in each country or groups of countries. This examination should also be on a comparative basis and indicate progress in easing or removing specific barriers, e.g., reduction of high listing taxes, easing of listing requirements, easing of foreign currency transfer restrictions on U. S. securities, study of existing tax structures (possibly including tax treaties), etc. This examination of barriers would be made with a view toward determining those practical problems which are susceptible of being dealt with and overcome or ameliorated in particular instances through appropriate diplomatic or financial channels

Information and analyses of the present situation, country by country, would be collected through State, Treasury and the Federal Reserve system and made available in suitable form to the Task Force. At least four subgroups of the Task Force would be constituted to consult with and ascertain the views and experience of the various private financial institutions particularly concerned -- (1) security dealers, (2) security trading mechanisms, (3) underwriters and investment bankers, (4) mutual funds and investment trusts and, (5) international commercial banks, particularly those with trust departments active in placing foreign capital in U S. securities. Each subgroup would be chaired by the representative on the Task Force from the private sector involved, and would meet when necessary with representatives of the Treasury and State departments, and the Federal Reserve system and such other agencies as circumstances indicate.

2. Proposed Action Programs. The second phase of the work of the Task Force would be the preparation of recommended voluntary action programs for U. S. investment companies, associations and institutions. These programs would be designed to promote and encourage the sale to and ownership by citizens and financial institutions in Western Europe of U. S. corporate securities with a view toward enlarging the flow of net foreign investment into the United States.

53 47

The programs should be designed to enhance investment in new and outstanding U. S. corporate securities by the general investing public in Europe and by foreign institutional investors. Separate consideration should also be given to a program to enhance sales of substantial blocs of securities for investment by foreign corporations and individuals. (These programs will not embrace direct investment by foreign industrial companies in the United States or transfers of controlling interests in U. S. companies which are currently being pursued by the Commerce Department.)

The programs should cover specific promotional steps that can be taken to meet the objectives and, to the extent feasible, they should apply to specific sectors of the U. S. financial and business community as follows:

(1) By the major U. S. stock exchanges through their member firms' offices, both at home and overseas. (One example might be the extension abroad generally a "monthly investment program" designed specifically to the needs and preferences of small investors abroad.)

(2) Securities dealers. (Should there be, for example, a wider issuance of American depository receipts for trading on foreign exchanges.)

(3) Mutual funds and investment trusts. (Can present packages and methods of distribution be more specifically adapted to the needs of small foreign investors, etc?)

(4) Investment banks and securities underwriters.

(5) Other financial and nonfinancial institutions.

(B) Increasing the availability of foreign financing of American business operating abroad. This project might generally follow the same pattern as the other. It would include:

1. Present Situation. a) An examination of the extent to which U. S. firms operating abroad avail themselves of financing abroad, the considerations involved in determinations to employ such financing, and methods or procedures followed.

b) The specific obstacles encountered and the trends in easing or removing specific barriers examined, country by country, or by groups of countries.

2. Proposed Action Program. A voluntary action program for the expanded use of foreign capital and financial markets by U. S. firms operating outside the U. S. designed to minimize the transfer of U. S. dollars abroad, to maximize the transfer to the U. S. of dollars earned abroad, and to promote foreign investment in U. S. enterprise.

A subgroup of the Task Force will deal with this aspect of the work. It might call on others outside the Task Force to cooperate and assist in the project.

Working Arrangements

The determination of the disposition of the Task Force report will, of course, be made by the President.

The members of the Task Force will draw on government sources for non-classified information needed for their activities through the government departments represented on the Task Force. Staff assistance will also be supplied through the government and Federal Reserve representatives to assist the Task Force and subgroups in the preparation of materials.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, October 8, 1963.

October 7, 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 July 11, 1963, and the other series to be dated October 10, 1963, which were offered on October 2, were opened at the Federal Reserve Banks on October 7. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing January 9, 1964		:	182-day Treasury bills maturing April 9, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.129 a/	3.446%	:	98.204	3.553%
Low	99.124	3.465%	:	98.190	3.580%
Average	99.126	3.459% 1/	:	98.196	3.569% 1/

a/ Excepting 2 tenders totaling $350,000
50 percent of the amount of 91-day bills bid for at the low price was accepted
33 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	$ 57,760,000	$ 36,535,000	:	$ 20,555,000	$ 5,555,000
New York	1,549,198,000	753,043,000	:	941,789,000	566,039,000
Philadelphia	33,415,000	17,858,000	:	10,144,000	8,144,000
Cleveland	30,868,000	30,618,000	:	17,685,000	7,685,000
Richmond	15,280,000	12,910,000	:	3,290,000	3,257,000
Atlanta	29,827,000	25,967,000	:	19,518,000	19,518,000
Chicago	314,665,000	250,261,000	:	136,780,000	92,440,000
St. Louis	42,567,000	35,227,000	:	13,186,000	11,516,000
Minneapolis	24,313,000	16,313,000	:	6,976,000	5,007,000
Kansas City	31,376,000	25,426,000	:	18,935,000	18,935,000
Dallas	29,926,000	23,426,000	:	11,822,000	8,152,000
San Francisco	115,505,000	73,810,000	:	59,558,000	54,348,000
TOTALS	$2,274,700,000	$1,301,394,000 b/		$1,260,238,000	$800,296,000 c/

b/ Includes $263,947,000 noncompetitive tenders accepted at the average price of 99.1
c/ Includes $71,764,000 noncompetitive tenders accepted at the average price of 98.1
1/ On a coupon issue of the same length and for the same amount invested, the retur these bills would provide yields of 3.55%, for the 91-day bills, and 3.69%, for th 182-day bills. Interest rates on bills are quoted in terms of bank discount with return related to the face amount of the bills payable at maturity rather than th amount invested and their length in actual number of days related to a 360-day p In contrast, yields on certificates, notes, and bonds are computed in terms of in terest on the amount invested, and relate the number of days remaining in an inte payment period to the actual number of days in the period, with semiannual compo if more than one coupon period is involved.

TREASURY DEPARTMENT

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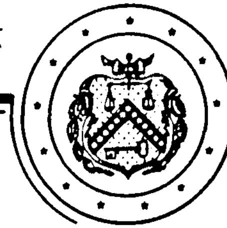

WASHINGTON, D.C.

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3 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:

rict	Applied For	Accepted	:	Applied For	Accepted
on	$ 57,760,000	$ 36,535,000	:	$ 20,555,000	$ 5,555,000
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adelphia	33,415,000	17,858,000	:	10,144,000	8,144,000
eland	30,868,000	30,618,000	:	17,685,000	7,685,000
mond	15,280,000	12,910,000	:	3,290,000	3,257,000
nta	29,827,000	25,967,000	:	19,518,000	19,518,000
ago	314,665,000	250,261,000	:	136,780,000	92,440,000
ouis	42,567,000	35,227,000	:	13,186,000	11,516,000
apolis	24,313,000	16,313,000	:	6,976,000	5,007,000
s City	31,376,000	25,426,000	:	18,935,000	18,935,000
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and heightened incentives that will enable us to capitalize on that potential and achieve the still greater gains in output and productivity that we can -- and must -- have. With its enactment, and only with its enactment, can we look forward with confidence to solving our problems of unemployment, unutilized capacity, and budgetary and balance of payments deficits.

only capital flows are capable of such rapid shifts.

Despite this short-run improvement, it is still clear that eventual success in achieving a steady balance in our international payments must rest upon our ability to achieve greater industrial efficiency, to utilize more of our savings at home, and to maintain price stability. Our price performance over the past five years, our progress in bringing costs under effective control, and our firm resolve to maintain responsible monetary and debt management policies offer assurance against any resurgence of inflationary pressures.

We cannot, therefore, let anything restrain us from adopting the tax reduction bill this year. We cannot burden down with restrictions the very measure that will free our economy from the burdens of a restrictive tax system -- we cannot dally until it is too late over a measure that we urgently need now. Our productive potential is unparalleled. The tax bill will give us the expanding economy

by Americans from foreigners. We took this step with the greatest reluctance. But the situation was grave. During the first half of this year the volume of new foreign security issues pruchased by Americans reached unprecedented levels. At an annual rate of $2 billion, that volume was well over three times the annual average from 1959 to 1961, and was almost double the 1962 figures. It accounted for substantially all the deterioration in our balance of payments during the first half of this year. And, at the time of our announcement, the volume of new issues in prospect, the large majority for borrowers in countries with strong balance of payments positions, was just as forbidding.

The advantage of the proposed tax is that it can achieve the required temporary lessening of foreign demands upon our capital markets while leaving the market mechanism intact. Under the tax, it is the impersonal operation of price -- not any artificial or arbi

But these long-term efforts to achieve balance in our international payments are not enough. We must also step-up our efforts to keep current deficits to a minimum. Over the past several years, as you know, Treasury debt management policies have played a major role in bringing upward pressures to bear upon our short-term rates, while still maintaining a ready availability of long-term funds. In July of this year, the Federal Reserve reinforced this policy by raising the discount rate from 3 to 3½ percent. At the same time regulation Q was revised to permit banks to compete more effectively for time deposits of 90 days or longer. These actions have proved decidedly beneficial in improving the relationship between our rates and those abroad, thus helping to reduce the outflow of short-term capital.

In the area of long-term capital outflows, we have proposed a temporary Interest Equalization Tax on purchases of foreign securities

Your statement clearly underscores the urgency of the tax cut as a measure to sharpen the competitive edge of American business and help expand our exports, as well as a measure to make our economy continually more attractive for both foreign and domestic investment. Of equally great importance, the tax will, as the President stated last week before the International Monetary Fund, "give greater freedom to monetary policy" in meeting our balance of payments requirements.

Your balance of payments statement also emphasized the need to reduce Government expenditures abroad. Only a few days after the appearance of your statement, the President, in his Balance of Payments Message of July 18th, announced his approval of a detailed program to reduce our dollar expenditures overseas by $1 billion a year. This program is already under way and will be fully effective by the end of next year.

our deficits in a manner calculated to avoid future inflationary troubles.

We thus have every ground for pushing ahead rapidly with the tax cut in order to improve both our economic performance here at home and our balance of payments. That expanding economic activity and productivity at home is the key to solving our balance of payments problem -- and that the tax cut is the key to both -- was cogently recognized in the balance of payments statement of your Association earlier this year. It recommended -- and I quote:

> "...the enactment, in this session of Congress, of an across-the-board reduction in personal and corporate tax rates designed to improve the climate for direct business investment in this country, strengthen the prospects for cost-price stability, and restrain the large outflow of private long-term capital."

public has increased by only $2.7 billion, or about 3 percent, since January 1961, while the economy has grown by [illegible] percent. At the same time the growth in total liquid asset holdings -- including not only money and short-term Treasury debt, but also the enormous increase in time and savings funds -- has been roughly in line with Gross National Product, as it properly should be in line with the growing needs of the economy.

Government debt maturing beyond five years is now more than $20 billion greater than it was in January 1961 -- an amount considerably larger than the total increase in our marketable debt. And our debt due in twenty-five years or more is now $6.3 billion greater. As a result the average length of the marketable debt has been increased from four years and six months in January 1961 to five years and three months at the present time -- the highest level since mid-1956. This record clearly shows that we have succeeded in fin

manufacturing industries have actually declined during the current period of business expansion. But if the short-run prospect is one we can view with sober confidence, this can in no way excuse us from concern over the longer-lasting monetary and financial effects of our deficits -- and from pursuing with increasing vigor and vigilant policies to assure that we are not today sowing the seeds for future trouble. And that depends on how we finance the deficit. Let me cite briefly from our record.

Since January of 1961, the Federal Reserve has not supplied a single additional dollar of reserves to the banking system for the purpose of facilitating Treasury finance. Commercial bank holdings of Government securities have actually declined by almost $2 billion from January 1961 through August 1962. Over that period the entire deficit has been financed outside the commercial banks.

The total of under one year Treasury debt in the hands of the

The only way to assure true control of expenditures is for both the President and the Congress to join in a continuing and complementary effort. That joint and continuing effort is exactly what Section I of the tax bill pledges.

We must, however, live with temporary deficits during the period when the tax cut is taking hold. While these deficits are certainly no cause for complacency, neither should we take them as cause for alarm.

I think it is now well understood by informed observers both home and abroad that deficits need not be inflationary when there persistent unemployment and excess capacity. That has, in fact, been our experience over the past six years. The rapid rise in industrial production costs that characterized the first postwar decade has come to an end. Year-to-year increases in wage rates are now within the range of productivity increases, and overall unit labor costs in and

Expenditure control is, of course, the joint responsibility of the President and the Congress. The President must exercise it in proposing his programs and his budget, as well as in carrying out and administering programs authorized by Congress. He does not, however, have -- as some have implied -- the latitude to whittle expenditures at will to meet short-run and arbitrary expenditure ceilings. At first glance, for example, it might seem feasible to realize substantial savings through the Commodity Credit Corporation. But CCC sales and purchases depend upon farmers' decisions, the weather, the crops, and other unpredictable or uncontrollable factors. And, to take another example, it would be the worst form of false economy to cancel or delay needed Defense or other programs which involve, as is usually the case, commitments and contracts already authorized, obligated, and well underway.

Committee on Appropriations, that this year's appropriations will be held below last year's total for the first time since the end of the Korean War. This is certainly effective expenditure control in action. For if new appropriations hold level, actual expenditures must soon follow suit.

In any given year some forty percent of expenditures flow from funds appropriated in preceding fiscal years. Last year, fiscal 1963, we spent $92.6 billion but new appropriations amounted to $101.6 billion or $9 billion more than we spent. That is why expenditures are increasing this year to some $98 billion and why a moderate further increase is likely in fiscal 1965 even if current appropriations are held below last year's $101.6 billion level.

In addition, the President has said that, in the absence of any unforeseen economic downturn or international crisis over the next few months, he expects to submit a fiscal 1965 budget with a deficit smaller than the $9.2 billion originally forecast for this year without a tax cut. In other words, despite the fact that fiscal 1965 tax revenues will reflect a major part of the tax cut -- over $7 billion -- the projected fiscal 1965 budget will still involve a lower deficit than that originally estimated for fiscal 1964 before any allowance for tax reduction. That much,

That much, at least should be heartening to anyone -- whether or not he agrees with every policy or program recommended by the Administration. And whether or not one agrees with every cut or every appropriation the Congress has made, we can also take note of the recent prediction by the Honorable Clarence Cannon, Chairman of the House

Budget as submitted by the President, and before any reductions that may occur as a result of Congressional action, then -- apart from defense, space, and interest on the debt -- the total increase in all other expenditures during the first three years of this Administratio will be $_____ billion, one half billion less than the increase in these same items during the preceding three years from 1958 to 1961 - a period during which the government was not often accused of extrava-gance.

In the light of that record, we can also take encouragement fro the improvement in our immediate budgetary outlook. As you know, th fiscal 1963 deficit dropped from an estimated $8.8 billion to an actu $6.2 billion. Including the effect of the tax cut as approved by th House of Representatives, we now expect the current 1964 deficit to be less than the $9.2 billion forecast last January before allowance fo the tax cut -- and far less than the $11.9 billion originally forec after allowing for the tax cut.

government spending as the prime factor in our economic growth.

The President has emphatically committed the Administration to a course of intensive expenditure control, not only by his repeated pledges over the past nine months, but by his record of efficient administrative management.

Certainly the budget has increased over the past three years. But the great bulk of that increase is accounted for by the sharp step-up in our defense and space needs -- and by increasing interest costs that are in large part the reflection of responsible debt management policies and of our efforts to stem the outflow of short-term funds.

Outside of the heavy impact of these three items upon our budget expenditures over the last three years have grown only moderately, judged against the needs of our expanding population. One simple fact should make that point abundantly clear: when you include the 1964

But if we are to take full advantage of rising Federal revenues in a more rapidly expanding economy, then both the Administration and the Congress must exert a continuing, careful, and judicious control over expenditures. An intensified program of expenditure control is an integral part of the tax bill, which states, in Section I, that both Congress and the President must join in "taking all reasonable means to restrain Government spending," if we are to obtain "balanced budgets in the near future.

The President, Chairman Mills of the House Ways and Means Committee -- and the House of Representatives in endorsing their views -- have all made it unmistakably clear that, by adopting the tax bill, the nation will be choosing "tax reduction instead of deliberate deficits as the principal means of boosting our economy" -- that they consider these courses mutually exclusive and will not follow both at the same time -- that, in short, the tax bill represents a major decision to rely upon greater private spending rather than greater

First, may I emphasize the fact that, by generating greater economic activity, the tax cut will increase government revenues not only beyond the pre-tax cut levels, but beyond the levels they would otherwise have reached. I am sure you remember very well how taxes were sharply cut in 1954 and within two years revenues exceeded pre-tax cut levels. Not only was that no isolated instance, but it reflected the consistent experience this country has had with major tax cuts throughout this century. It reflected, for example, the experience of Secretary of the Treasury Andrew Mellon, who said in a 1925 statement before the House Ways and Means Committee -- and I quote:

"...inspite of the very sweeping reductions carried by the 1924 act...we will collect in (1925??) more money at lower rates than we collected in (1923 ??) at higher rates."

In short, after a brief transitional period, cutting taxes means greater revenue -- not less. It was so in the 1920's. It was so in 1954. And it will be so after we adopt this year's tax bill.

nurturing, in short, the very elements that must serve as the founda-tion of our export effort.

And, as we move toward full employment, with investment expanding under the twin stimuli of greater demand and greater profitability, the call on our capital markets will become heavier, longer term interest rates can be expected to rise, and savings that have been flowing abroad will once more find ample investment outlets here at home.

Only within such a framework of a prosperous and rapidly growing America can we find a sound and permanent solution to our balance of payments problems. No one is more aware of that fact than you here today.

You are, however, deeply and rightly concerned by the fact that the initial impact of tax reduction will come at a time when we are experiencing large budget deficits. I would like, therefore, to deal with this question at some length.

economic measure in fifteen years. Your own Association has endorsed the tax cut as one of the prime prerequisites for reaching balance in our international payments by increasing business incentives and investment. Tax reduction this year has the enthusiastic support of the business community, of labor, and of our leading economists. Only if we revise our outmoded tax structure and relax its grip upon incentive and growth, can we move decisively toward both internal and external strengthening of our economy.

To speak only of our balance of payments difficulty, there is no question but that the added investment that will flow from the present tax program -- together with the heightened investment already created as a result of last year's tax measures -- would further advance the productive efficiency of American industry. Only an efficient, expanding American industry will be capable of rapidly incorporating new technology into new plant and equipment and of maintaining our traditional leadership in the introduction of new products -- of

From the very start of this Administration, the central and crucial element in our approach to the payments problem has been our program to provide fresh incentives for American business through tax reductions. President Kennedy made the reduction of business taxes a first and urgent step shortly after he took office. This program was implemented last year with the seven percent investment tax credit and the liberalized tax treatment of depreciation. These two measures together reduced business tax liabilities last year by an estimated $2.7 billion. The tax program now before the Congress would bring the total business tax reduction to a full $5 billion a year. That, together with individual tax reductions of almost $9 billion a year, will do much to spur economy forward and will greatly increase both the profitability and the volume of business investment.

I cannot emphasize too strongly how essential the tax program is. The President has called his tax proposals the most important domestic

our foreign trade, a sizable export surplus.

It is against that unusual background that we have had to develop new approaches to reduce and eventually eliminate our balance of payments deficits while at the same time promoting domestic expansion. In so doing, we have been guided by two principal convictions:

First, that we must achieve our goals by working within the framework of a free market economy, with market disciplines and incentives providing the basic motive force. Only in this way can we arrive at solutions consistent with our own traditions, with free trade between nations, and with the central role of the dollar as a world currency.

Second, we are conviced that a proper mix of fiscal, monetary, and debt management policies will make it both possible and practical for the United States to achieve our domestic and international goals simultaneously. Indeed, we are convinced that these goals can, and must be mutually reinforcing.

wherever you may travel, in the great tradition of ABA presidents throughout the years.

(PRESENT CERTIFICATE)

We are meeting here at a time when our nation is making critical economic decisions on both the international and domestic fronts. At home, we face the task of closing the deficits in employment, output, in the Federal budget. Abroad, we face the problem of ending the troublesome deficits in our international accounts. None of these problems is isolated. Each impinges upon the other. It is this inter relationship that I would like to consider with you today.

The most striking characteristic of our balance of payments defi is that it does not fit into the classic mold. This is a pattern of inflation and over-consumption at home, bringing with it a growing excess of imports over exports. Instead, we have unemployment in man power, plant, and machines, along with stable price levels, and, in

"The Treasury Department gratefully acknowledges the outstanding leadership and public service support of the American Bankers Association and its members on behalf of the United States Savings Bonds program...and offers its congratualtions upon the observance of the one-hundredth anniversary of the dual banking system...Given under my hand and seal this eighth day of October, 1963."...Mr. Kimbrel, I ask you to accept this token of our thanks on behalf of the Association and all of its members.

(PRESENT CITATION)

And now I have an equally pleasant task -- this one concerning your newly-elected President, Mr. William F. Kelly. Each year it has been our custom to invite the incoming President of the American Bankers Association to serve as a special "Ambassador of Good Will" for the Savings Bonds program.

Accordingly, Mr. Kelly, I am pleased to appoint you our special Ambassador - in the hope that you will wish to carry on our mission

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
AT THE AMERICAN BANKERS ASSOCIATION
CONSTITUTION HALL, WASHINGTON, D. C.
TUESDAY, OCTOBER 8, 1963, 10:00 A.M., EDT

It is an honor and a privilege to be with you today, as you reac the climax of this centennial year of the dual banking system. It is certainly unnecessary for me to relate the past contributions which banking leaders and their institutions have made to the growth of our nation. Suffice it to say that the American economy could never have achieved the amazing results of the past century, had it not been for the foresight, courage, and sheer competence that has characterized banking leaders. Service to the nation has always been high among your objectives, and, today, I want to pay particular tribute to the service which bankers throughout the nation render their communities and their country in supporting the United States Savings Bonds prog On the occasion of this centennial celebration it seems particularly appropriate to present you with a formal expression of our apprecia It is a citation which reads as follows:

D-995

TREASURY DEPARTMENT
Washington

FOR RELEASE: P.M. NEWSPAPERS
TUESDAY, OCTOBER 8, 1963

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE
THE AMERICAN BANKERS ASSOCIATION
CONSTITUTION HALL, WASHINGTON, D. C.
TUESDAY, OCTOBER 8, 1963, 11:15 A. M., EDT

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Accordingly, Mr. Kelly, I am pleased to appoint you our special Ambassador -- in the hope that you will wish to carry on our mission wherever you may travel, in the great tradition of ABA presidents throughout the years.

We are meeting here at a time when our nation is making critical economic decisions on both the international and domestic fronts. At home, we face the task of closing the deficits in employment, output, and in the Federal budget. Abroad, we face the problem of ending the troublesome deficits in our international accounts. None of these problems is isolated. Each impinges upon the other. It is this interrelationship that I would like to consider with you today.

The most striking characteristic of our balance of payments deficit is that it does not fit into the classic mold, in which a pattern of inflation and over-consumption at home brings with it a growing excess of imports over exports. Instead, we have unemployment in manpower, plant, and machines, along with stable price levels, and, in our foreign trade, a sizable export surplus.

It is against that unusual background that we have had to develop new approaches to reduce and eventually eliminate our balance of payments deficits while at the same time promoting domestic expansion. In so doing, we have been guided by two principal convictions:

First, that we must achieve our goals by working within the framework of a free market economy, with market disciplines and incentives providing the basic motive force. Only in this way can we arrive at solutions consistent with our own traditions, with freer trade between nations, and with the central role of the dollar as a world currency.

Second, we are convinced that a proper mix of fiscal, monetary, and debt management policies will make it both possible and practical for the United States to achieve our domestic and international goals simultaneously. Indeed, we are convinced that these goals can, and must, be mutually reinforcing.

From the very start of this Administration, the central and crucial element in our approach to the payments problem has been our program to provide fresh incentives for American business through tax reductions. President Kennedy made the reduction of business taxes a first and urgent step shortly after he took office. This program was implemented last year with the seven percent investment tax credit and the liberalized tax treatment of depreciation. These two measures together reduced business tax liabilities last year by an estimated $2.5 billion. The tax program now before the Congress would bring the total business tax reduction to almost $5 billion a year. That, together with individual tax reductions of almost $9 billion a year, will do much to spur our economy forward and will greatly increase both the profitability and the volume of business investment.

I cannot emphasize too strongly how essential the tax program is: The President has called his tax proposals the most important domestic economic measure in fifteen years. Your own Association has endorsed the tax cut as one of the prime prerequisites for reaching balance in our international payments by increasing business incentives and investment. Tax reduction this year has the enthusiastic support of the business community, of labor, and of our leading economists, who recognize that only by revising our outmoded tax structure and relaxing its grip upon incentives and growth, can we move decisively toward both internal and external strengthening of our economy.

To speak only of our balance of payments difficulty, there is o question but that the added investment that will flow from the resent tax program -- together with the heightened investment lready created as a result of last year's tax measures -- would urther advance the productive efficiency of American industry. nly an efficient, expanding American industry will be capable of apidly incorporating new technology into new plant and equipment nd of maintaining our traditional leadership in the introduction f new products -- of nurturing, in short, the very elements that ust serve as the foundation of our export effort.

And, as we move toward full employment, with investment xpanding under the twin stimuli of greater demand and greater rofitability, the call on our capital markets will become heavier, onger term interest rates can be expected to rise, and savings hat have been flowing abroad will once more find ample investment tlets here at home.

Only within such a framework of a prosperous and rapidly growing erica can we find a sound and permanent solution to our balance payments problems. No one is more aware of that fact than you re today.

You are, however, deeply and rightly concerned by the fact that initial impact of tax reduction will come at a time when we are ›eriencing large budget deficits. I would like, therefore, to l with this question at some length.

First, may I emphasize the fact that, by generating greater nomic activity, the tax cut will increase government revenues. m sure you remember very well how taxes were sharply cut in 1954 within two years revenues exceeded pretax cut levels. Not y was that no isolated instance, but it reflected the consistent erience this country has had with major tax cuts throughout s century. It reflected, for example, the experience of Secretary the Treasury Andrew Mellon, who said in a tement before the House Ways and Means Committee -- and I te:

> " .... in spite of the very sweeping reductions carried by the 1924 act .... we will collect in 1925 more money at lower rates than we collected in 1923 at higher rates."

In short, after a brief transitional period, cutting taxes means ter revenue -- not less. It was so in the 1920's. It was so 954. And it will be so after we adopt this year's tax bill.

But if we are to take full advantage of rising Federal revenues more rapidly expanding economy, then both the Administration he Congress must exert a continuing, careful, and judicious ol over expenditures. An intensified program of expenditure ol is an integral part of the tax bill, which states, in on I, that both Congress and the President must join in "taking easonable means to restrain Government spending," if we are to n "balanced budgets in the near future."

The President, Chairman Mills of the House Ways and Means ttee -- and the House of Representatives in endorsing their -- have all made it unmistakably clear that, by adopting the ll, the nation will be choosing "tax reduction instead of deliberate ts as the principal means of boosting our economy" -- that they er these courses mutually exclusive and will <u>not</u> follow both same time -- that, in short, the tax bill represents a major on to rely upon greater <u>private</u> spending rather than greater <u>ment</u> spending as the prime factor in our economic growth.

The President has emphatically committed the Administration to a course of intensive expenditure control, not only by his repeated pledges over the past nine months, but by his record of efficient administrative management.

Certainly the budget has increased over the past three years. But the great bulk of that increase is accounted for by the sharp step-up in our defense and space needs -- and by increasing interest costs that are in large part the reflection of responsible debt management policies and of our efforts to stem the outflow of short-term funds.

Outside of the heavy impact of these three items upon our budget, expenditures over the last three years have grown only moderately, judged against the needs of our expanding population. One simple fact should make that point abundantly clear: when you include the 1964 Budget as submitted by the President, and before any reductions that may occur as a result of Congressional action, then -- apart from defense, space, and interest on the debt -- the total increase in all other expenditures during the first three years of this Administration will be $4.5 billion, one half billion <u>less</u> than the increase in these same items during the preceding three years from 1958 to 1961 -- a period during which the government was not often accused of extravagance.

In the light of that record, we can also take encouragement from the improvement in our immediate budgetary outlook. As you know, the fiscal 1963 deficit dropped from an estimated $8.8 billion to an actual $6.2 billion. Including the effect of the tax cut as approved by the House of Representatives, we now expect the current 1964 deficit to be <u>less</u> than the $9.2 billion forecast last January before allowance for the tax cut -- and <u>far less</u> than the $11.9 billion originally foreseen after allowing for the tax cut.

In addition, the President has said that, in the absence of any unforeseen economic downturn or international crisis over the next few months, he expects to submit a fiscal 1965 budget with a deficit smaller than the $9.2 billion originally forecast for this year <u>without</u> a tax cut. In other words, despite the fact that fiscal 1965 tax revenues will reflect a major part of the tax cut -- over $7 billion -- the projected fiscal 1965 budget will involve a lower deficit than that originally estimated for fiscal 1964 before any allowance for tax reduction.

That much, at least ,should be heartening to anyone -- whether or not he agrees with every policy or program recommended by the Administration. And whether or not one agrees with every cut or every appropriation the Congress has made, we can also take note of the recent prediction by the Honorable Clarence Cannon, Chairman

of the House Committee on Appropriations, that this year's appropriations will be held below last year's total for the first time since the end of the Korean War. Appropriations, of course, govern expenditures, as money must be appropriated before it can be spent. Therefore the true and sensible way to measure expenditure control is to look at current appropriation totals rather than at expenditure totals, which are largely predetermined by earlier appropriations.

In any given year some forty percent of expenditures flow from funds appropriated in preceding fiscal years. For instance, last year, fiscal 1963, we spent $92.6 billion but new appropriations amounted to $101.6 billion, or $9 billion more than we spent. That is why expenditures are increasing this year to some $98 billion and why a moderate further increase is likely in fiscal 1965 even if current appropriations are held below last year's $101.6 billion level.

Expenditure control is, of course, the joint responsibility of the President and the Congress. The President must exercise it in proposing his programs and his budget, as well as in carrying out and administering programs authorized by Congress. He does not, however, have -- as some have implied -- the latitude to whittle expenditures at will to meet short-run and arbitrary expenditure ceilings. At first glance, for example, it might seem feasible to realize substantial savings through the Commodity Credit Corporation. But CCC sales and purchases depend upon farmers' decisions, the weather, the crops, and other unpredictable or uncontrollable factors. And, to take another example, it would be the worst form of false economy to cancel or delay needed Defense or other programs which involve, as is usually the case, commitments and contracts already authorized, obligated, and well underway.

The only way to assure true control of expenditures is for both the President and the Congress to join in a continuing and complementary effort. That joint and continuing effort is exactly what Section I of the tax bill pledges.

We must, however, live with temporary deficits during the period when the tax cut is taking hold. While these deficits are certainly no cause for complacency, neither should we take them as cause for alarm.

I think it is now well understood by informed observers both at home and abroad that deficits need not be inflationary when there is persistent unemployment and excess capacity. That has, in fact, been our experience over the past six years. The rapid rise in industrial production costs that characterized the first postwar decade has come to an end. Year-to-year increases in wage rates are now within the range of productivity increases, and overall unit labor costs in our manufacturing industries have actually declined during the current period of business expansion.

But if the short-run prospect is one we can view with sober confidence, this can in no way excuse us from concern over the longer-lasting monetary and financial effects of our deficits -- and from pursuing with increasing vigor and vigilance policies to assure that we are not today sowing the seeds for future trouble. And that depends on how we finance the deficit. Let me cite briefly from our record.

Since January of 1961, the Federal Reserve has not supplied a single additional dollar of reserves to the banking system for the purpose of facilitating Treasury finance. Commercial bank holdings of Government securities have actually declined by almost $2 billion from January 1961 through August 1963. Over that period the entire deficit has been financed outside the commercial banks.

The total of under one year Treasury debt in the hands of the ublic has increased by only $2.7 billion, or about 3 percent, since anuary 1961, while the economy has grown by about 17 percent. At he same time the growth in total liquid asset holdings -- including ot only money and short-term Treasury debt, but also the enormous ncreases in time and savings funds -- has been roughly in line with ross National Product, as it properly should be in line with the rowing needs of the economy.

Government debt maturing beyond five years is now more than 20 billion greater than it was in January 1961 -- an amount nsiderably larger than the total increase in our marketable debt. id our debt due in twenty-five years or more is now $6.3 billion eater. As a result the average length of the marketable debt s been increased from four years and six months in January 1961 five years and three months at the present time -- the highest vel since mid-1956. This record clearly shows that we have cceeded in financing our deficits in a manner calculated to avoid ture inflationary troubles.

We thus have every ground for pushing ahead rapidly with the tax cut in order to improve both our economic performance here at home and our balance of payments. That expanding economic activity and productivity at home is the key to solving our balance of payments problem -- and that the tax cut is the key to both -- was cogently recognized in the balance of payments statement of your Association earlier this year. It recommended -- and I quote:

> ".... the enactment, in this session of Congress, of an across-the-board reduction in personal and corporate tax rates designed to improve the climate for direct business investment in this country, strengthen the prospects for cost-price stability, and restrain the large outflow of private long-term capital."

Your statement clearly underscores the urgency of the tax cut as a measure to sharpen the competitive edge of American business and help expand our exports, as well as a measure to make our economy continually more attractive for both foreign and domestic investment. Of equally great importance, the tax cut will, as the President stated last week before the International Monetary Fund, "give greater freedom to monetary policy" in meeting our balance of payments requirements.

Your balance of payments statement also emphasized the need to reduce the dollar drain of Government expenditures abroad. Only few days after the appearance of your statement, the President, n his Balance of Payments Message of July 18th, announced his pproval of a detailed program to reduce our dollar expenditures verseas by $1 billion a year. This program is already under way nd will be fully effective by the end of next year.

But these long-term efforts to achieve balance in our inter-ational payments are not enough. We must also step-up our efforts keep current deficits to a minimum. Over the past several years, you know, Treasury debt management policies have played a major le in bringing upward pressures to bear upon our short-term rates, ile still maintaining a ready availability of long-term funds. July of this year, the Federal Reserve reinforced this policy raising the discount rate from 3 to 3-1/2 percent. At the same me, regulation Q was revised to permit banks to compete more fectively for time deposits of 90 days or longer. These actions ve proved decidedly beneficial in improving the relationship tween our rates and those abroad, thus helping to reduce the out-ow of short-term capital.

In the area of long-term capital outflows, we have proposed a temporary Interest Equalization Tax on purchases of foreign securities by Americans from foreigners. We took this step with the greatest reluctance. But the situation was grave. During the first half of this year the volume of new foreign security issues purchased by Americans reached unprecedented levels. At an annual rate of $2 billion, that volume was well over three times the annual average from 1959 to 1961, and was almost double the 1962 figures. It accounted for substantially all the deterioration in our balance of payments during the first half of this year. And, at the time of our announcement, the volume of new issues in prospect, the large majority for borrowers in countries with strong balance of payments positions, was just as forbidding.

The advantage of the proposed tax is that it can achieve the required temporary lessening of foreign demands upon our capital narkets while leaving the market mechanism intact. Under the tax, it is the impersonal operation of price -- not any artificial or arbitrary force -- that would work to curtail our long-term outflows.

This tax, as I said last week before the International Monetary Fund, is "a necessary -- but temporary -- expedient to meet a specific situation that has arisen in large part out of a structural imbalance in the capital markets of the free world." It is not a long-term measure, but an interim step which we must take while our long-term measures become effective and while other industrial ountries make the necessary effort to strengthen and improve their wn capital markets.

There are clear signs that these two actions, higher short-term nterest rates and the proposed Interest Equalization Tax, are having he desired results. The first, preliminary figures indicate that ur third quarter deficit will be no more than half as large as the econd quarter results. While it will be another two months before etailed figures, pinpointing the areas of improvement, are available, nly capital flows are capable of such rapid shifts.

Despite this short-run improvement, it is still clear that ventual success in achieving a steady balance in our international ayments must rest upon our ability to achieve greater industrial fficiency, to utilize more of our savings at home, and to maintain ice stability. Our price performance over the past five years, r progress in bringing costs under effective control, and our firm solve to maintain responsible monetary and debt management policies fer assurance against any resurgence of inflationary pressures.

We cannot, therefore, let anything restrain us from adopting the tax reduction bill this year. We cannot burden down with restrictions the very measure that will free our economy from the burdens of a restrictive tax system -- we cannot dally until it is too late over a measure that we urgently need now. Our productive potential is unparalleled. The tax bill will give us the expanding economy and heightened incentives that will enable us to capitalize on that potential and achieve the still greater gains in output and productivity that we can -- and _must_ -- have. With its enactment, and only with its enactment, can we look forward with confidence to solving our problems of unemployment, unutilized capacity, and budgetary and balance of payments deficits.

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

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated July 18, 1963, (91 days remaining until maturity date on January 16, 1964) 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 October 17, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 17, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, October 9, 1963

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing October 17, 1963 , in the amount of $ 2,100,731,000 , as follows:

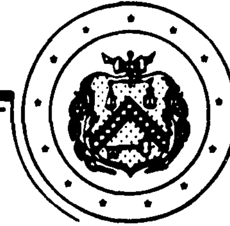
91 -day bills (to maturity date) to be issued October 17, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated July 18, 1963 , and to mature January 16, 1964 , originally issued in the amount of $ 800,123,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated October 17, 1963 , and to mature April 16, 1964

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, October 14, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

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Banking institutions generally may submit tenders for account of omers provided the names of the customers are set forth in such ers. Others than banking institutions will not be permitted to it tenders except for their own account. Tenders will be received out deposit from incorporated banks and trust companies and from onsible and recognized dealers in investment securities. Tenders others must be accompanied by payment of 2 percent of the face nt of Treasury bills applied for, unless the tenders are npanied by an express guaranty of payment by an incorporated bank rust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated July 18,1963, (91-days remaining until maturity date on January 16,1964) 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 October 17,1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 17,1963. 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 any Federal Reserve Bank or Branch.

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

October 9, 1963

RESULTS OF TREASURY'S $2 BILLION 160-DAY TAX ANTICIPATION BILL OFFERING

The Treasury Department announced last evening that the tenders for $2,000,000,000 or thereabouts, of Tax Anticipation Series 160-day Treasury bills to be dated October 1963, and to mature March 23, 1964, which were offered on October 2, were opened at the Federal Reserve Banks on October 9.

The details of this issue are as follows:

Total applied for - $2,957,324,000
Total accepted - 2,000,487,000 (includes $131,424,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

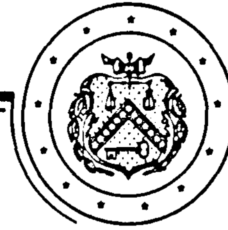
High	- 98.437	Equivalent rate of discount approx. 3.517% per annum
Low	- 98.421	" " " " " 3.553% " "
Average	- 98.428	" " " " " 3.537% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 77,186,000	$ 22,486,000
New York	2,348,499,000	1,570,957,000
Philadelphia	25,578,000	12,578,000
Cleveland	33,738,000	25,703,000
Richmond	14,759,000	13,759,000
Atlanta	32,090,000	31,520,000
Chicago	251,169,000	176,169,000
St. Louis	23,390,000	17,890,000
Minneapolis	18,446,000	14,306,000
Kansas City	22,820,000	18,820,000
Dallas	20,180,000	13,110,000
San Francisco	89,469,000	83,189,000
TOTAL	$2,957,324,000	$2,000,487,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 3.65%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
rsday, October 10, 1963.

October 9, 1963

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The Treasury Department announced last evening that the tenders for $2,000,000,000, thereabouts, of Tax Anticipation Series 160-day Treasury bills to be dated October 15, 3, and to mature March 23, 1964, which were offered on October 2, were opened at the eral Reserve Banks on October 9.

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eland		33,738,000	25,703,000
mond		14,759,000	13,759,000
nta		32,090,000	31,520,000
ago		251,169,000	176,169,000
Louis		23,390,000	17,890,000
apolis		18,446,000	14,306,000
as City		22,820,000	18,820,000
as		20,180,000	13,110,000
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	TOTAL	$2,957,324,000	$2,000,487,000

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the program for resolution of the problem of our international payments imbalance. It is a program to which the shipping industry of the United States can make, and is in fact making, an effective contribution. It is also a program which will provide direct benefits and opportunities to the industry itself. I am confident you will take full advantage of the challenge and opportunities offered by it.

The Commerce Department study also points out that U.S. flag vessels, while carrying less than 9 percent of the total imports and exports of the U.S. in 1962 earned an estimated 23 percent of all freight revenue generated by such ocean borne foreign trade of the U.S. The higher percentage of revenue than of tonnage carried appears to reflect various considerations. Among these: a larger proportion of our export than our import tonnage is carried on ships of U.S. registry; total export tonnage carried on our liners is nearly twice our import liner cargo tonnage; higher value cargoes, on which freight rates tend to be higher as well, are more often carried on liners; and about 28 percent of U.S. exports moving on liners move on those of U.S. registry.

The relation of freight rates to the competitiveness of American exports continues under active study. The President referred to it in his July 18 Balance of Payments Message to the Congress; the White House Export Expansion Conference committee of private businessmen, to which I referred earlier, urged that firms interested in foreign trade seek to determine whether ocean freight rates are discriminatory or adversely affect their ability to export. The Joint Economic Committee of the Congress is resuming hearings on this subject, and the Federal Maritime Commission's new Chairman, Admiral John Harllee, announced shortly after taking office that this subject would be given top priority. I know you will cooperate to the utmost in the examination of this complex subject.

We are all engaged in critical self-examination to fortify the payments position of our country. In that spirit that same committee of the Export Expansion Conference was prompted to add that "management and labor in the transportation industry should adopt all practicable methods of freight and cargo handling which can lead to cost reductions and therefore lower freight rates, thus increasing the competitiveness of American products overseas."

In summation, the Administration's program to restore balance in our international accounts involves simultaneously the promotion of sound growth at home, more effective utilization of our material and human resources and elimination of unnecessary costs. These actions will result in improvement in our competitiveness, increases in our trade surpluses and reduction of our capital outflows. The first step and foremost of the measures to achieve these ends is the comprehensive tax reduction and revision legislation approved last month by the House of Representatives.

The second step outlined by the President is, like the first, significant both for its domestic as well as its balance of payments effects. That second step is maintenance of price-cost stability, with business and labor urged to recognize and use reasonable guideposts in the resolution of the issues of collective bargaining.

Paring of costs -- governmental as well as private -- stimulation of sound economic growth, expansion of U.S. exports, promotion of tourist travel to our shores, stimulation of foreign short-term and portfolio holdings in the U.S., equalization of costs of long-term borrowings for enterprises of developed nations in their own and the U.S. capital markets -- these in essence constitute

Because a large part of the long-term improvement in our international payments must necessarily be sought through increased sales of American merchandise abroad and because such sales are directly dependent not only on promotional effort but also on price competitiveness, the relationship of shipping costs to export competitiveness will inevitably be constantly under consideration in any examination of the shipping industry's role in our balance-of-payments problem.

Efforts to measure the direct contribution of ocean shipping to our balance of payments are complicated by considerations of accounting concepts and certain limitations implicit in the data, particularly as to Port Expenditures, here and abroad, which are included in the "Transportation Account". For example, only transactions between U.S. and foreign residents actually enter into our balance-of-payments accounting. Hence, if shipments to the U.S. are carried in U.S. bottoms for the account of U.S. residents, the freight payments involved do not appear at all in our balance-of-payments accounts, for these are payments between Americans. Similarly freight costs for transport of U.S. goods abroad on foreign ships are not included in the balance-of-payments accounts as these are ultimately paid for by the foreign importer and thus represent transactions between two foreigners, not an American and a foreigner. By the same token, payments for shipments in American bottoms of USS. military goods and other equipment sent to our own armed forces overseas do not enter into the balance-of-payments account. I am, incidentally, informed that approximately $250 million in freight charges were paid to American ship owners for military shipments of this kind in 1962.

Obviously, our balance of payments is helped by the use of American shipping (provided this does not entail pricing U.S. exports out of world markets) even though the income or expenditure itself may not appear in the balance of payments statistics. If that $250 million, for example, had been paid to foreign ships, it would have represented an addition to our deficit, although certain offsets would have occurred through port expenditures by those foreign ships here. These port expenditures, which comprise a variety of items including bunkerage, port use and piloting fees, advertising, chandler supplies, and personal spending by the crews, perforce are estimates at best. They have, moreover, as the Department of Commerce recently noted, been on the rise in the past decade or more, and now constitute an important, partially balancing element, minimizing large fluctuations on the credit or the debit side of the transportation account of the balance of payments.

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The third area of action in our program aimed at achieving a balance in our international payments -- that of international capital movements -- has become increasingly meaningful. Capital outflows both short and long-term, play a significant role in determining our deficit. Even though our exports of long-term capital bring back substantial benefits in the longer run, any broad program to improve the present deficit position must take into account measures for reducing the immediate impact of capital outflows. In this context, the Treasury Department and the Federal Reserve system have been carefully using the tools of monetary policy and debt management. Increases in short-term interest rates have been effected while at the same time ample credit availability has been maintained; and long-term and ~~bank loan~~ mortgage rates (are lower, and in many cases declining.)

With the increase in short-term interest rates, our banks will be able to compete more effectively in attracting funds which might otherwise leave the country.

In the long-term investment field there has been until very recently an alarming outflow of capital. As a result, new steps are being taken in this field to correct the current imbalance.

We have proposed to Congress that an Interest Equalization Tax be placed on purchases of foreign securities by Americans from foreigners. Capital market facilities in other major countries are not adequate to serve their domestic needs and a number of them are still subject to controls. With rare exceptions they display rate structures which are both high and rigid. The result is that the efficient New York market has become the focal point of capital demand from all over the world. We hope that the developed nations of the world will be encouraged to develop more efficient markets for mobilizing and directing their own domestic savings both for their own investment needs and for assistance to less developed countries.

In the interim, the Interest Equalization Tax is designed to (equalize) borrowing conditions here with those available in major foreign markets. However, we view this tax measure as a temporary expedient. The effective results of the tax will be to raise the interest rate for foreigners borrowing in the American market by approximately 1 percent. It is designed to do the job in such a fashion that it will not intrude into individual negotiations between the borrowers and lenders. And it will not restrict the free use of dollars,

which demand active and creative consideration by this country.

The Administration's program seeks improvement of our balance of payments position in three major areas: commercial trade, in goods and services, Government expenditures, and private capital movements. All are areas in which the maritime interests represented here today have a vital stake.

The first area, that of trade, is by far the weightiest in terms of dollars and cents. The United States has traditionally maintained a sizable trade surplus in the value of exports over imports. These continue to be larger than that of any other nation. Even after deducting the exports financed by government grants and loans, we find the favorable balance of payments trade in 1962 to have been more than $2 billion. The commercial trade surplus continues at about the same rate this year. In our efforts to close the deficit in the balance of payments, we neither want nor intend to limit imports. Our goal is to expand exports.

This good record, however, is not good enough. We must export more. Two steps are open to us. First, we must maintain our access to foreign markets. That was the goal of the Trade Expansion Act last year, and the upcoming round of tariff negotiations in Geneva which will determine the climate in which American producers will sell goods abroad for many years to come. Secondly, in an expanding market for our goods, and particularly our consumer goods, we must compete more successfully to increase our share of exported manufactured goods. We have faith in the good reputation our manufacturers have earned, and we must bank upon these qualities to increase exports in this category to keep pace with those in the more traditional raw materials and semi-finished and heavy capital goods that have in the past made up the bulk of our export trade.

Just as the trade bill was designed to help in the first phase of this effort the Government has also moved forcefully to assist private business in the second phase. The Nation's productive efficiency is closely related to the level of investment in productive equipment. Realizing that our investments in new and modern equipment were less than those abroad, President Kennedy set an increase in such investment as a national goal. This was the reason behind the major provision in last year's Revenue Act to provide a 7 percent credit for new investment, and also for liberalizing the tax treatment of depreciable equipment. Both moves have already shown productive results.

The most important measure now which will help increase our exports is the bill passed by the House late last month and which is at present before the Senate. As you know, this bill calls for an $11 billion reduction in both individual and corporate income taxes. It will stimulate demand and increase significantly the incentives to Americans to invest in our productive efficiency. It should greatly aid American private enterprise in getting a larger share of foreign markets. It is designed both to strengthen our balance of payments position and to be a move toward providing more jobs and speeding economic expansion here at home.

But trade, although it is certainly one of the most important areas of action in correcting the imbalance in our international payments, is not the only one. The second area, that of Government expenditures, is also of great significance in carrying out our program. Government expenditures, under the President's program have been so administered as to minimize their impact on our balance of payments

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS OF THE HONORABLE JAMES A. REED
ASSISTANT SECRETARY OF THE TREASURY
AT THE AMERICAN MERCHANT MARINE CONFERENCE
LORD BALTIMORE HOTEL, BALTIMORE, MARYLAND,
THURSDAY, OCTOBER 10, 1963, NOON, EDT

It is a pleasure to appear before a group dedicated to the maritime interests of our country. I need hardly remind you that the Treasury Department is more than simply the depository of our national riches and the administrator of our national debt, since it also has the responsibility of supervising many other functions of our Government, some of the most important of which relate directly to maritime affairs. This responsibility evolved from the Treasury's historic connection with the nation's seaborne trade. That connection, appropriately enough, was originally concerned with the national revenues, and continues to be so.

Thanks to Alexander Hamilton, our first Secretary of the Treasury, and to the First Congress, ten cutters were built to serve as the "Revenue Marine". Their job was to insure that the duties on the imports into our young nation were not nullified by smugglers or siphoned off by pirates. From this small beginning grew not only the new nation's armed force at sea, but our Customs Service and United States Coast Guard. Both are still within the Treasury Department, where I have the privilege and the responsibility of supervising their activities.

The Coast Guard, as you are well aware, performs a multitude of extremely important functions in the maritime field. With equal importance, its Customs Service, along with many other complex and vital responsibilities, must assure itself, that an annual invasion of some 48 million vessels, aircraft, automobiles, trucks, boats and other carriers entering our ports and airports or crossing our land borders do not carry contraband.

I am pleased to state here that many substantial changes are in the process of development, which will result, I am sure, in the Coast Guard and Customs becoming more effective, efficient and modern organizations.

But today I would like to speak about a subject which the Treasury holds as being of considerable concern: our Balance of Payments.

Ten years ago it seemed an adequate definition of that term to say that the balance of payments was simply the difference between what the United States — both Government and private — paid out to foreigners, and what they paid to us. Today we need to know more about it, and what to do about it.

The swift upcurve of recovery in Western Europe over the past decade, and the continued need for foreign aid and defense requirements for sizable United States expenditures abroad — all have combined to place the continuing deficit in the United States balance of payments in the very forefront of the economic problems

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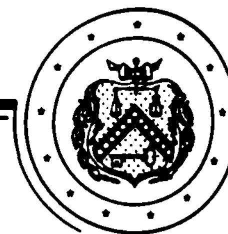
the program for resolution of the problem of our international payments imbalance. It is a program to which the shipping industry of the United States can make, and is in fact making, an effective contribution. It is also a program which will provide direct benefits and opportunities to the industry itself. I am confident you will take full advantage of the challenge and opportunities offered by it.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 10, 1963

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN SEPTEMBER

During September 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 $373,122,000.00.

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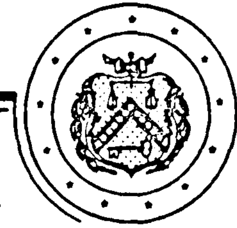
D-998

TREASURY DEPARTMENT



WASHINGTON, D.C.

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FOR IMMEDIATE RELEASE

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oOo

D-998

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, OCTOBER 11, 1963

D-999

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1963, to September 28, 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 September 28, 1963
Buttons..........	680,000	Gross	194,684
Cigars...........	160,000,000	Number	9,622,857
Coconut oil......	358,400,000	Pound	311,436,254
Cordage..........	6,000,000	Pound	4,155,346
Tobacco..........	5,200,000	Pound	4,968,853

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, OCTOBER 11, 1963

D-999

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1963, to September 28, 1963, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

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Cordage..........	6,000,000	Pound	4,155,346
Tobacco..........	5,200,000	Pound	4,968,853

Commodity	Period and Quantity		Unit of Quantity	Imports as of Sept. 28, 1
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat...............	Calendar Year 1963	1,200,000	Pound	Quota Fille
Fibers of cotton processed but not spun....................	12 mos. from Sept. 11, 1962	1,000	Pound	966
	12 mos. from Sept. 11, 1963	1,000	Pound	530
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)........................	12 mos. from August 1, 1963	1,709,000	Pound	566,465

1/ Imports through October 7, 1963.

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11, 1963

D-1000

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 September 28, 1963:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Sept. 28, 19[63]
Tariff-Rate Quotas:				
Cream, fresh or sour............	Calendar Year	1,500,000	Gallon	534,335
Whole Milk, fresh or sour.......	Calendar Year	3,000,000	Gallon	97
Cattle, 700 lbs. or more each (other than dairy cows).......	July 1, 1963- Sept. 30, 1963	120,000	Head	7,817
Cattle less than 200 lbs. each..	12 mos. from April 1, 1963	200,000	Head	45,921
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish......	Calendar Year	24,874,871	Pound	Quota Filled 1/
Tuna Fish.......................	Calendar Year	63,130,642	Pound	38,082,908
White or Irish potatoes:				
Certified seed................	12 mos. from Sept. 15, 1962	114,000,000	Pound	58,990,542
Other		36,000,000	Pound	29,935,418
Certified seed................	12 mos. from Sept. 15, 1963	114,000,000	Pound	0
Other		45,000,000	Pound	12,420
Stainless steel table flatware (table knives, table forks, table spoons)................	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	Quota Filled

1/ Imports for consumption at the quota rate are limited to 18,656,154 pounds during the first nine months of the calendar year.

TREASURY DEPARTMENT
Washington

EDIATE RELEASE
IDAY, OCTOBER 11, 1963

D-1000

The Bureau of Customs announced today preliminary figures on imports for consump-
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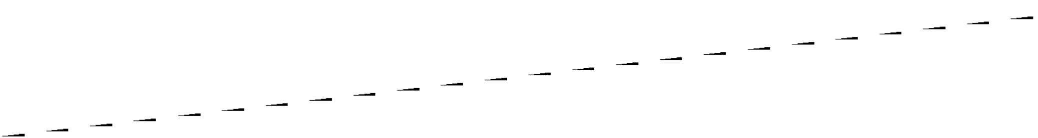
Commodity	Period and Quantity		Unit of Quantity	Imports as of Sept. 28, 1963
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat...............	Calendar Year 1963	1,200,000	Pound	Quota Filled
Fibers of cotton processed but not spun....................	12 mos. from Sept. 11, 1962	1,000	Pound	966
	12 mos. from Sept. 11, 1963	1,000	Pound	530 1/
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)........................	12 mos. from August 1, 1963	1,709,000	Pound	566,465 1/

1/ Imports through October 7, 1963.



TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11, 1963

D-1001

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, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD – October 1 – December 31, 1963

IMPORTS – October 1 – October 4, 1963 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead	Imports	Quarterly Quota Dutiable lead	Imports	Quarterly Quota Zinc Content	Imports	Quarterly Quota By Weight	Imports
	(Pounds)		(Pounds)		(Pounds)		(Pounds)	
Australia	11,220,000	11,220,000	22,540,000	1,000,826	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	2,159,400 1/	-	-	-	-	-	-
Canada	13,440,000	214,439 1/	15,920,000	957,961	66,480,000	66,480,000	37,840,000	2,325,547
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	2,935,899	70,480,000	8,052,493	6,320,000	-
Peru	16,160,000	2,194,170 1/	12,880,000	-	35,120,000	1,820,369	3,760,000	1,521,328
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	1,102,194 1/	-	-	-	-
All other foreign countries (total)	6,560,000	509,814 1/	6,080,000	6,080,000	17,840,000	13,768,291 1/	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.

1/ Imports as of October 7, 1963.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11, 1963

D-1001

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, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD – October 1 – December 31, 1963

IMPORTS – October 1 – October 4, 1963 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	1,000,826	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	2,159,400 1/	-	-	-	-	-	-
Canada	13,440,000	214,439 1/	15,920,000	957,961	66,480,000	66,480,000	37,840,000	2,325,547
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	2,935,899	70,480,000	8,052,493	6,320,000	-
Peru	16,160,000	2,194,170 1/	12,880,000	-	35,120,000	1,820,369	3,760,000	1,521,328
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	1,102,194 1/	-	-	-	-
All other foreign countries (total)	6,560,000	509,814 1/	6,080,000	6,080,000	17,840,000	13,768,291 1/	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.

1/ Imports as of October 7, 1963.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11,1963

D-1002

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1963, as follows:

Country of Origin	Wheat		Milled wheat products	
	Established: Quota	Imports May 29, 1963, to Sept. 28, 1963	Established: Quota	Imports May 29, 1963, Sept. 28, 1963
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	210
United Kingdom	100	-	75,000	6,180
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other Foreign Countries or areas	-	-	-	-
	800,000	795,000	4,000,000	3,821,390

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11, 1963

D-1002

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1963, as follows:

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	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	210
United Kingdom	100	-	75,000	6,180
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other Foreign Countries or areas	-	-	-	-
	800,000	795,000	4,000,000	3,821,390

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TREASURY DEPARTMENT
Washington, D. C.

D-1003

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11,1963

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, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD – July 1 – September 30, 1963

IMPORTS – July 1 – September 30, 1963

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	22,540,000	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	8,920,948	15,920,000	15,920,000	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	36,880,000	70,480,000	70,480,000	6,320,000	6,318,582
Peru	16,160,000	16,160,000	12,880,000	12,879,435	35,120,000	33,751,168	3,760,000	3,759,994
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,813
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,718,589	-	-	-	-
All other foreign countries (total)	6,560,000	4,394,270	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

D-1003

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11, 1963

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, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD - July 1 - September 30, 1963

IMPORTS - July 1 - September 30, 1963

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
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Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	8,920,948	15,920,000	15,920,000	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	36,880,000	70,480,000	70,480,000	6,320,000	6,318,582
Peru	16,160,000	16,160,000	12,880,000	12,879,435	35,120,000	33,751,168	3,760,000	3,759,994
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,813
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,718,589	-	-	-	-
All other foreign countries (total)	6,560,000	4,394,270	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.

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, 1963, to October 7, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to October 7, 1963
United Kingdom...........	4,323,457	47,545	1,441,152	2,379
Canada....................	239,690	239,690	-	-
France....................	227,420	22,445	75,807	22,445
India and Pakistan........	69,627	-	-	-
Netherlands...............	68,240	-	22,747	-
Switzerland...............	44,388	-	14,796	-
Belgium...................	38,559	33,022	12,853	-
Japan.....................	341,535	-	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	-	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.		-	-	-
	5,482,509	342,702	1,599,886	24,824

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11,1963

D-1004

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, as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1963 - October 7, 1963

Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	204,735
Peru	247,952	-
India and Pakistan	2,003,483	-
China	1,370,791	-
Mexico	8,883,259	8,883,259
Brazil	618,723	600,000
Union of Soviet Socialist Republics	475,124	-
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	-
Indonesia and Netherlands New Guinea	71,388	-
1/British W. Indies	21,321	-
Nigeria	5,377	-
2/British W. Africa	16,004	-
Other, including the U.S.	-	-

1/ Except Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Except Nigeria and Ghana.

Cotton 1-1/8" or more
Established Yearly Quota - 45,656,420 lbs.

Imports August 1, 1963, to October 7, 1963

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	81,759
1-1/8" or more and under 1-3/8"	4,565,642	1 890 889

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11,1963

D-1004

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, as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1963 - October 7, 1963

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	204,735	Honduras..................	752	-
Peru......................	247,952	-	Paraguay..................	871	-
India and Pakistan.........	2,003,483	-	Colombia..................	124	-
China.....................	1,370,791	-	Iraq......................	195	-
Mexico....................	8,883,259	8,883,259	British East Africa........	2,240	-
Brazil....................	618,723	600,000	Indonesia and Netherlands New Guinea...............	71,388	-
Union of Soviet Socialist Republics.......	475,124	-	1/British W. Indies..........	21,321	-
Argentina.................	5,203	-	Nigeria...................	5,377	-
Haiti.....................	237	-	2/British W. Africa..........	16,004	-
Ecuador...................	9,333	-	Other, including the U.S....	-	-

1/ Except Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Except Nigeria and Ghana.

Cotton 1-1/8" or more
Established Yearly Quota - 45,656,420 lbs.

Imports August 1, 1963, to October 7, 1963

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	81,759
1-1/8" or more and under 1-3/8"	4,565,642	1,890,889

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, 1963, to October 7, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to October 7, 1963
United Kingdom	4,323,457	47,545	1,441,152	2,379
Canada	239,690	239,690	-	-
France	227,420	22,445	75,807	22,445
India and Pakistan	69,627	-	-	-
Netherlands	68,240	-	22,747	-
Switzerland	44,388	-	14,796	-
Belgium	38,559	33,022	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	-	25,443	-
Italy	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	342,702	1,599,886	24,824

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

D-1004

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Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1962, to September 19, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1962, to September 19, 1963
United Kingdom............	4,323,457	1,640,712	1,441,152	1,111,486
Canada....................	239,690	239,690	-	-
France....................	227,420	162,778	75,807	75,183
India and Pakistan........	69,627	49,926	-	-
Netherlands...............	68,240	51,982	22,747	21,836
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	58,025	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	2,247,497	1,599,886	1,208,505

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Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, OCTOBER 11,1963

D-1005

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, as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1962 - September 19, 1963

Country of Origin	Established Quota	Imports
Egypt and Sudan.............	783,816	782,857
Peru........................	247,952	35,995
India and Pakistan..........	2,003,483	81,640
China.......................	1,370,791	-
Mexico......................	8,883,259	8,883,259
Brazil......................	618,723	618,723
Union of Soviet Socialist Republics.......	475,124	-
Argentina...................	5,203	-
Haiti.......................	237	-
Ecuador.....................	9,333	-
Honduras....................	752	-
Paraguay....................	871	-
Colombia....................	124	-
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Other, including the U. S.	-	-	-	-
	5,482,509	2,247,497	1,599,886	1,208,505

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

D-1005

it is proper to explore alternatives to it. But in the exploration of those alternatives we should make sure we ask the hard questions that must be asked and weigh carefully the state of economic thinking on the answers to those questions. In this process of objective discussion and careful probing we must constantly keep in mind the paramount question of whether a national consensus can be developed in favor of any major alternative to the income tax. In our thinking about that question, we should not lose sight of the fact that it may well be far easier to develop a consensus on desirable improvements in the income tax than to achieve agreement on major alternatives to that tax. In sum, on the fiftieth anniversary of the income tax, it would be appropriate to pay a tribute to that tax by renewing our efforts to improve its structure and the contribution it can make to our national tax policy.

the tax system and eliminate the unfairnesses, so that we will be in a position to determine which of those decisions are likely to gain acceptance?

Finally, can we develop a consensus on at least some of the decisions that will enable us to continue to move forward in the task of tax revision. For this really brings us to the heart of the problem. The House bill, with its substantial tax reduction in a time of transitional budget deficits, represents a major tax policy decision. That bill rests on a consensus perhaps unique in our tax history, in which business, labor, and a majority of academic economists have united in approving this step. They see the bill as setting us on a path that can lead us toward full employment and the end of a history of deficits caused by an economy operating below its potential. We must work, therefore, to achieve a similar consensus on further improvements in the income tax.

It is here that we can return to the question of alternatives to that tax. Certainly, along with our consideration of improvements of the income tax itself,

We need continued hard thinking on the basic problem of further base broadening and concomitant reduction of rates. The recent legislative events have helped bring into focus some areas where more analysis is needed. The debate over the proposal of a five percent floor on personal expenses showed how thorny are the problems in this area. The debate over the taxation and treatment of capital gains, especially those passed on to heirs, revealed some of the difficulties in that subject. But all of this means only that the experts must go back to the drawing boards. For example, as some have suggested, does the path to a broader base and lower rates lie through an optional rate scale, with lower rates applied to a broader and simpler measure of a person's taxable income? Will such a scale help to lessen materially the great disparities in tax burdens on equal incomes that we know exist under the present structure? Will it aid in reducing our present over-concentration on tax planning and tax motivated arrangements? These questions are but a part of still larger questions. Can the experts show us the hard decisions we must make if we are to simplify

many of the issues involved in the great majority of these topics have been presented for legislative determination. They have thus been considered in the legislative decisions entering into the Revenue Act of 1962 and the House bill. Since many of these issues involve social and political judgments, it is only through bringing these issues to the forefront that we can see where lie the pathways to progress. The public and the Congress do not always agree with the experts. If, after a proper debate, the solutions of the experts do not secure public acceptance, then the experts must devise new approaches.

This summary of developments in tax policy clearly shows that we are making progress in improving the income tax -- in keeping it responsive to national needs, and permitting it to make its contribution to full employment and growth. We see that the alternative to its problems -- to its high rate structure, its preferential areas, and its effects on the allocation of our resources -- need not necessarily be a resort to other taxes with all their unsolved and unseen problems. The alternative, instead, can be a steady improvement in the income tax itself.

differentiation for the over 50 percent of our taxpayers whose income fell entirely in the previous first bracket; the adoption of the minimum standard deduction to provide special relief for those with very low incomes without the wastage at upper levels that accompanies the competing approach of raising exemptions. These innovations, plus the provisions removing restrictions, involve over 600 million dollars under the House bill. The successful development of an income tax lies in this constant introduction of structural innovations to meet new problems.

Sixth, the discussion itself of base broadening and other income tax questions has, in one sense, been equally as important as the changes themselves. Issues that hitherto were debated only by experts have been placed under legislative and public examination. While this may not always have resulted in the proper revision, we must not forget that nothing can be accomplished as long as these matters remain the preserve of the experts alone. If we look at the topics covered in the Congressional studies of 1955 and 1959, we find that beginning in 1961

being achieved as well as the difficulties involved. Each existing preference has its able defenders and spokesmen, and the old saying that possession is nine points of the law certainly refers to legislative contests regarding these preferences. Despite all this, the course of tax legislation since 1961, considered in perspective, marks both a reversal of the prior erosion of the tax base and progress towards a broadening of the tax base combined with a reduction of high tax rates.

Fourth, the current House bill involves an elimination of some of the existing restrictive features of the income tax, a task which also is an important part of tax revision. The additional deduction for employee moving expenses and the removal of the two percent consolidated returns tax are examples.

Fifth, the current House bill involves the introduction of tax innovations designed to strengthen the income tax -- the introduction of an averaging system to meet the problem of bunched income; the splitting of the first bracket into four brackets to provide some

Third, the revenue-raising structural changes accomplished under the 1962 Act and those embodied in the House bill represent major improvements in the equity of the tax system. Even if the two measures are taken singly, each would far exceed anything that has previously been accomplished. Thus, the Revenue Act of 1962 represented 855 million dollars of revenue-raising reforms. The total for all the revenue acts since 1940 was scarcely above 600 million dollars -- the total from 1953 to 1961 was less than 200 million dollars. The amount involved in the current House bill is about $1.085 billion, so that together with the 1962 Act, the events of 1963 and 1962 involve about two billion dollars of revenue-raising changes which would increase the equity of the income tax. These changes do not represent reform just for reform's sake -- the revenue raised by them has been turned back into rate reductions and investment incentives.

It has been fashionable in some circles to decry the efforts at base broadening being undertaken under present tax policy. This attitude both overlooks the solid results

balanced fashion that has brought wide support for the over-all appropriateness of the reductions. The House bill is fully supported both by representatives of business and of labor. We do not even need all the fingers of one hand to count the organizations which were opposed to the House bill.

Second, these changes have firmly reversed the hampering effect of the tax system on investment incentives and have instead materially strengthened those incentives. To put the matter concretely, the investment credit of 1962, together with the proposed 1963 revision eliminating any reduction in depreciation basis to reflect the credit, the 1962 revised depreciation guidelines, and the proposed 48 percent corporate rate have increased the after-tax profitability on investment by 35 percent or more. This dramatic shift in the effect of our tax system on investment has brought it to the point where it now matches the investment stimuli offered by European tax systems.

in its efforts to match actual performance to potential growth. In 1961, President Kennedy gave a high priority to changes in tax policy as one of the essential steps to improve our economic situation. Ever since, the topic of national tax policy has been a subject both of active Governmental consideration and broad public discussion. This emphasis on tax policy, in turn, is bringing major changes in the income tax. Let me simply present these changes in broad outline.

First, the over-all weight of that tax on the private sector is in the process of being considerably reduced. The reductions under the pending tax bill reduce individual income tax liabilities by about nine billion dollars, or 19 percent. The changes in corporate tax rates under that bill, together with the 1962 reductions under the investment credit and the revised depreciation guidelines, reduce corporate tax liabilities by 4.5 billion dollars, or also 19 percent. The combined effect is thus a 19 percent reduction in income tax liabilities. Moreover, this reduction of one-fifth in income tax liabilities -- the largest in our tax history -- is being achieved in a

Thus the fact that the income tax has its full share of problems and controversy does not support the view that the tax should be abandoned. Rather, it is a sign that we are engaged in the proper and necessary task of keeping that tax responsive to our present needs. The important question is what are we doing about the problems we face. I submit that much is being accomplished -- and that there is still some hard work ahead.

The last half of the 1950's saw a comprehensive examination of national tax policy conducted by Congressional committees, starting with the study of the 1955 Subcommittee on Tax Policy of the Joint Economic Committee, chaired by Congressman Wilbur Mills, and continuing through the 1959 studies of the House Ways and Means Committee, also chaired by Mr. Mills. To some extent this examination was matched by discussion in academic circles. Yet throughout this period the topic of national tax policy remained at this level of quiet discussion among the experts and did not penetrate into broad public consideration or governmental action. During this same time, however, our national economy was beginning to fall behind

not everyone in Michigan is enchanted with the value added tax.

We should not forget that fifty years of debate on the income tax have at least made us aware of the problems under that tax and possible lines of improvement. These years of debate have also made it clear that much of the difficulty arises from the need to keep our tax system continually responsive to an ever changing society and economy. Our problem today is not that of improving the Revenue Act of 1913 and its successors as these measures would apply to the United States of 1913 -- our problem today is that of applying the income tax to the United States of 1963 and the years ahead. It may well be that the Revenue Act of 1913 seemed as good an answer to the problems of 1913 as some of the alternative taxes now being discussed look in the light of 1963. Yet, if we were to adopt any of these alternatives today, it is inevitable that ten years from now it would be enmeshed in issues and debate as future tax commentators sought to adapt it to their society -- to eliminate its imperfections, if you will.

alternative taxes are or are not shifted, on the relationship between taxes and economic growth, or on the factors that make for economic growth and the processes by which that growth occurs or can be stimulated.

These few kind words for the income tax -- it is, after all, its golden anniversary -- do not mean that all is well with that tax. For while on the one hand we can defend its place in the Federal tax structure, we can at the same time recognize its defects and problems. It should be clear that any mass tax -- be it an income tax, sales tax, value added tax, manufacturers excise tax -- will always have its imperfections. And there will always be disputes as to whether this or that solution is the answer, especially since the wisdom of the solution usually lies not in the realm of objective and universal observation, but in the realm of political and social judgment. While we see these difficulties clearly enough in our income tax, we are less likely to remember that the French see them also in their value added tax, and the Canadians in their manufacturers excise tax. Nor is it necessary for this purpose to look abroad;

Finally, in any tax system, just as a balance must be struck between efficiency and equity, so it must be struck between equity and the achievement of certain national goals. One of our important goals is full employment and greater growth. If a tax system is to contribute to achievement of this goal, it may have to contain certain structural features, such as incentives to investment, which will result in a different allocation of tax liabilities and thus some shift in tax equity. But here again, has it been shown that, as a structural matter, reliance on an income tax to raise our revenues is incompatible with achieving these growth goals and that the incentives to investment that may be needed cannot be devised within an income tax framework? Or, to put it differently, can it be clearly shown that the alternative taxes are decidedly superior in this respect? One can suspect that a request for even a modest degree of proof on these matters would likely go unsatisfied, given the existing state of our knowledge on such matters as the incidence of the corporate tax, on the extent and ways in which it and other possible

all this with commendable efficiency in the light of the tremendous volume of communication between government and the public that is involved. Moreover, it achieves these results through a system of voluntary compliance and with an administrative force that is quite small in relation to the population -- factors which few other countries can match.

But while efficiency is an indispensable requirement, it is not, of course, the final criterion of a tax system. We also ask that our tax system meet a rather high standard of fairness. We have been perhaps more insistent on this concept of equity than many other countries. Such a standard, however, is not easy to meet, dealing as we are with a forced exaction from millions of people, and with rules which necessary cannot be cut to every pattern. Moreover, concepts of what is fair and what is unfair, what is equitable and inequitable, are not simple, observable facts. Yet it does not appear anyone is urging the possible alternative taxes on the ground that they are decidedly more fair than the income tax, or even defending them as no less fair.

if we are to gain the insights that guide the way to rational decisions.

Your program, as I have indicated, is devoted to substitutes for the present income tax. Thus, there are papers on the value added tax as an alternative to the corporate income tax, on broad-based excise taxes as alternatives to income taxation, and on an expenditure tax as an alternative to the individual income tax. The general implication of all this appears to be that our income tax structure is so defective that progress in tax policy can lie only in new and different taxes. Yet are matters really in such a state, and can it be said that our income tax serves us so poorly?

After all, the income tax is efficient, in that it raises about 70 billions of dollars. The individual tax reaches 100 million individuals, about 86 percent of our adult population. It deals each year with 60 million individual returns and 1.2 million corporate returns, with over 25 million refund claims, and yet accomplishes

REMARKS BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE TAX INSTITUTE SYMPOSIUM
MAYFLOWER HOTEL, WASHINGTON, D. C.
FRIDAY, OCTOBER 11, 1963, 12:30 P.M. EDT

ASPECTS OF NATIONAL TAX POLICY

The Tax Institute of America has again chosen an intriguing topic around which to build an interesting symposium. This topic, Alternatives to Present Federal Taxes -- or more precisely, in view of the topics discussed, Alternatives to Federal Income Taxation -- is becoming rather fashionable today. To be sure, 1963 marks the golden anniversary of the Federal income tax, and some may complain that it is somewhat unbecoming to discuss the possible demise of the income tax on such an occasion. Yet the Institute has always prided itself on a willingness to be unconventional, if need be, and so even a golden anniversary must not stand in the way of critical analysis. For a tax system cannot remain static. It must be continuously examined and shaped to make it responsive to national needs and an appropriate force in achieving national goals. Searching discussion and analysis by informed observers are therefore imperative

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

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Thus the fact that the income tax has its full share of problems and controversy does not support the view that the tax should be abandoned. Rather, it is a sign that we are engaged in the proper and necessary task of keeping that tax responsive to our present needs. The important question is what are we doing about the problems we face. I submit that much is being accomplished -- and that there is still some hard work ahead.

The last half of the 1950's saw a comprehensive examination of national tax policy conducted by Congressional committees, starting with the study of the 1955 Subcommittee on Tax Policy of the Joint Economic Committee, chaired by Congressman Wilbur Mills,

and continuing through the 1959 studies of the House Ways and Means Committee, also chaired by Mr. Mills. To some extent this examination was matched by discussion in academic circles. Yet throughout this period the topic of national tax policy remained at this level of quiet discussion among the experts and did not penetrate into broad public consideration or governmental action. During this same time, however, our national economy was beginning to fall behind in its efforts to match actual performance to potential growth. In 1961, President Kennedy gave a high priority to changes in tax policy as one of the essential steps to improve our economic situation. Ever since, the topic of national tax policy has been a subject both of active Governmental consideration and broad public discussion. This emphasis on tax policy, in turn, is bringing major changes in the income tax. Let me simply present these changes in broad outline.

First, the over-all weight of that tax on the private sector is in the process of being considerably reduced. The reductions under the pending tax bill reduce individual income tax liabilities by about nine billion dollars, or 19 percent. The changes in corporate tax rates under that bill, together with the 1962 reductions under the investment credit and the revised depreciation guidelines, reduce corporate tax liabilities by 4.5 billion dollars, or also 19 percent. The combined effect is thus a 19 percent reduction in income tax liabilities. Moreover, this reduction of one-fifth in income tax liabilities -- the largest in our tax history -- is being achieved in a balanced fashion that has brought wide support for the over-all appropriateness of the reductions. The House bill is fully supported both by representatives of business and of labor. We do not even need all the fingers of one hand to count the organizations which were opposed to the House bill.

Second, these changes have firmly reversed the hampering effect of the tax system on investment incentives and have instead materially strengthened those incentives. To put the matter concretely, the investment credit of 1962, together with the proposed 1963 revision eliminating any reduction in depreciation basis to reflect the credit, the 1962 revised depreciation guidelines, and the proposed 48 percent corporate rate have increased the after-tax profitability on investment by 35 percent or more. This dramatic shift in the effect of our tax system on investment has brought it to the point where it now matches the investment stimuli offered by European tax systems.

Third, the revenue-raising structural changes accomplished under the 1962 Act and those embodied in the House bill represent major improvements in the equity of the tax system. Even if the two measures are taken singly, each would far exceed anything that has previously been accomplished. Thus, the Revenue Act of 1962 represented 855 million dollars of revenue-raising reforms. The total for all the revenue acts since 1940 was scarcely above 600 million dollars -- the total from 1953 to 1961 was less than 200 million dollars. The amount involved in the current House bill is about $1.085 billion, so that together with the 1962 Act, the events of 1963 and 1962 involve about two billion dollars of revenue-raising changes which would increase the equity of the income tax. These changes do not represent reform just for reform's sake -- the revenue raised by them has been turned back into rate reductions and investment incentives.

It has been fashionable in some circles to decry the efforts at base broadening being undertaken under present tax policy. This attitude both overlooks the solid results being achieved as well as the difficulties involved. Each existing preference has its able defenders and spokesmen, and the old saying that possession is nine points of the law certainly refers to legislative contests regarding these preferences. Despite all this, the course of tax legislation since 1961, considered in perspective, marks both a reversal of the prior erosion of the tax base and progress towards a broadening of the tax base combined with a reduction of high tax rates.

Fourth, the current House bill involves an elimination of some of the existing restrictive features of the income tax, a task which also is an important part of tax revision. The additional deduction for employee moving expenses and the removal of the two percent consolidated returns tax are examples.

Fifth, the current House bill involves the introduction of tax innovations designed to strengthen the income tax -- the introduction of an averaging system to meet the problem of bunched income; the splitting of the first bracket into four brackets to provide some differentiation for the over 50 percent of our taxpayers whose income fell entirely in the previous first bracket; the adoption of the minimum standard deduction to provide special relief for those with very low incomes without the wastage at upper levels that accompanies the competing approach of raising exemptions. These innovations, plus the provisions removing restrictions, involve over

600 million dollars under the House bill. The successful development of an income tax lies in this constant introduction of structural innovations to meet new problems.

Sixth, the discussion itself of base broadening and other income tax questions has, in one sense, been equally as important as the changes themselves. Issues that hitherto were debated only by experts have been placed under legislative and public examination. While this may not always have resulted in the proper revision, we must not forget that nothing can be accomplished as long as these matters remain the preserve of the experts alone. If we look at the topics covered in the Congressional studies of 1955 and 1959, we find that beginning in 1961 many of the issues involved in the great majority of these topics have been presented for legislative determination. They have thus been considered in the legislative decisions entering into the Revenue Act of 1962 and the House bill. Since many of these issues involve social and political judgments, it is only through bringing these issues to the forefront that we can see where lie the pathways to progress. The public and the Congress do not always agree with the experts. If, after a proper debate, the solutions of the experts do not secure public acceptance, then the experts must devise new approaches.

This summary of developments in tax policy clearly shows that we are making progress in improving the income tax -- in keeping it responsive to national needs, and permitting it to make its contribution to full employment and growth. We see that the alternative to its problems -- to its high rate structure, its preferential areas, and its effects on the allocation of our resources -- need not necessarily be a resort to other taxes with all their unsolved and unseen problems. The alternative, instead, can be a steady improvement in the income tax itself.

We need continued hard thinking on the basic problem of further base broadening and concomitant reduction of rates. The recent legislative events have helped bring into focus some areas where more analysis is needed. The debate over the proposal of a five percent floor on personal expenses showed how thorny are the problems in this area. The debate over the taxation and treatment of capital gains, especially those passed on to heirs, revealed some of the difficulties in that subject. But all of this means only that the experts must go back to the drawing boards. For example, as some have suggested, does the path to a broader base and lower rates lie through an optional rate scale, with lower rates applied to a broader and simpler measure of a person's taxable income? Will such

a scale help to lessen materially the great disparities in tax burdens on equal incomes that we know exist under the present structure? Will it aid in reducing our present over-concentration on tax planning and tax motivated arrangements? These questions are but a part of still larger questions. Can the experts show us the hard decisions we must make if we are to simplify the tax system and eliminate the unfairnesses, so that we will be in a position to determine which of those decisions are likely to gain acceptance?

Finally, can we develop a consensus on at least some of the decisions that will enable us to continue to move forward in the task of tax revision. For this really brings us to the heart of the problem. The House bill, with its substantial tax reduction in a time of transitional budget deficits, represents a major tax policy decision. That bill rests on a consensus perhaps unique in our tax history, in which business, labor, and a majority of academic economists have united in approving this step. They see the bill as setting us on a path that can lead us toward full employment and the end of a history of deficits caused by an economy operating below its potential. We must work, therefore, to achieve a similar consensus on further improvements in the income tax.

It is here that we can return to the question of alternatives to that tax. Certainly, along with our consideration of improvements of the income tax itself, it is proper to explore alternatives to it. But in the exploration of those alternatives we should make sure we ask the hard questions that must be asked and weigh carefully the state of economic thinking on the answers to those questions. In this process of objective discussion and careful probing we must constantly keep in mind the paramount question of whether a national consensus can be developed in favor of any major alternative to the income tax. In our thinking about that question, we should not lose sight of the fact that it may well be far easier to develop a consensus on desirable improvements in the income tax than to achieve agreement on major alternatives to that tax. In sum, on the fiftieth anniversary of the income tax, it would be appropriate to pay a tribute to that tax by renewing our efforts to improve its structure and the contribution it can make to our national tax policy.

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

October 14, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing January 16, 1964		:	182-day Treasury bills maturing April 16, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.131	3.438%	:	98.205 a/	3.551%
Low	99.123	3.469%	:	98.190	3.580%
Average	99.126	3.458% 1/	:	98.196	3.568% 1/

a/ Excepting one tender of $13,000
24% of the amount of 91-day bills bid for at the low price was accepted
59% of the amount of 182-day bills bid for at the low price was accepted

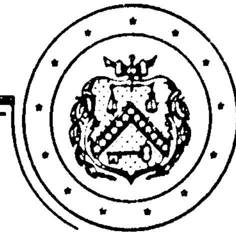
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 48,959,000	$ 39,963,000	:	$ 16,532,000	$ 11,662,000
New York	1,527,576,000	795,256,000	:	1,010,794,000	587,754,000
Philadelphia	40,778,000	25,778,000	:	8,634,000	3,634,000
Cleveland	36,912,000	36,912,000	:	17,105,000	17,105,000
Richmond	14,575,000	14,575,000	:	3,621,000	3,621,000
Atlanta	36,784,000	32,004,000	:	9,104,000	9,104,000
Chicago	237,243,000	166,603,000	:	125,315,000	70,405,000
St. Louis	52,603,000	46,843,000	:	15,464,000	13,759,000
Minneapolis	25,129,000	21,869,000	:	9,072,000	9,072,000
Kansas City	50,114,000	47,834,000	:	18,061,000	16,749,000
Dallas	35,511,000	28,451,000	:	10,803,000	8,393,000
San Francisco	72,580,000	44,180,000	:	61,508,000	49,048,000
TOTALS	$2,178,764,000	$1,300,288,000 b/		$1,306,013,000	$800,306,000

b/ Includes $330,548,000 noncompetitive tenders accepted at the average price of 99.1
c/ Includes $85,005,000 noncompetitive tenders accepted at the average price of 98.1
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.55%, for the 91-day bills, and 3.69%, 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-1087

TREASURY DEPARTMENT



WASHINGTON, D.C.

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D-1007

STATUTORY DEBT LIMITATION

As of September 30, 1963

Washington, Oct. 15, 1963

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "Shall not exceed in the aggregate $285,000,000,000 (Act of June 30, 1959; U. S. C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount." The Act of August 27, 1963 (P.L. 88-106 88th Congress) provides that the above limitation shall be temporarily increased during the period beginning on September 1, 1963, and ending on November 30, 1963 to $309,000,000,000.

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			$309,000,000,000
Outstanding -			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$ 48,217,775,000		
Certificates of indebtedness	15,493,694,000		
Treasury notes	54,113,975,000	$117,825,444,000	
Bonds -			
Treasury	86,456,159,550		
* Savings (Current redemption value)	48,597,170,041		
United States Retirement Plan bonds	287,315		
Depositary	100,724,500		
R. E. A. series	25,696,000		
Investment series	3,812,880,000	138,992,917,406	
Certificates of Indebtedness -			
Foreign series	324,500,000		
Foreign Currency series	-		
Treasury notes -			
Foreign series	163,118,258		
Treasury bonds-			
Foreign Currency series	705,021,190	1,192,639,448	
Treasury certificates	2,500,000	2,500,000	
Special Funds -			
Certificates of indebtedness	7,022,760,951		
Treasury notes	4,683,456,000		
Treasury bonds	32,944,238,000	44,650,454,951	
Total interest-bearing		302,663,955,805	
Matured, interest-ceased		270,141,600	
Bearing no interest:			
United States Savings Stamps	51,958,043		
Excess profits tax refund bonds	695,190		
Special notes of the United States:			
Internat'l Monetary Fund series	3,028,000,000		
Internat'l Develop. Ass'n. series	128,956,600		
Inter-American Develop. Bank series	125,000,000	3,334,609,833	
Total		306,268,707,238	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	692,361,550		
Matured, interest-ceased	710,400	693,071,950	
Grand total outstanding			306,961,779,18
Balance face amount of obligations issuable under above authority			2,038,220,812

Reconcilement with Statement of the Public Debt September 30, 1963
(Date)

(Daily Statement of the United States Treasury, September 30, 1963)
(Date)

Outstanding -	
Total gross public debt	306,635,039,3
Guaranteed obligations not owned by the Treasury	693,071,9
Total gross public debt and guaranteed obligations	307,328,111,3
Deduct - other outstanding public debt obligations not subject to debt limitation	366,332,1
	306,961,779,1

D-1008

STATUTORY DEBT LIMITATION

As of September 30, 1963

Washington, Oct. 15, 1963

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Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	692,361,550		
Matured, interest-ceased	710,400	693,071,950	
Grand total outstanding			306,961,779,188
ance face amount of obligations issuable under above authority			2,038,220,812

Reconcilement with Statement of the Public Debt September 30, 1963 (Date)

(Daily Statement of the United States Treasury, September 30, 1963 (Date))

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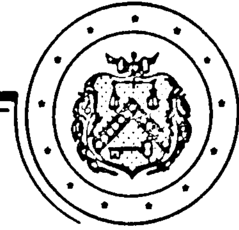
	306,961,779,188

D-1008

TREASURY DEPARTMENT



WASHINGTON, D.C.
October 15, 1963

FOR IMMEDIATE RELEASE

The Treasury today announced the membership of an informal advisory committee it has selected to assist in its study of problems relating to tax-exempt foundations. The study is intended to consider both the legal and administrative aspects of such problems.

The committee has held two meetings and will hold several more before concluding its work. It plans no formal report.

The members of the committee are: F. Emerson Andrews, Director of The Foundation Library Center (New York City); Leigh Block, President, Inland Steel-Ryerson Foundation (Chicago); Morris Hadley, Chairman, Carnegie Corporation of New York; Barklie M. Henry, Vice-President, John Hay Whitney Foundation (New York City), and Vice-Chairman, Carnegie Institution of Washington, D. C.; Harry Mansfield, Attorney, Ropes & Gray (Boston); Henry A. Moe, retired President of Guggenheim Memorial Foundation (New York City); Robert Mueller, Attorney, Mueller & Criss (Austin, Texas); James Patton, President, National Farmers Union, and President, Farmers Educational Foundation (Denver); Harry J. Rudick, Attorney, Lord, Day and Lord (New York City); Albert Sacks, Professor, Harvard University Law School; Jack S. Seidman, Accountant, Seidman & Seidman (New York City); Walter M. Upchurch, Jr., Vice-President, Shell Companies Foundation (New York City); David Watts, Attorney, Dewey, Ballantine, Bushby, Palmer & Wood (New York City); Donald Young, President, Russell Sage Foundation (New York City). Professor Bernard Wolfman, University of Pennsylvania Law School, is also participating as a consultant.

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D-1009

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 July 25, 1963, (91 days remaining until maturity date on January 23, 1964) 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 October 24, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 24, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE October 16, 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 October 24, 1963 , in the amount of $ 2,101,156,000 , as follows:

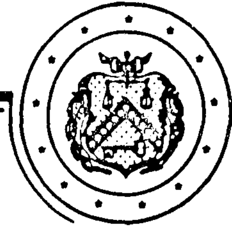
91 -day bills (to maturity date) to be issued October 24, 1963 , in the amount of $1,300,000,000 , or thereabouts, representing an additional amount of bills dated July 25, 1963 , and to mature January 23, 1964 , originally issued in the amount of $ 800,497,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000 , or thereabouts, to be dated October 24, 1963 , and to mature April 23, 1964 .

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, October 21, 1963 . Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 16, 1963

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders or two series of Treasury bills to the aggregate amount of 2,100,000,000,or thereabouts, for cash and in exchange for reasury bills maturing October 24, 1963, in the amount of 2,101,156,000, as follows:

91-day bills (to maturity date) to be issued October 24, 1963, n the amount of $1,300,000,000, or thereabouts, representing an dditional amount of bills dated July 25, 1963, and to ature January 23,1964, originally issued in the amount of 800,497,000, the additional and original bills to be freely nterchangeable.

182 -day bills, for $800,000,000, or thereabouts, to be dated ctober 24,1963, and to mature April 23, 1964.

The bills of both series will be issued on a discount basis under ompetitive and noncompetitive bidding as hereinafter provided, and at aturity their face amount will be payable without interest. They ill 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 o to the closing hour, one-thirty p.m., Eastern Daylight Saving ime, Monday, October 21, 1963. Tenders will not be eceived at the Treasury Department, Washington. Each tender must for an even multiple of $1,000, and in the case of competitive enders the price offered must be expressed on the basis of 100, ith not more than three decimals, e. g., 99.925. Fractions may not used. It is urged that tenders be made on the printed forms and orwarded in the special envelopes which will be supplied by Federal eserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of istomers provided the names of the customers are set forth in such nders. Others than banking institutions will not be permitted to bmit tenders except for their own account. Tenders will be received thout deposit from incorporated banks and trust companies and from sponsible and recognized dealers in investment securities. Tenders om others must be accompanied by payment of 2 percent of the face ount of Treasury bills applied for, unless the tenders are companied by an express guaranty of payment by an incorporated bank trust company.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000or less for the additional bills dated July 25, 1963, (91-days remaining until maturity date on January 23,1964) 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 October 24, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 24,1963. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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

oOo

submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Noncompetitive tenders for $100,000 or less (in even multiples of $10,000) without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids, provided, however, that if the total of noncompetitive tenders exceeds $200,000,000, the Secretary of the Treasury reserves the right to allot less than the amount applied for on a straight percentage basis with adjustments where necessary to the next higher multiple of $10,000. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch in cash or other immediately available funds on October 28, 1963.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest.

The bills offered hereunder will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $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, **Tuesday, October 22, 1963.** Tenders will not be received at the Treasury Department, Washington. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. A single price must be submitted for each unit of $10,000, or even multiple thereof. A unit represents $1,000 face amount of each issue of bills offered hereunder, as previously described. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks and Branches on application therefor.

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

October 16, 1963

TREASURY OFFERS $ 1 BILLION STRIP OF WEEKLY BILLS

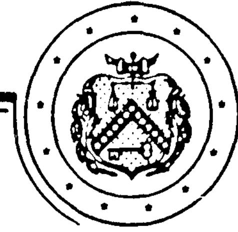
The Treasury Department, by this public notice, invites tenders for additional amounts of ten series of Treasury bills to an aggregate amount of $1,000,000,000, or thereabouts, for cash. The additional bills will be issued October 28, 1963, will be in the amounts, and will be in addition to the bills originally issued and maturing, as follows:

Amount of Additional Issue	Original Issue Dates 1963	Maturity Dates 1964	Days from October 28, 1963 to Maturity	Amount Currently Outstanding (in millions)
$ 100,000,000	August 8	February 6	101	$ 801
100,000,000	August 15	February 13	108	800
100,000,000	August 22	February 20	115	801
100,000,000	August 29	February 27	122	800
100,000,000	September 5	March 5	129	802
100,000,000	September 12	March 12	136	800
100,000,000	September 19	March 19	143	801
100,000,000	September 26	March 26	150	800
100,000,000	October 3	April 2	157	798
100,000,000	October 10	April 9	164	800
$1,000,000,000				

The additional and original bills will be freely interchangeable.

Each tender submitted must be in the amount of $10,000, or an even multiple thereof, and the amount tendered will be applied to each of the above series of bills on the basis of the ratio of each series to the total of all series. (For example, an accepted tender for $50,000 will be applied $5,000 to the issue with original date of August 8, 1963, and $5,000 to each of the additional weekly issues through the issue with original date of October 10, 1963.)

TREASURY DEPARTMENT



WASHINGTON, D.C.

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The bills offered hereunder will be issued on a discount basis under npetitive and noncompetitive bidding as hereinafter provided, and at

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Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Tuesday, October 22, 1963. Tenders will not be received at the Treasury Department, Washington. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. A single price must be submitted for each unit of $10,000, or even multiple thereof. A unit represents $1,000 face amount of each issue of bills offered hereunder, as previously described. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks and Branches on application therefor.

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. Noncompetitive tenders for $100,000 or less (in even multiples of $10,000) without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids, provided however, that if the total of noncompetitive tenders exceeds $200,000,000, the Secretary of the Treasury reserves the right to allot less than the amount applied for on a straight percentage basis with adjustments where necessary to the next higher multiple of $10,000. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch in cash or other immediately available funds on October 28, 1963.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but

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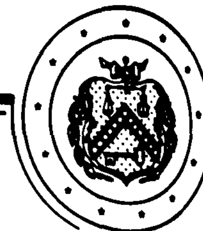
TREASURY DEPARTMENT



WASHINGTON, D.C.

October 16, 1963

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
COPPER SHEETS

Press release dated September 5, 1963, is hereby corrected as follows: The words "copper sheets" should be amended wherever they appear to read "copper in sheets and strips whether or not in rolls or coils."

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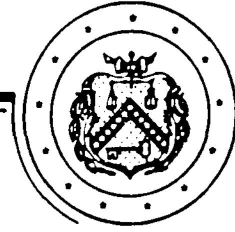
TREASURY DEPARTMENT



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From the time he submitted his Budget Message in January, the President has emphasized again and again that tax reduction must, and *will*, be accompanied by strict expenditure control. The House of Representatives has endorsed the President's position by recognizing, in Section I of the tax bill, how vital the prudent control of expenditures is to the achievement of balanced budgets in the near future. Expenditure control is, of course, the joint responsibility of the President and the Congress. For while the Administration recommends and administers programs, it is the Congress that authorizes them -- and expenditures can never exceed the amounts actually appropriated by Congress.

* * * *

During the transition period while the tax cut is taking hold, we will, of course, have to live with temporary deficits. But our record in financing past deficits and our substantial margin of unutilized manpower and manufacturing capacity should suffice to preclude any likelihood of inflation in the near future. We must, however, redouble our efforts to maintain the price stability we have enjoyed for more than five years. Industry and labor must exercise the same restraint in controlling prices and wages that the government must exercise in controlling expenditures.

* * * *

With the maintenance of price stability, the more rapid productivity advances that would result from the tax bill would greatly enhance the competitive position of American industry in international trade. And a more buoyant domestic economy offering a higher rate of return on investment would not only become a far more powerful magnet to both domestic and foreign investment, but would allow far more flexibility to monetary policy in preserving the dollar against any pressures that may arise. In these respects the tax bill is vital and indispensable in our long-range effort to restore equilibrium to our balance of payments.

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TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
SATURDAY, OCTOBER 19, 1963

EXCERPTS FROM REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE BUSINESS COUNCIL
AT THE HOMESTEAD, HOT SPRINGS, VIRGINIA
SATURDAY, OCTOBER 19, 1963, 11:30 A.M., EST

Passage of the tax bill now before the Senate is essential to the solution of every major economic problem that confronts us -- our budgetary and balance of payments deficits, our excessive and persistent unemployment, and our chronic postwar pattern of recession and abortive recovery. The decision on the tax bill will determine whether, in the years ahead, our economy will be surging upward or limping along or dipping downward. It will determine whether we can quicken the rise in the productivity of American business and at the same time make full use of our available manpower -- or whether our advances in productivity will be progressively offset by the waste of unemployment. It will determine whether the dynamism of the market place, of private initiative and incentives, will play a far greater and more vital role in the expansion of our economy, or whether the enlarged government expenditures will assume that role.

* * * *

The tax bill will accomplish something American business has been trying to get done for decades -- it will remove the repressive grip of high tax rates upon investment incentives and revitalize the principle of greater rewards for intensified private initiative and effort as a crucial element in economic activity and growth. The proposed 48 percent corporate rate, together with the investment credit and depreciation reform of 1962 -- and the proposed elimination of the requirement that depreciation be reduced by the amount of the credit -- will increase the after-tax profitability on new investment by nearly 35 percent. This large and dramatic shift in the impact of our tax system upon investment would bring it to the point where it would for the first time, just about match the investment stimuli offered by Western European tax systems.

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TREASURY DEPARTMENT
Washington

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During the transition period while the tax cut is taking hold, we will, of course, have to live with temporary deficits. But our record in financing past deficits and our substantial margin of unutilized manpower and manufacturing capacity should suffice to preclude any likelihood of inflation in the near future. We must, however, redouble our efforts to maintain the price stability we have enjoyed for more than five years. Industry and labor must exercise the same restraint in controlling prices and wages that the government must exercise in controlling expenditures.

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With the maintenance of price stability, the more rapid productivity advances that would result from the tax bill would greatly enhance the competitive position of American industry in international trade. And a more buoyant domestic economy offering a higher rate of return on investment would not only become a far more powerful magnet to both domestic and foreign investment, but would allow far more flexibility to monetary policy in preserving the dollar against any pressures that may arise. In these respects the tax bill is vital and indispensable in our long-range effort to restore equilibrium to our balance of payments.

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

October 21, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing January 23, 1964		:	182-day Treasury bills maturing April 23, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.126 a/	3.458%	:	98.174 b/	3.612%
Low	99.117	3.493%	:	98.158	3.644%
Average	99.118	3.488% 1/	:	98.167	3.626% 1/

a/ Excepting one tender of $550,000; b/ Excepting one tender of $60,000
91% of the amount of 91-day bills bid for at the low price was accepted
4% of the amount of 182-day bills bid for at the low price was accepted

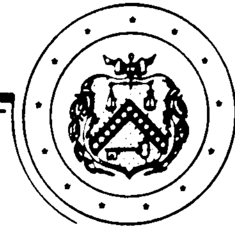
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 40,491,000	$ 24,591,000	:	$ 15,998,000	$ 12,078,000
New York	1,504,757,000	804,462,000	:	1,027,285,000	634,805,000
Philadelphia	31,554,000	16,423,000	:	9,106,000	4,106,000
Cleveland	32,873,000	32,460,000	:	7,556,000	7,556,000
Richmond	13,412,000	13,386,000	:	3,243,000	3,243,000
Atlanta	29,273,000	20,121,000	:	9,159,000	8,159,000
Chicago	321,196,000	192,294,000	:	107,451,000	54,731,000
St. Louis	36,650,000	31,050,000	:	12,178,000	11,198,000
Minneapolis	19,145,000	12,419,000	:	7,128,000	6,128,000
Kansas City	45,742,000	27,160,000	:	13,171,000	10,191,000
Dallas	29,361,000	16,315,000	:	10,320,000	5,360,000
San Francisco	159,940,000	111,493,000	:	55,587,000	42,587,000
TOTAL	$2,264,394,000	$1,302,174,000 c/		$1,278,182,000	$800,142,000 d/

c/ Includes $258,959,000 noncompetitive tenders accepted at the average price of 99.1
d/ Includes $71,126,000 noncompetitive tenders accepted at the average price of 98.16
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.58%, for the 91-day bills, and 3.76%, for the 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 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-1013

TREASURY DEPARTMENT



WASHINGTON, D.C.

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October 21, 1963

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High	99.126 a/	3.458%	:	98.174 b/	3.612%
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[oston	$ 40,491,000	$ 24,591,000	:	$ 15,998,000	$ 12,078,000
[ew York	1,504,757,000	804,462,000	:	1,027,285,000	634,805,000
[iladelphia	31,554,000	16,423,000	:	9,106,000	4,106,000
[leveland	32,873,000	32,460,000	:	7,556,000	7,556,000
[ichmond	13,412,000	13,386,000	:	3,243,000	3,243,000
[lanta	29,273,000	20,121,000	:	9,159,000	8,159,000
[icago	321,196,000	192,294,000	:	107,451,000	54,731,000
[. Louis	36,650,000	31,050,000	:	12,178,000	11,198,000
[nneapolis	19,145,000	12,419,000	:	7,128,000	6,128,000
[nsas City	45,742,000	27,160,000	:	13,171,000	10,191,000
[llas	29,361,000	16,315,000	:	10,320,000	5,360,000
[n Francisco	159,940,000	111,493,000	:	55,587,000	42,587,000
TOTAL	$2,264,394,000	$1,302,174,000 c/		$1,278,182,000	$800,142,000 d/

[ncludes $258,959,000 noncompetitive tenders accepted at the average price of 99.118
[ncludes $71,126,000 noncompetitive tenders accepted at the average price of 98.167
[n a coupon issue of the same length and for the same amount invested, the return on [hese bills would provide yields of 3.58%, for the 91-day bills, and 3.76%, for the [82-day bills. Interest rates on bills are quoted in terms of bank discount with the [eturn related to the face amount of the bills payable at maturity rather than the [mount invested and their length in actual number of days related to a 360-day year. [n contrast, yields on certificates, notes, and bonds are computed in terms of interest [n the amount invested, and relate the number of days remaining in an interest payment [eriod to the actual number of days in the period, with semiannual compounding if more [an one coupon period is involved.

-1013

October 21, 1963

Income Tax Treaty Between the United States and the Philippines to Be Discussed

Representatives of the United States are expected to meet with representatives of the Philippine government in the near future to discuss a possible income tax convention to avoid double taxation of income and facilitate trade and investment between the two countries.

It is anticipated that among the subjects to be discussed will be the tax treatment of trading and other business enterprises, investment, and income from services.

Interested persons in the United States who desire to submit comments on the scope of the discussions or to submit information relating to the subjects mentioned are invited to send their views to Mr. Stanley S. Surrey, Assistant Secretary of the Treasury, Washington 25, D. C. The deadline for receipt of such comments is December 6, 1963.

Roy! This has been cleared by Mr. Surrey.
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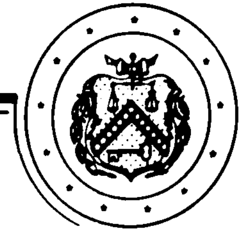
TREASURY DEPARTMENT



WASHINGTON, D.C.

October 21, 1963

FOR IMMEDIATE RELEASE

INCOME TAX TREATY BETWEEN THE UNITED STATES
AND THE PHILIPPINES TO BE DISCUSSED

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oOo

D-1014

TREASURY DEPARTMENT
Washington

OPENING STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
ON THE INTEREST EQUALIZATION TAX BEFORE
1/ THE EXECUTIVE SESSION OF
THE HOUSE WAYS AND MEANS COMMITTEE
MONDAY, OCTOBER 21, 1963, 11:00 A.M., EDT

Before you consider the provisions of H.R. 8000 in detail, I would like to review briefly the urgent need for this legislation, developments in our balance of payments during the period since the Interest Equalization Tax was proposed on July 18, and the ways in which the markets for foreign securities have already adjusted to this proposal.

As you know, the Interest Equalization proposal is for a temporary excise tax on acquisitions from foreigners of both new and outstanding foreign securities -- whether debt or equity -- maturing in more than three years. In the case of debt obligations, the amount of the tax levied on the United States person acquiring the security would be graduated by maturity in a manner calculated to be equivalent to approximately 1% in yield. As this tax is passed back to the foreign borrower, it will bring his net interest cost for capital raised in our market into much closer alignment with the costs prevailing in other industrialized countries -- thereby diverting to other markets a substantial portion of the demands that would otherwise reach

1/ Released by the House Ways and Means Committee at the conclusion of Secretary Dillon's apperance on this date.

-1015

our market. In the case of equities -- which, of course, have no fixed maturity -- the tax would be 15%, the same as the rate applied to the longest dated bonds. Acquisitions of foreign securities from other United States persons would remain free of tax, as would direct investment abroad and acquisitions of the securities of developing countries.

H.R. 8000 provides that, with certain exceptions, the tax would be applied to all acquisitions after July 18, when the President first proposed this measure. Participants in the markets have thus been conducting their affairs in that knowledge for more than three months. I believe that experience over this period has amply confirmed our initial judgment that this temporary tax will be an effective means for assuring the needed reduction in the outflow of portfolio capital, while preserving the essential freedom of the market to raise and distribute this capital on the basis of price and other competitive criteria. A number of more or less technical amendments to the bill will be helpful in meeting certain special problems that have been brought to our attention and in clarifying the application of the tax to certain types of transactions. We are, of course, prepared to work closely with the Committee in resolving these problems. But

the basic provisions of the bill as proposed have, in our judgment, successfully met the dual test of effectiveness and market practicability.

At the time I testified before this Committee in August with respect to the Interest Equalization Tax, I pointed out that a sharply accelerating outflow of portfolio capital had been responsible for a marked deterioration in our over-all balance of payments position. Purchases by United States investors of new foreign securities doubled between 1961 and 1962, rising from a little over $500 million in 1961 -- a figure well within the normal range of recent years -- to more than $1 billion last year. During the first half of 1963, the outflow almost doubled again, exceeding $1 billion in this six-month period.

Meanwhile, our balance of payments deficit -- excluding all special inter-Governmental transactions -- rose by over $500 million in 1962 and by $900 million more, at an annual rate, during the first six months of this year. These increases, closely paralleling the steeply rising outflow of portfolio capital, brought this deficit on regular transactions to an annual rate of $4.5 billion. I wish to stress that, while

there were numerous offsetting changes in the composition of our deficit on regular transactions between 1961, when it totaled $3,043 million, and the first six months of 1963, when it averaged $4,480 million at an annual rate, the entire deterioration is more than accounted for by the sudden and unprecedented increase in the purchase of new foreign security issues by American investors. This phenomenon totally transformed our overall balance of payments and created a situation which, if allowed to continue, would have inevitably resulted in a major crisis in the international payments system, the dangerous consequences of which for the security and well being of our nation and for the free world as a whole can hardly be exaggerated.

It is true that we have been successful in absorbing a portion of the dollars passing into foreign hands as a result of this deficit on regular transactions by medium-term Treasury borrowing from other countries in a strong balance of payments position, by prepayments of debts owed to us by our allies, and by other special inter-Governmental transactions. But by mid-year it had become apparent that, along with savings in other directions, prompt and decisive action was required to

curtail the enormous outflow of portfolio capital if we were to arrest and reverse the deterioration in our over-all accounts, and thus assure our continuing ability to finance our deficit in an orderly manner and to protect the stability of the dollar.

That, of course, is the special purpose of the Interest Equalization Tax, which complements our efforts to further lessen short-term capital outflows by increasing upward pressure on short-term interest rates and the measures announced by the President on July 18 to reduce Government expenditures abroad. The role of the tax is temporary and transitional, for the ultimate solution lies in other directions -- in the building of a more prosperous and profitable home economy that will be more attractive to both domestic and foreign capital, and in the development of broader and more efficient capital markets in other industrialized countries. However, the urgent need for effective action to meet our immediate problem simply did not permit us to wait for those essentially longer-term solutions.

Some portion of the outflow of portfolio capital during the latter part of 1962 and early 1963 reflected temporary influences -- particularly the Canadian difficulties of last year and Canada's desire to rebuild its reserves by long-term borrowing in our market. But beyond these

special circumstances, the ominous fact was that momentum was visibly building up for still greater demands on our capital market from borrowers in virtually all other major industrialized countries. For instance, Japan -- already a sizable borrower during the first half of 1963 -- had apparently been anticipating doubling the rate of its flotations in the United States market over the remainder of the year, which would have brought the total for the year to approximately $300 million. At the same time, more and more industrial firms and municipalities in Europe were beginning to turn to our market.

These accelerating demands were reflected, for example, in the volume of new foreign corporate issues known to have been in the final process of negotiation with American interests at the time the tax was proposed. These issues totaled over $200 million, with borrowers in Japan and Europe each accounting for more than $90 million. This particular compilation, confined to corporate issues, is only symptomatic of the much greater volume of potential borrowings from industrialized foreign countries other than Canada that were on the horizon, including large issues of both central and local governments. In discussions with responsible European financial officials over the past few months, we learned of many more prospective flotations.

The urgency of this situation, combined with the essential need to forestall a flood of anticipatory borrowing by foreigners and accelerated purchases of foreign issues by U. S. investors, compelled the President to ask that this tax become effective the day following his special message. Enough is known of the third quarter balance of payments to make clear that, along side the recent actions to firm the level of short-term interest rates, this proposal for an Interest Equalization Tax is playing a key role in reducing the outflow of capital and permitting the needed improvement in our over-all position. Present indications are that, during the three months ended in September, the deficit on regular transactions -- that is, excluding all special inter-Governmental payments -- declined, on a seasonally adjusted basis, to less than half of the annual rate of $4.5 billion at which it was running over the January-June period as a whole. Sizable debt prepayments, medium-term borrowing from other nations, and other special Government transactions reduced the over-all net deficit still further -- the preliminary figure should become available very shortly.

Much of the sharp third quarter improvement can be traced directly to a decline each month since June in purchases of new foreign stocks and bonds. A further significant portion of the

decline appears to reflect a cessation of the sizable net purchases of outstanding foreign securities that occurred during the first half of the year, when such buying had resulted in a net outflow at an annual rate of $200 million. What has happened judging from preliminary data through August -- is that foreigners have continued to purchase these securities in our market in somewhat reduced volume, while Americans have sharply limited their purchases from foreigners.

It is worth noting that the substantially improved third quarter figures include a significant volume of further purchases of new foreign issues by Americans, amounting as nearly as we can determine today to between $150 and $200 million. In itself, this would imply purchases at a rate at or above that of the 1959-1961 period, when the outflow of portfolio capital was maintained within a more sustainable range of $500 - 650 million annually. These purchases have almost entirely reflected transactions completed or firmly committed before the proposed July 19th effective date for the tax. By September the flow had practically ceased. So far as we know, no sizable new commitments have been undertaken since July 18.

Clearly, the initial impact of the tax on negotiations between potential lenders and borrowers has been exaggerated by a tendency to postpone action pending legislative resolution of the proposal. This has been particularly evident in the case of Canadian borrowers, who have refrained from entering our market even though we have proposed that the President exercise his discretionary authority under the bill to exempt new issues from that country.

It can be expected that some negotiations will be reactivated once the tax becomes definite. A few issuers have already expressed willingness to bear the higher costs that will result, and the present uncertainties concerning the tax treatment of Canadian borrowers will be ended. On the other hand, the backlog of earlier commitments has now been worked off in large part, and the clear consensus of market participants is that, once the proposed tax has become law, the renewed flow will not again approach the excessive levels of earlier months. Meanwhile, the progressive effects of measures to reduce the dollar outflow from Government spending abroad, together with other actions to improve our over-all position, should assure our continuing capacity to sustain a reasonable outflow of portfolio capital in line with our experience before 1962.

While negotiation of new foreign issues has temporarily come to a standstill, active trading markets have been maintained in the United States for outstanding foreign securities held by American investors, both on the exchanges and over-the-counter. Beginning August 19, the date we proposed the tax should become effective for securities traded on U.S. stock exchanges, the principal exchanges introduced new procedures for identifying transactions involving foreign-owned securities which, if purchased by a U.S. investor, would be subject to tax. Meanwhile, tax free trading in foreign securities among U.S. investors has continued in the regular way.

Total trading volume in these issues on the exchanges initial tended to contract, but as brokers and investors became accustomed to the new procedures, it recovered, although still remaining below normal levels. Trading of foreign-owned securities on the exchanges has been rather inactive, but these transactions, never before reported separately, may always have been relatively limite American dealers have continued to arrange transactions among foreigners in foreign dollar bonds, which they may handle free of tax under the terms of the proposed bill. This trading exemption, entailing a refund or credit to dealers of the tax on securities promptly resold to foreigners, appears to be operating effectively and could reasonably be extended to other foreign bond issues.

As had been anticipated, trading in foreign securities among U. S. investors has frequently, but far from uniformly, taken place at prices above the prices prevailing in trading among foreigners in the same securities. No regular pattern has developed and, for the most part, these premiums have been small. In the case of actively traded stocks, premiums have generally varied from less than 1% to as much as about 4%, and in the case of bonds they have seldom, if at all, exceeded 2%. No discernible premium has developed for some of the most widely held foreign stocks and for many bond issues.

In a few special instances, however, particular foreign industrial equities with exceptional appeal to U. S. investors have traded at a premium of as much as 15% -- the full amount of the tax -- and in these cases some net purchases from abroad have continued, although apparently in reduced volume. Sizable premiums initially developed on some highly speculative gold shares as well, but demand for these stocks subsided during September and the premiums have now almost disappeared.

I should also emphasize that no evidence has developed of any significant withdrawal of foreign capital out of U. S. securities or of flight of U. S. capital abroad. The sharp improvement in our over-all accounts during the full third quarter is by itself an indication that any outflow of funds from these sources could not have been large. Moreover, the more specific data available for August

indicate that, on balance, foreigners were net buyers of U. S. corpora
securities in an amount greater than in most of the earlier months o
this year. I should add, too, that responsible officials in Europe
have both recognized the need to reduce our outflow of portfolio
capital, and welcomed our proposal as a further indication of our
firm intention to end our deficit and maintain the stability of the
dollar.

Some concern has been expressed that the effectiveness of the
tax in restraining outflows of portfolio capital will be diluted by
two of the proposed exemptions -- one for loans made by commercial
banks in the ordinary course of their business, and the other for new
issues of particular countries to be invoked only at the President's
discretion when necessary to avert a threat to the stability of
the international monetary system. As I indicated earlier, it is our
intention to exempt new Canadian issues under the terms of the latter
provision.

This Canadian exemption is designed to meet a highly unusual
combination of circumstances. Canada will for some time have a need
to borrow abroad enough funds to cover a sizable and continuing
current account deficit. Because of the exceptionally close linkage
Canadian financial markets and those in the United States, and becau

of other trading and business relationships between the two countries, the great bulk of these Canadian needs have traditionally been met in our market. In addition, under present circumstances Canadian access to other markets may be too limited to meet their requirements. Under these conditions, the prospect of sharply higher borrowing costs in the United States was interpreted in Canada as threatening the ability of the Canadian authorities to maintain the stability of their currency without serious damage to their internal economy, and an exceptionally large speculative outflow of funds from Canada raised the prospect of an immediate exchange crisis. Faced with this situation, the Canadian authorities suggested that appropriate restraints on their borrowing in the United States could be achieved by other measures of their own choosing consistent with their domestic objectives. In these unique circumstances, an exemption from the tax for Canadian new issues was clearly appropriate.

At the same time, it is vital that an important reduction be achieved in the high level of recent outflows of portfolio capital to Canada, and that total Canadian recourse to our capital markets return to more normal levels. An exemption can be justified only if consistent with that objective. The Canadians fully understand that we intend to closely watch the volume of their borrowing in this country and that, should the total appear to be

exceeding prudent limits, we will recommend that the President exercise his discretionary authority to impose a limitation on the volume of their exempt borrowings. This discretionary power to limit the size of any exemption is an essential element of the exemption proposal. Without it, the proposed Canadian exemption could undermine the whole purpose of the proposed tax.

The exemption proposed for commercial banks will assure that financing for American exports will remain amply available on reasonable terms and that other short- and medium-term borrowing in support of normal and recurring business operations abroad will not be unnecessarily impeded. However, the possibility of abuse of this exemption, particularly if potential foreign long-term borrowers attempt to shift their demands to the banks, must be recognized. Therefore it is important that we follow developments in this area closely. Our ability promptly to detect and discourage any such possible abuse would be greatly facilitated by an amendment to H.R. 8000 providing the Treasury with specific authority to obtain from the banks timely reports in adequate detail on the nature of their current foreign lending activity.

Existing procedures for the compilation of statistical information on the over-all volume of outstanding bank loans are not adequate to meet the need for timely and detailed information on this matter. In the event that, contrary to our expectations, circumstances should arise that would require some revision of the exemption for bank loans, the kind of detailed information on the nature of bank lending to foreigners which will be provided by these reports will be of great assistance to the Administration and to the Congress in determining means for dealing with this problem effectively, without damage to the financing of American trade or normal business transactions.

Since the announcement of the proposed tax, Treasury officials have been in almost daily contact with investor interests, business firms with operations abroad, and representatives of security houses, identifying with them special problems presented by their particular situations and exploring appropriate ways of dealing with them. In a number of instances, practical and mutually satisfactory solutions to these problems appear feasible within the general framework of H.R. 8000, and we will be happy to suggest amendments to this effect at the appropriate point in your discussions. However, some of the proposals presented to us for additional exemptions and exclusions would undermine the effectiveness of the tax,

unnecessarily distort normal market relationships, or require for their implementation the kind of detailed administrative apparatus and surveillance more characteristic of a general system of exchange controls. Intensive review of all these considerations has confirmed our initial judgment that outstanding foreign issues acquired from foreigners should be subject to tax together with new issues, and that a general tax free switching privilege is neither desirable in the interest of equity and effectiveness nor feasible without creating serious new problems.

Exemptions of this nature would be inconsistent with our intent that the Interest Equalization Tax work in a manner analogous to a 1 percent increase in the structure of our long-term interest rates relative to those prevailing abroad. Such a change in interest rates, in addition to increasing the cost of new foreign borrowings, would, of course, affect the relative advantages of purchasing outstanding foreign securities. The proposed tax, properly viewed as a substitute for a change in relative interest rates that today cannot be achieved directly, will and should have closely similar effects on international investment and borrowing decisions, and on flows of funds abroad.

Within this framework, the distribution of available capital will continue to be determined, consistent with normal market forces, by relative prices and other competitive criteria, without direct Government intervention in the process of private decision-making.

This concept is very different from that lying behind the principal alternative means that has been suggested to achieve the needed reduction in the outward flow of portfolio capital -- selective rationing by some form of capital issues committee, presumably operating on a more or less voluntary basis, but under Government auspices. By its very nature, this would mean that market price would be rejected as an appropriate criterion. Instead, market forces would be supplanted by generalized criteria for "good" or "bad" types of investment or by some kind of ceiling on the holdings of individual institutions to which purchasers of foreign securities would be expected to conform.

There are many difficulties implicit in this kind of approach. When a large number of competing firms are involved, and when transactions entered into at one point in time frequently have important implications for subsequent competitive relationships among firms, there are strong market incentives to interpret generalized voluntary guidelines loosely, or to observe the letter while neglecting the spirit. In the absence of clear legal

sanctions and the discipline of price, the entire system can break down quickly under competitive pressure as soon as any suspicion arises that some participants are not conforming to the intent of the program. This danger is reinforced when, as in this case, the application of general guidelines to specific circumstances would seldom be clear cut and unambiguous, for each transaction would necessarily have unique characteristics. Moreover, it would not be feasible even to attempt to cover purchases of outstanding issues by the thousands of investors involved, thus not only leaving that channel for portfolio outflow untouched but encouraging investors withdrawing from the new issues market to transfer their buying in that direction.

Past experience indicates that, to be effective at all, voluntary restraint in so complex an area will require specific "yes" or "no" decisions on many proposed transactions. In the last analysis the burden for making these decisions can only properly and practically fall back on the Government itself. The net result would be to inject the Government squarely into the process of individual decision making, and thus into the whole fabric of our economic life, to an extent that this country has always found unacceptable during peacetime. Moreover, in dealing with foreign borrowing, these decisions, case by case, will inevitably be colored by our relationships at

the time with the other nation involved, bringing into the negotiations considerations of foreign policy far removed from the purpose of the effort and further complicating the task of achieving effective restraint.

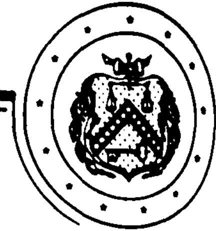
Government cannot, of course, escape a responsibility for identifying the nature of the problem, pointing to the main directions in which the public interest lies, and developing policies to support that interest; judgments of this kind are, of course, embodied in the bill before you. But, to pass beyond this to an attempt to direct specific private transactions would be to accept heavy and undesirable responsibilities of another kind. And I am thoroughly convinced that it is an illusion to believe that these responsibilities could be escaped behind the facade of a voluntary program.

In conclusion, I would point out again that the effectiveness and workability of the approach embodied in H.R. 8000 has been demonstrated by the developmments of recent months. The essential retroactivity feature has provided us with the necessary time to identify and appraise the special problems that have arisen, and I am confident that these problems can be dealt with effectively and equitably by your Committee.

But unless the basic approach embodied in this bill is enacted into law, the gravest of risks will promptly ensue for the dollar. Certainly, capital outflows could be expected to resume on a massive scale if we, by our own actions, demonstrate to all the world an unwillingness to take those actions that are necessary to reduce and eliminate our deficit. In that event, no one could answer for the continued stability of the dollar.

I know of no substitute for the legislation before you that will adequately meet the need without turning in the direction of direct controls. Thus, it should be clearly understood that rejection of the substance of this legislation would force the United States to move, in this area of portfolio investment, to measures of direct control contrary to our traditions -- measures that we must do everything in our power to avoid. For these reasons, I consider it of utmost importance that your Committee take prompt and affirmative action in support of the general principles embodied in this proposal.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 22,1963

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
PLASTIC BABY CARRIERS (INFANSEAT)

The Treasury Department is instructing customs field officers to withhold appraisement of plastic baby carriers (Infanseat) from Japan, manufactured by Marui Corporation, Tokyo, 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 July 18, 1963, and was made by the Infanseat Company, Eldora, Iowa. The dollar value of imports received during the first 8 months of 1963 was approximately $47,000.

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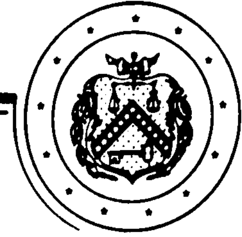
TREASURY DEPARTMENT



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FOR RELEASE A. M. NEWSPAPERS,
Wednesday, October 23, 1963.

October 22, 1963

RESULTS OF OFFERING OF $1 BILLION STRIP OF TREASURY BILLS

The Treasury Department announced last evening that tenders for additional amounts of ten series of Treasury bills to an aggregate amount of $1,000,000,000, or thereabouts, to be issued October 28, 1963, which were offered on October 16, were opened at the Federal Reserve Banks on October 22. The amount of accepted tenders will be equally divided among the ten regular weekly issues of outstanding Treasury bills maturing February 6, 1964, to April 9, 1964, inclusive. The details of the offering are as follows:

Total applied for - $2,107,570,000
Total accepted - $1,000,820,000 (includes $4,220,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

RANGE OF ACCEPTED COMPETITIVE BIDS:	Price	Approximate equivalent annual rate of discount based on 132.5 days (average number of days to maturity)
High	98.687	3.567%
Low	98.672	3.608%
Average	98.675	3.601% 1/

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

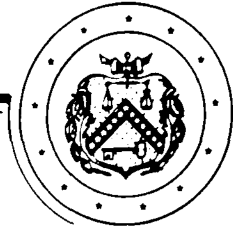
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted
Boston	$ 37,000,000	$ 21,840,000
New York	1,756,100,000	885,340,000
Philadelphia	10,200,000	200,000
Cleveland	700,000	300,000
Richmond	280,000	280,000
Atlanta	4,600,000	600,000
Chicago	159,300,000	45,850,000
St. Louis	17,950,000	6,550,000
Minneapolis	1,310,000	210,000
Kansas City	2,820,000	1,820,000
Dallas	20,210,000	3,090,000
San Francisco	97,100,000	34,740,000
TOTALS	$2,107,570,000	$1,000,820,000

1/ On a coupon issue of the same length as the average for the bills and for the same amount invested, the return on these bills would provide a yield of 3.71%. 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-1016

TREASURY DEPARTMENT



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Dallas	20,210,000	3,090,000
San Francisco	97,100,000	34,740,000
TOTALS	$2,107,570,000	$1,000,820,000

a coupon issue of the same length as the average for the bills and for the same ount invested, the return on these bills would provide a yield of 3.71%. Interest es on bills are quoted in terms of bank discount with the return related to the e amount of the bills payable at maturity rather than the amount invested and ir length in actual number of days related to a 360-day year. In contrast, yields certificates, notes, and bonds are computed in terms of interest on the amount in- ted, and relate the number of days remaining in an interest payment period to the ual number of days in the period, with semiannual compounding if more than one pon period is involved.

D-1016

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.

BETA - MODIFIED

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 August 1, 1963, (91 days remaining until maturity date on January 30, 1964) 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 October 31, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 31, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

October 23, 1963

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing October 31, 1963, in the amount of $ 2,101,605,000, as follows:

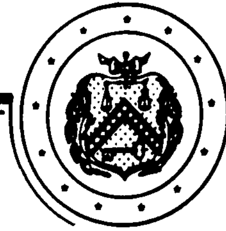
91 -day bills (to maturity date) to be issued October 31, 1963, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated August 1, 1963, and to mature January 30, 1964, originally issued in the amount of $ 799,911,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000, or thereabouts, to be dated October 31, 1963, and to mature April 30, 1964.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, October 28, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 23, 1963

FOR IMMEDIATE RELEASE

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The bills of both series will be issued on a discount basis under ompetitive and noncompetitive bidding as hereinafter provided, and at aturity their face amount will be payable without interest. They ill be issued in bearer form only, and in denominations of $1,000, 5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 maturity value).

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Banking institutions generally may submit tenders for account of istomers provided the names of the customers are set forth in such enders. Others than banking institutions will not be permitted to ibmit tenders except for their own account. Tenders will be received thout deposit from incorporated banks and trust companies and from sponsible and recognized dealers in investment securities. Tenders om others must be accompanied by payment of 2 percent of the face iount of Treasury bills applied for, unless the tenders are companied by an express guaranty of payment by an incorporated bank trust company.

D-1017

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated August 1, 1963, (91-days remaining until maturity date on January 30, 1964) 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 October 31, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 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.

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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.

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

Immediately after the closing hour, tenders will be opened at the Federal Re-
erve Banks and Branches, following which public announcement will be made by the
reasury Department of the amount and price range of accepted bids. Those submit-
ing tenders will be advised of the acceptance or rejection thereof. The Secretary
the Treasury expressly reserves the right to accept or reject any or all tenders,
whole or in part, and his action in any such respect shall be final. Subject to
ese reservations, noncompetitive tenders for $200,000 or less without stated
ice from any one bidder will be accepted in full at the average price (in three
cimals) of accepted competitive bids. Payment of accepted tenders at the prices
fered must be made or completed at the Federal Reserve Banks in cash or other im-
diately available funds on November 4, 1963.

The income derived from Treasury bills, whether interest or gain from the sale
other disposition of the bills, does not have any exemption, as such, and loss
m the sale or other disposition of Treasury bills does not have any special treat-
t, as such, under the Internal Revenue Code of 1954. The bills are subject to
ate, inheritance, gift or other excise taxes, whether Federal or State, but are

(Notwithstanding the fact that these bills will run for 361 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.)

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, October 23, 1963

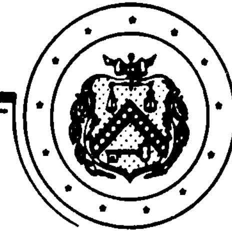
TREASURY OFFERS $1 BILLION ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000 or thereabouts, of 361 -day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated November 4, 1963, and will mature October 30, 1964 when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Wednesday, October 30, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 23,1963

OR IMMEDIATE RELEASE

TREASURY OFFERS $1 BILLION ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for 1,000,000,000, or thereabouts, of 362-day Treasury bills, to be issued n a discount basis under competitive and noncompetitive bidding as ereinafter provided. The bills of this series will be dated ovember 4, 1963, and will mature October 31, 1964, when the face amount ill be payable without interest. They will be issued in bearer form nly, 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 o the closing hour, one-thirty p.m., Eastern Standard time, Wednesday, ctober 30, 1963. Tenders will not be received at the Treasury epartment, Washington. Each tender must be for an even multiple of 1,000, and in the case of competitive tenders the price offered must e expressed on the basis of 100, with not more than three decimals, . g., 99.925. Fractions may not be used. (Notwithstanding the fact hat these bills will run for 362-days, the discount rate will be omputed on a bank discount basis of 360 days, as is currently the ractice on all issues of Treasury bills.) It is urged that tenders e made on the printed forms and forwarded in the special envelopes hich will be supplied by Federal Reserve Banks or Branches on pplication therefor.

Banking institutions generally may submit tenders for account of ustomers provided the names of the customers are set forth in such enders. Others than banking institutions will not be permitted to ubmit tenders except for their own account. Tenders will be received thout deposit from incorporated banks and trust companies and from esponsible and recognized dealers in investment securities. Tenders om others must be accompanied by payment of 2 percent of the face mount of Treasury bills applied for, unless the tenders are accompanied an express guaranty of payment by an incorporated bank or trust mpany.

Immediately after the closing hour, tenders will be opened at the deral Reserve Banks and Branches, following which public announcement ll be made by the Treasury Department of the amount and price range

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of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000, or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Banks in cash or other immediately available funds on November 4, 1963.

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

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

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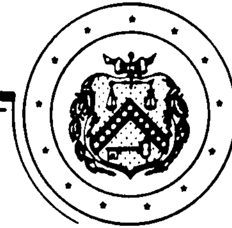
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

October 23, 1963

TREASURY ANNOUNCES PLANS FOR NOVEMBER REFUNDING AND
ISSUANCE OF $1 BILLION OF ONE-YEAR TREASURY BILLS

The Treasury will borrow $7.6 billion, or thereabouts, through the issuance of 18-month 3-7/8% Treasury notes, at par, on November 15, 1963, for the purpose of paying off in cash $7.6 billion of the following Treasury securities maturing November 15, 1963:

$4,554 million of 3-1/8% Certificates of Indebtedness of
Series D-1963, dated November 15, 1962; and
$3,011 million of 4-7/8% Treasury Notes of Series C-1963,
dated November 15, 1959.

The new notes will be dated November 15, 1963, and will mature May 15, 1965. Interest will be payable semiannually on May 15 and November 15, 1964, and on May 15, 1965. The notes will be made available in registered as well as bearer form.

Subscriptions to the new Treasury notes will be received subject to allotment. 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. Payment may be made in cash, or in 3-1/8% Treasury Certificates of Indebtedness of Series D-1963 or 4-7/8% Treasury Notes of Series C-1963, maturing November 15, 1963, which will be accepted at par, in payment or exchange, in whole or in part, for the Treasury Notes subscribed for, to the extent such subscriptions are allotted by the Treasury.

The subscription books will be open for the 3-7/8% Treasury Notes only on Monday, October 28.

Any subscriptions for the 3-7/8% Treasury Notes with the required deposits addressed to a Federal Reserve Bank or Branch, or to the Treasurer of the United States, and placed in the mail before midnight, October 28, 1963, will be considered timely.

The new issue may not be paid for by credit in Treasury Tax and Loan Accounts.

Other details concerning the new 3-7/8% Treasury Notes are as follows:

Subscriptions from commercial banks, for their own account, will be restricted in each case to an amount not exceeding 50 percent of the combined capital, surplus and undivided profits of the subscribing bank.

D-1019

Subscriptions from commercial and other banks for their own account, Federally-insured savings and loan associations, States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon, Government Investment Accounts, and the Federal Reserve Banks will be received without deposit.

Subscriptions from all others must be accompanied by payment of 2% (in cash, or Treasury Certificates of Indebtedness of Series D-1963, or Treasury Notes of Series C-1963, maturing November 15, 1963, at par) of the amount of notes applied for not subject to withdrawal until after allotment.

The Secretary of the Treasury reserves the right to reject or reduce any subscription, to allot less than the amount of 3-7/8% notes applied for, and to make different percentage allotments to various classes of subscribers; and any action he may take in these respects shall be final. Subject to these reservations, and the submission of a written certification by the subscriber that the amount of the subscription does not exceed the amount of the two eligible securities owned or contracted for purchase for value, at 4 p.m., Eastern Daylight Saving time, October 23, 1963, all subscriptions from States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Government Investment Accounts, and the Federal Reserve Banks, will be allotted in full. Provided, however, when any such subscriber elects to enter any subscription which does not carry the certification as to ownership of the maturing securities, any and all subscriptions received from the subscriber will be allotted on the basis of the allotment to be publicly announced. The basis of the allotment of all other subscriptions will be publicly announced, and allotment notices will be sent out promptly upon allotment.

All subscribers are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any of the 3-7/8% notes until after midnight October 28, 1963.

Commercial banks in submitting subscriptions will be required to certify that they have no beneficial interest in any of the subscriptions they enter for the account of their customers, and that their customers have no beneficial interest in the banks' subscriptions for their own account.

TREASURY BILLS -

The Treasury will also issue $1 billion, or thereabouts, of 1-year Treasury bills on Monday, November 4, for cash. The bills will be sold on an auction basis, and tenders for such bills will be received on Wednesday, October 30, 1963. Payment for such bills by credit in Treasury Tax and Loan Accounts will not be permitted.

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

The protocol provides for a gradual increase in the United States tax rate on dividends and interest paid to existing Antillian investment companies. The full 30 percent statutory rate will not be applicable until 1967 for these companies. However, in the case of investment companies incorporated in the Netherlands Antilles after May 14, 1963, the statutory tax rate on dividends and interest will become generally applicable in the first year following the year in which the protocol takes effect.

The protocol also provides for an increase to 30 percent in the United States tax rate on royalties paid to Antillian investment companies. This tax rate would be generally applicable for existing companies as well as new companies as soon as the protocol becomes operative.

DRAFT PRESS RELEASE

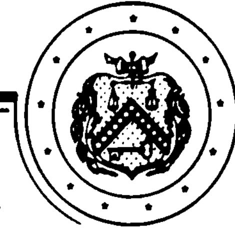
FOR RELEASE PM NEWSPAPERS
Wednesday, October 23, 1963

NETHERLANDS ANTILLES TAX TREATY SIGNED

The Treasury announced that a protocol modifying the tax convention between the United States and the Netherlands as it applies to the Netherlands Antilles was signed in the Hague ~~today~~ yesterday. The protocol will not take effect until after it is ratified by the Governments of the United States and the Netherlands. It is anticipated that the advice and consent of the Senate to ratification of the protocol by the United States will be requested shortly.

The protocol will provide for changes in the United States tax rate on dividends, interest and royalties received from United States sources by Netherlands Antilles investment companies owned by persons who are not residents of the Netherlands or the Netherlands Antilles. These investment companies are presently subject to only a nominal tax in the Netherlands Antilles on income from United States sources. The existing tax convention substantially reduces the statutory United States tax rate of 30 percent on payments of these types of income to Antillian corporations. Generally, dividends are subject to only a 15 percent tax and interest and royalties are exempt from United States tax.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 23, 1963

'OR RELEASE A.M. NEWSPAPERS
'HURSDAY, OCTOBER 24,1963

NETHERLANDS ANTILLES TAX TREATY SIGNED

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STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE
ON THE DEBT CEILING
10:00 A.M., TUESDAY, OCTOBER 29, 1963

Twice since last spring, the temporary debt ceiling has been extended by the Congress for relatively short intervals of three months. This departure from the usual practice of setting a debt ceiling for the entire fiscal year reflected the unusual degree of uncertainty that until recently has surrounded estimates of both receipts and expenditures for the full fiscal year 1964. In these circumstances, the evident desire of the Congress to maintain a debt limit as close as practicable to clearly foreseeable needs resulted in the period of extension being confined to only a few months without any provision for the increase that inevitably becomes necessary during the course of a fiscal year in which a substantial deficit is projected.

According to our latest estimates, the debt subject to limit as of today should be $307.4 billion and by mid-November will reach $308 billion. On November 30, the current temporary limit of $309 billion is scheduled to expire, and the debt ceiling will revert to its permanent level of $285 billion, far below present levels. Consequently, the need to extend and raise the temporary limit is imperative.

Current estimates of expenditures and receipts now provide an adequate basis for extending the debt ceiling through the remainder of the fiscal year. Of course, some uncertainties remain. As you know, Congress has not completed its work on either appropriations or the tax bill, and, as usual, our receipts will also be affected by the course of economic activity in coming months. But we do have a much firmer base for planning than was possible at the start of this fiscal year, and the remaining uncertainties are now no greater, and are in some respects less, than those we have been accustomed to when we set debt ceilings in past years.

Experience over the first four months of fiscal 1964, together with an evaluation of progress to date on appropriations, has provided a realistic basis for reassessing the expenditure outlook. While present projections must still be considered tentative, a significant reduction from the initial estimates submitted in the President's budget last January is clearly in prospect, as a result both of continuing and intense efforts by the Administration to maintain effective expenditure control and of reductions in appropriations by the Congress. These savings are considerably larger than partially offsetting upward revisions in earlier estimates for two important items -- interest on the debt and farm price support programs -- for which expenditures are independent

of usual administrative controls. Consequently, as the Director of the Bureau of the Budget will testify in detail, fiscal 1964 expenditures are now estimated at a level of $97.8 billion, $1 billion below the January budget.

In estimating fiscal year revenues, which are of course largely determined by the level of profits and income during calendar 1963, we are in a better position for projecting final results than is typical in setting the debt ceiling for a full twelve months ahead. It is now clear that economic activity has been maintained at somewhat higher levels than anticipated in January, and the higher taxable incomes implied by this performance promise to generate approximately $1 billion of additional revenues. The tax program will entail a smaller net loss of revenue in fiscal 1964 than anticipated in January primarily because the tax reduction scheduled in the bill passed by the House of Representatives last month and now before the Senate will become effective six months later than we had originally proposed. This delay will reduce the 1964 revenue cost of the tax program from $2.7 billion to $1.8 billion and thus increase revenues by $900 million. As a result, total receipts are now estimated at $88.8 billion, $1.9 billion higher than in January.

The net outcome would be a deficit in the administrative budget of $9.0 billion, substantially less than the $11.9 billion originally foreseen. This estimate, making full allowance for the tax program reported by this Committee and passed by the House, is also less

than the deficit of $9.2 billion projected last January in the absence of any tax reduction.

The table accompanying my statement shows the implications of this budgetary outlook for the debt subject to limitation at semi-monthly intervals through next June. As can be seen, we are rapidly approaching a seasonal peak in borrowing needs in mid-December, to be followed by somewhat higher peaks in mid-March and mid-June, in each case immediately preceding heavy collections of corporate taxes.

The final column of the table shows that the required debt ceiling would reach a peak of almost $316 billion in March and of slightly more than $317 billion in June, assuming at both dates an operating cash balance of only $4.0 billion -- somewhat less than is required to meet our average needs and less than half a normal month's expenditures -- as well as the usual allowance of $3 billion for flexibility and contingencies. Accordingly, an extension of the temporary ceiling through June 30, 1964, would normally require an increase in the limit to $317 billion.

However, we have now nearly reached November, five months later than the date on which this Committee usually considers the debt limit for the ensuing fiscal year. This means that we have a much firmer basis than usual on which to rest our revenue estimates. Moreover this Administration is firmly determined to maintain in

every practicable way a tight control over expenditures. I am therefore prepared to recommend a temporary debt ceiling of $315 billion. Such a ceiling, of course, will involve some risks when the peak requirements are reached in June. It will be possible, however, to appraise such risks by early April after receipt of the customarily heavy March tax payments. Should it appear at that time that a higher ceiling will be needed to cover the peak needs during the seasonal lull in cash inflow prior to June 15th, there will still be adequate opportunity to enact appropriate legislation.

In making this recommendation, I am fully aware that Congress still has some important appropriation bills before it, and that the final disposition of these bills will govern the expenditures of a number of agencies. But there is typically a considerable lag between appropriations and subsequent changes in expenditure patterns. This year, for instance, nearly 50% of our expenditures are determined by appropriations of earlier years, including the continuing appropriation for payment of interest on the public debt. The remaining Congressional decisions on this matter will be much more significant in terms of the spending trend beyond next June than during the current fiscal year, just as the increase in budget expenditures this year is heavily determined by last

year's action in appropriating $101½ billion, $9 billion more than was spent in fiscal 1963. Under these circumstances, the need for the debt ceiling recommended for the remainder of fiscal 1964 -- only eight months ahead -- is virtually independent of the results of remaining Congressional decisions on appropriations. And I can assure you that a ceiling of $315 billion, in relation to our peak seasonal needs, will provide no margin for in any way relaxing the controls which this Administration is maintaining on current spending.

As the official responsible for the prompt payment of the obligations of the United States Government, for effective and economical management of the public debt, for conducting our financial relationships with other countries, and for the timely investment of the monies accruing to the Federal trust funds, I cannot contemplate any lower debt limit. We can only hold the limit to $315 billion at the cost of impairing the customary margin for contingencies and flexibility. There is no room in this projection for any further cut; the risks are simply too great.

Experience through the years has clearly shown that estimates of eventual revenues and expenditures even at this point in a fiscal year are subject to a considerable margin of error in either irection. We have learned in the past of the costs and difficulties

of managing a debt when it is within a few hundred million dollars of the ceiling -- the inability to take advantage of favorable financing opportunities, the necessity at times to depart from normal financing techniques because even a normal range of uncertainty in gauging market response could not be tolerated, and the danger of interfering with the proper execution of the Treasury's trustee function with respect to planning and carrying out trust fund acquisitions. Flexibility is also needed to permit the Treasury to respond in timely fashion to the need to keep our short-term rates in reasonable alignment with those abroad so that funds will not flow overseas and strain our balance of payments. In the past few years this has, on occasion, forced the Treasury to increase substantially the supply of bills on very short notice.

In summary, a $315 billion debt limit through the remainder of this fiscal year is not only fully consistent with the compelling need to exercise firm restraint on expenditures, but, during early June, also practically eliminates the margin for unforeseen contingencies and financing flexibility. Any lower ceiling would entail unacceptable risks.

PUBLIC DEBT SUBJECT TO LIMITATION
FISCAL YEAR 1964
(In billions)

Assumes Tax Cut (Effective January 1964)

	Operating Cash Balance (excluding free gold)	Public Debt Subject to Limitation	Allowance to Provide Flexibility in Financing and for Contingencies	Total Public Debt Limitation Required
ctual				
e 12, 1963	$4.2	$305.3		
ow balance for June)				
e 30	11.1	306.1		
y 15	7.7	306.0		
y 31	6.2	305.1		
ist 15	5.1	305.0		
ist 31	6.1	306.8		
ember 15	4.4	307.5		
ember 30	8.9	307.0		
ber 15	5.1	306.8		
timates based on projected actual cash balance				
ber 31	3.9	307.0		
mber 15	3.5	308.1		
mber 30	4.6	308.8		
timates based on constant minimum operating cash balance of $4.0 billion				
mber 15	4.0	310.7	$3.0	$313.7
mber 31	4.0	307.6	3.0	310.6
ary 15, 1964	4.0	310.4	3.0	313.4
ary 31	4.0	309.5	3.0	312.5
iary 15	4.0	310.6	3.0	313.6
iary 28	4.0	310.1	3.0	313.1
1 15	4.0	312.9	3.0	315.9
1 31	4.0	307.9	3.0	310.9
15	4.0	311.5	3.0	314.5
30	4.0	310.7	3.0	313.7
5	4.0	310.8	3.0	313.8
1	4.0	311.4	3.0	314.4
15	4.0	314.2	3.0	317.2
30	4.0	308.1	3.0	311.1

FOR RELEASE A.M. [illegible]
Tuesday, October 29, 19[illegible]3.

October 28, 19[illegible]

RESULTS OF [illegible] BILL [illegible]

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated August 1, and the other series to be dated October 31, 1963, which were offered on October [illegible] opened at the Federal Reserve Banks on October 28. Tenders were invited for $1,[illegible] or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day [illegible] The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing January 30, 1964		:	182-day Treasury bills maturing April 30, 19[illegible]	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Annual [illegible]
High	99.232	3.[illegible]34%	:	[illegible]	3.570
Low	[illegible].123	3.469%	:	[illegible]	3.59[illegible]
Average	9[illegible].127	3.452% 1/	:	[illegible]	3.58[illegible]

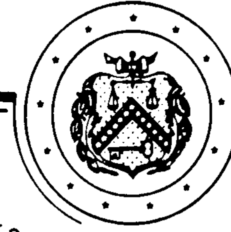
50% of the amount of 91-day bills bid for at the low price was accepted
25% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 38,315,000	15,615,000	:	[illegible]	$ 4[illegible]
New York	1,291,778,000	824,278,000	:	1,[illegible],[illegible]74,000	551,[illegible]
Philadelphia	28,520,000	13,620,000	:	[illegible]	[illegible]
Cleveland	29,801,000	29,801,000	:	[illegible]	6,[illegible]
Richmond	20,674,000	20,674,000	:	[illegible]	[illegible]
Atlanta	28,583,000	28,083,000	:	[illegible],211,000	5,[illegible]
Chicago	220,117,000	171,117,000	:	[illegible],361,000	115,[illegible]
St. Louis	39,082,000	35,082,000	:	[illegible]3,[illegible]7,000	2[illegible]
Minneapolis	24,077,000	23,327,000	:	[illegible]	[illegible]
Kansas City	40,562,000	40,462,000	:	1[illegible],350,000	1[illegible]
Dallas	22,341,000	18,341,000	:	1[illegible],[illegible]02,000	[illegible]
San Francisco	82,713,000	79,713,000	:	1[illegible],[illegible]1,000	6[illegible]
TOTALS	$1,866,663,000	$1,300,313,000 a/		$1,[illegible]	$ 80[illegible]

a/ Includes $[illegible] noncompetitive tenders accepted at the average price
b/ Includes $72,[illegible],000 noncompetitive tenders accepted at the average price
1/ [illegible] a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 3.54%, for the 91-day bills, and 3.71[illegible] 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.

REASURY DEPARTMENT



ASE A.M. NEWSPAPERS,
October 29, 1963.

WASHINGTON, D.C.
October 28, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

Treasury Department announced last evening that the tenders for two series of bills, one series to be an additional issue of the bills dated August 1, 1963, other series to be dated October 31, 1963, which were offered on October 23, were the Federal Reserve Banks on October 28. Tenders were invited for $1,300,000,000, bouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. ls of the two series are as follows:

ACCEPTED 'E BIDS:	91-day Treasury bills maturing January 30, 1964		:	182-day Treasury bills maturing April 30, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
	99.132	3.434%	:	98.195	3.570%
	99.123	3.469%	:	98.185	3.590%
ge	99.127	3.452% 1/	:	98.187	3.586% 1/

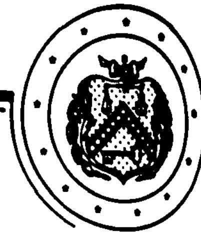
of the amount of 91-day bills bid for at the low price was accepted
f the amount of 182-day bills bid for at the low price was accepted

ERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

	Applied For	Accepted	:	Applied For	Accepted
	$ 38,315,000	$ 15,815,000	:	$ 29,451,000	$ 4,458,000
	1,291,778,000	824,278,000	:	1,121,674,000	551,019,000
hia	28,620,000	13,620,000	:	8,335,000	3,335,000
	29,801,000	29,801,000	:	6,659,000	6,259,000
	20,674,000	20,674,000	:	5,038,000	3,431,000
	28,583,000	28,083,000	:	9,211,000	5,596,000
	220,117,000	171,117,000	:	200,361,000	115,568,000
	39,082,000	35,082,000	:	23,447,000	20,947,000
s	24,077,000	23,327,000	:	8,033,000	5,533,000
y	40,562,000	40,462,000	:	14,350,000	10,975,000
	22,341,000	18,341,000	:	10,802,000	6,037,000
sco	82,713,000	79,713,000	:	108,041,000	67,103,000
ALS	$1,866,663,000	$1,300,313,000 a/		$1,545,402,000	$ 800,261,000 b/

249,989,000 noncompetitive tenders accepted at the average price of 99.127
70,318,000 noncompetitive tenders accepted at the average price of 98.187
n issue of the same length and for the same amount invested, the return on s would provide yields of 3.54%, for the 91-day bills, and 3.71%, for the lls. Interest rates on bills are quoted in terms of bank discount with related to the face amount of the bills payable at maturity rather than invested and their length in actual number of days related to a 360-day contrast, yields on certificates, notes, and bonds are computed in terms on the amount invested, and relate the number of days remaining in an yment period to the actual number of days in the period, with semiannual if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 29, 1963

FOR IMMEDIATE RELEASE

TREASURY SEEKS MORE NEGRO APPLICANTS FOR COAST GUARD ACADEMY

Too few Negro high school and college students are applying for the Coast Guard Academy, according to Assistant Secretary Robert A. Wallace, Treasury's Employment Policy Officer.

Coast Guard recruiters have visited Negro schools and colleges and the homes of potential candidates," Mr. Wallace said, "but we are not getting the response we seek. Unless we receive more applicants, the Academy class entering in July may not have a single Negro."

Since 1961, the Coast Guard Academy has hired a Negro faculty member and now has a Negro cadet. To attract additional Negroes to the Academy, the Treasury has asked the press, radio, and television to help the Department interest qualified Negro youths to compete for the 230 academy appointments to be made for the school year beginning next July.

Applicants are required to take the College Board examination on December 7, 1963. The F. W. Richmond Foundation of New York has expressed a willingness to assist qualified Negroes, who are in need of financial help, in meeting the examination costs of $12.50.

The Academy provides a four-year course of training leading to a bachelor of science degree and a commission as a career officer in the U. S. Coast Guard. Interested applicants may apply in writing to the Commandant, U. S. Coast Guard, Washington, D. C.

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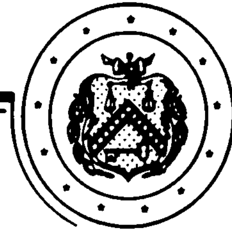
D-1023

TREASURY DEPARTMENT



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D-1023

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

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated August 8, 1963, (91 days remaining until maturity date on February 6, 1964) 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 November 7, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 7, 1963. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, October 30, 1963

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TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing November 7, 1963 (3), in the amount of $2,103,057,000 (4), as follows:

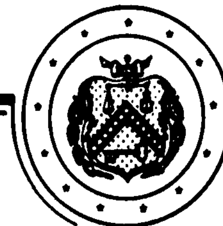
91 (5) -day bills (to maturity date) to be issued November 7, 1963 (6), in the amount of $ 1,300,000,000 (7), or thereabouts, representing an additional amount of bills dated August 8, 1963 (8), and to mature February 6, 1964 (9), originally issued in the amount of $ 800,503,000 (10) (an additional $100,092,000 was issued October 19...), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 800,000,000 (12), or thereabouts, to be dated November 7, 1963 (13), and to mature May 7, 1964 (14).

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 4, 1963 (15). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 30, 1963

ꝛ IMMEDIATE RELEASE

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Banking institutions generally may submit tenders for account of tomers provided the names of the customers are set forth in such ders. Others than banking institutions will not be permitted to mit tenders except for their own account. Tenders will be received hout deposit from incorporated banks and trust companies and from ponsible and recognized dealers in investment securities. Tenders n others must be accompanied by payment of 2 percent of the face ınt of Treasury bills applied for, unless the tenders are ɔmpanied by an express guaranty of payment by an incorporated bank trust company.

D-1024

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated August 8, 1963, (91-days remaining until maturity date on February 6, 1964) 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 November 7, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 7, 1963. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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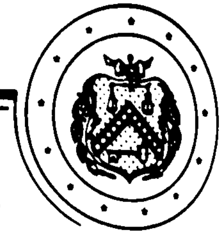
TREASURY DEPARTMENT



WASHINGTON, D.C.

October 31, 1963

FOR IMMEDIATE RELEASE

INDUSTRIAL PAYROLL SAVINGS COMMITTEE
TO MAP PLANS FOR 1964

More than 35 American business and industrial leaders will meet in Washington Tuesday (Nov. 5) to review accomplishments of the past year's industrial payroll savings program for United States Savings Bonds, and map plans for 1964.

The businessmen constitute the U. S. Industrial Payroll Savings Committee named by Treasury Secretary Dillon last January, and are returning to Washington at the invitation of the Secretary. Represented in the group will be the 28 present members of the Committee, plus nine new men who will succeed retiring members of the group at the meeting.

H. S. Geneen, New York, President of the International Telephone and Telegraph Corp., is chairman of the committee and will preside over sessions in the Benjamin Franklin Room at the Department of State.

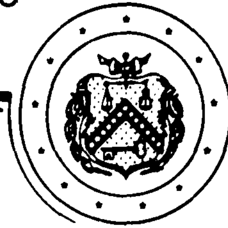
Secretary Dillon will be the principal speaker at a noon luncheon launching the meeting and later will accompany the committee members to the White House. President Kennedy will receive them at 4 p. m.

Other speakers on the day's program include Under Secretary of the Treasury Henry H. Fowler and William H. Neal, National Director of the U. S. Savings Bonds Division.

As a result of the work of the committee, each member of which represents his particular industry in the Savings Bond industrial payroll savings effort, sign-up campaigns have been conducted in more than 9,000 companies since January, resulting in more than one million new savers. In the companies of the committee members alone, 252,675 new savers have been enrolled.

A list of the 28-member group, and the nine new members, is attached.

TREASURY DEPARTMENT



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Secretary Dillon will be the principal speaker at a noon ıncheon launching the meeting and later will accompany the ommittee members to the White House. President Kennedy will ceive them at 4 p. m.

Other speakers on the day's program include Under Secretary of ıe Treasury Henry H. Fowler and William H. Neal, National Director the U. S. Savings Bonds Division.

As a result of the work of the committee, each member of which presents his particular industry in the Savings Bond industrial yroll savings effort, sign-up campaigns have been conducted in re than 9,000 companies since January, resulting in more than one llion new savers. In the companies of the committee members alone, 2,675 new savers have been enrolled.

A list of the 28-member group, and the nine new members, is tached.

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

October 30, 1963

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,000,000 or thereabouts, of 362-day Treasury bills to be dated November 4, 1963, and to mature October 31, 1964, which were offered on October 23, were opened at the Federal Reserve Banks on October 30.

The details of this issue are as follows:

Total applied for - $1,890,885,000
Total accepted - $1,000,273,000 (includes $33,945,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting one tender of $300,000)

High	- 96.365	Equivalent rate of discount approx.	3.615% per annum
Low	- 96.340	" " " " "	3.640% " "
Average	- 96.347	" " " " "	3.633% " " 1/

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 35,819,000	$ 26,322,000
New York	1,406,963,000	696,263,000
Philadelphia	11,667,000	1,667,000
Cleveland	43,561,000	41,761,000
Richmond	3,664,000	1,664,000
Atlanta	9,225,000	6,835,000
Chicago	208,940,000	136,800,000
St. Louis	12,827,000	2,527,000
Minneapolis	18,307,000	6,427,000
Kansas City	9,845,000	5,870,000
Dallas	22,500,000	10,120,000
San Francisco	107,567,000	64,017,000
TOTAL	$1,890,885,000	$1,000,273,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 3.80%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
rsday, October 31, 1963.

October 30, 1963

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D-1025

TREASURY DEPARTMENT
Washington

R RELEASE: P. M. NEWSPAPERS
IDAY, NOVEMBER 1, 1963

223

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE SECOND ARKANSAS FEDERAL TAX INSTITUTE
AT THE HOTEL LAFAYETTE, LITTLE ROCK, ARKANSAS
FRIDAY, NOVEMBER 1, 1963, 12:00 P. M., CST

I am extremely pleased to be here today in this vigorous State ich is engaged in such an intensive effort to breed and attract w industry and to expand its economy.

I have the good fortune to be extremely familiar with the great ntributions to our national well-being of two of Arkansas' most lustrious citizens -- Senator J. William Fulbright, whom I have ne to know well both in his capacity as Chairman of the Foreign lations Committee, and as a stalwart member of the Finance Committee, d my good friend Wilbur Mills, Chairman of the House Committee on ys and Means.

Today I particularly want to pay tribute to Wilbur Mills. am constantly impressed with the skill, the wisdom, and the under- anding that Mr. Mills brings to any issue before him. It is due his brilliant and inspiring leadership that the President's tax .l has moved successfully through his Committee and the House of presentatives.

That tax bill as it now stands -- with the single exception of proposed reductions in capital gains rates -- is a sound bill, air bill, an effective bill. It provides for two-stage reductions both individual and corporate income tax rates: cutting individual es from the present scale of 20 to 91 percent to a sharply lower ge of 14 to 70 percent, and dropping the overall corporate rate m 52 percent to 48 percent while the rate on small business falls the way from 30 percent to 22 percent. These rate reductions the single most important reform in the bill. They are vital, only because they release more than $11-1/2 billion into the vate economy, but also because they provide a permanent and stantial increase in incentives to work harder and to invest more.

The bill also includes a substantial number of reforms that provide major improvements in the equity of our tax system. They are, to be sure, only a beginning, but don't let any one tell you that they are not a significant beginning. Revenue-raising reforms in the present bill, plus those contained in the Revenue Act of 1962, total nearly $2 billion. When one considers that the total revenue increases from structural changes in all other revenue acts since 1940 have barely exceeded $600 million, the magnitude of the present accomplishment becomes clearer.

The structural reforms in the present bill contribute markedly to the equitable distribution of the tax reductions. Without these reforms, the tax reductions would unduly favor upper income taxpayers. The minimum standard deduction, for example, channels more than $300 million in tax relief directly to those in the lowest income groups, and avoids the large overflow into other brackets that would accompany the increased exemption approach that is sometimes proposed. The income-averaging provision would remove the present inequitable tax treatment of "bunched" income. New deductions for moving expenses would improve the mobility of labor and thus ease the problem of structural unemployment. The repeal of the dividend credit, as well as the tighter rules governing the tax treatment of stock options, depreciable real property, the aggregation of unrelated oil and gas properties for depletion purposes, multiple surtax exemptions and others, would help rectify existing inequities, broaden the tax base, or offset what would otherwise be excessive tax reduction for privileged groups.

The tax bill, therefore, represents a good start toward greater simplicity and equity in our tax structure -- toward the kind of reform that Chairman Mills and I would like to achieve. If it is not all we would like, that is because the economic urgency of immediate tax reduction must override our desire for thorough-going revision of our tax structure.

Nothing should delude us into thinking that tax cuts are no longer as important as they were six or nine months ago. True, we are now enjoying moderately pleasant economic weather, and the current upturn demonstrates that there are basic strengths in our economy. But we cannot be so blinded by the bright spots around us that we fail to see the pitfalls that lie ahead.

The fact is that this year's upturn, as well as the entire covery since 1961, have failed to make adequate inroads into the rsistent and serious problems that have plagued us ever since 57 -- long-range problems that the tax cut is designed to alleviate. r the past six years our unemployment rate has been much too high. have been unable to reduce it at all over the past 12 months, a riod in which Gross National Product grew by $32 billion dollars 5-3/4 percent. If we do not greatly improve our performance -- d soon! -- then the sharp increase in our labor force over the xt few years will result in more and more unemployment, followed osely by irresistable pressures for ever greater government ending. This is just one of the critical problems that brings to bold relief the undiminished urgency of the tax bill as a lanced stimulus to more rapid and more durable economic growth.

In addition to its rate reductions, the tax bill would improve 52's investment credit by restoring the provisions originally proved last year in the House of Representatives. It would eliminate e requirement that the depreciation basis of new investment must be duced by the amount of the investment credit -- thus removing the fficult accounting complexities that flow from the current statute. addition, repeal of that requirement would almost double the esent incentive of the credit and would give substantial additional couragement to more rapid modernization and expansion of plant and uipment.

The 48 percent corporate tax rate, when added to last year's vestment credit and revised depreciation guidelines, would reduce rporate tax liabilities by a total of $4.5 billion annually. And en you add to this the proposed liberalization of the investment edit, the after-tax profitability of new investment would be creased by more than <u>one-third</u>.

I do not have to emphasize to you here in Arkansas how vital such : incentives are to greater industrial growth and expansion. Few ites are more intensely concerned with industrial progress than ansas. Few can match your recent achievements. From 1957 to 2, for example, Arkansas per capita income grew by 31 percent, by almost double the 16 percent figure for the nation as a le. Even more revealing in terms of your industrial development gram is the fact that -- as a percentage of total civilian sonal income from productive activity -- income from manufacturing Arkansas <u>rose</u> by 2 percent from 1957 to 1962, while for the nation a whole, such income <u>declined</u> by 2 percent during the same iod.

Figures such as these demonstrate how successful you have been
making Arkansas an extraordinarily attractive magnet for new and
eater industrial investment. A number of other investors from
rious parts of the nation have made known their intention to expand
to Arkansas when the time is propitious. That time will come when
e removal of repressive wartime tax rate opens the way to more
oyant and sustained economic growth and sharply increases the
centives for expanded investment in plant and equipment. These
jor increases in the incentive to invest at home, rather than
road, are also, of course, an essential and highly important part
our program to achieve balance in our international payments.

Expanded investment will flow not only from the large direct tax
imulus to business that I have just described, but also from the
bstantial boost in consumer demand that will result from the
dividual tax reductions. Nearly $9 billion of the overall tax
duction will go to individuals. Well over 90 percent of that money
ll be spent, setting in motion the familiar economic process in
ich money circulates throughout the economy and ultimately increases
nsumer spending by several times the amount of the initial tax
t. That strong and sustained rise in consumer demand -- and thus
markets for industry -- will further bolster the direct tax
centives to investment.

Without this kind of balanced stimulus to both consumer demand
d investment incentives, we will not have the expansion _in all_
ctors of our economy that we must have if our overall growth is to
both strong and durable. Those who suggest that the tax
ductions are too heavily weighted in favor of either consumer demand
investment, simply do not understand that fact. Similarly, those
suggest that the individual tax reductions favor the upper income
oups forget that, by the very nature of our steeply progressive
rate structure, equivalent percentage _rate_ reductions in the
ver and upper brackets inevitably mean much greater increases in
er tax income in the upper brackets -- particularly if the
luctions in the upper brackets are not somewhat offset by base-
oadening reforms. To achieve equal percentage increases in
er-tax income would simply require total abandonment of any thought
reducing our current excessively high rates.

The fallacy in the after-tax income approach as a measurement of
reduction is clearly shown by the following extreme example:
pose we reduced the present bottom rate of 20 percent all the way
n to zero. That would increase a taxpayer's after-tax income
m $80 to $100, or 25 percent. Now look at our highest bracket,

l percent, with nine percent left after tax: An increase of 25
ercent in after-tax income at this level would be 2-1/4 percent, or
total after-tax income of 11-1/4 percent, giving a top tax rate of
3-3/4 percent. Thus almost any reduction in our top individual tax
ates is bound to give a greater percentage increase in after-tax
icome to today's 91 percent taxpayer than to the present 20 percent
axpayer.

Under the current bill, when you consider the <u>total</u> effect of
ate changes and structural reforms, nearly 60 percent of the overall
dividual tax reduction goes to those in the under-$10,000 income
oup, with their share of the total income tax load being slightly
duced from 50 percent to 48 percent.

Let there be no mistake: The tax bill this nation needs and --
en you eliminate the capital gains reductions -- the bill this
tion now has before it, is not a bill to make the rich richer.
is a bill to make this nation richer, stronger, and more
oductive in jobs, in investment, and in government revenues. It
a bill that has the support of the AFL-CIO as well as the
amber of Commerce, of academic economists as well as business
onomists. It is a bill that has the support of citizens in all
cupations throughout the land.

One great concern of many citizens -- a concern fully shared
the President and by the Congress -- is that tax reduction be
companied by strict and careful control over Federal expenditures.
ere is neither time nor need to cite the wealth of evidence that
e Administration and the Congress are not only committed to
firm program of expenditure control, but that such a program is
ready well underway. Let me simply emphasize a few major
ints:

First, the President, Chairman Mills -- and the House of
presentatives in endorsing their views -- have all made it
mistakably clear that, by adopting the tax bill, the nation will
choosing, in Chairman Mill's words, "tax reduction instead of
liberate deficits as the principal means of boosting our
onomy" -- that they consider these courses mutually exclusive --
t, in short, the tax bill represents a firm decision to rely
n greater <u>private</u> spending rather than upon greater <u>government</u>
nding as the prime factor in our economic growth.

Second, the fiscal 1963 deficit dropped from an estimated $8.8 llion to an actual $6.2 billion -- and two-thirds of that decline sulted from lower expenditures. The largest single factor in those ver expenditures was the Administration's policy of substituting vate for public credit -- a policy the Administration intends to tinue in the future. Fiscal 1964 expenditures are currently imated at $1 billion below last January's estimate. Partly ponsible for that decline is the fact that, as Chairman Clarence non of the House Appropriations Committee has pointed out, this r's appropriations are being held below last year's -- the first e that has been done since the end of the Korean War. Also ponsible is the extremely prudent management of Government sonnel instituted at the President's direction. This program has bled the federal government, during the past twelve months, to t the needs of our expanding population while at the same time ually reducing the number of its regular civilian employees.

Third, the President has said that in the absence of any oreseen crisis, he intends to submit a fiscal 1965 budget with naller deficit than the $9.2 billion originally forecast for this r before any allowance for tax reduction -- despite the fact that, ing fiscal 1965, tax revenues must absorb more than $7 billion of tax cut.

Fourth, more than 70 percent of our budgetary increase from al 1961 through fiscal 1964 occurred in the area of defense, e, and interest on the national debt. Excluding these items, overall record in all other areas of government over the past e years has been markedly better than that of the preceding nistration. Our expenditure increase has been some $1.2 billion, early 25 percent, lower than the $5 billion increase in those same items over the three preceding years, fiscal 1958 through al 1961. And as Budget Director Kermit Gordon pointed out last in testifying before the Senate Finance Committee, the need for inuing expenditure increases for defense has just about ended will soon begin to taper off on space programs.

Why is it, then, that one still encounters doubt and confusion any quarters? The answer, it seems to me, is failure to rstand how our government in Washington actually works. In ct, we have two budgets: One, familiar to all, records nditures as we meet our bills. The other, and far more rtant budget, is probably known to only one out of every thousand icans. This is the budget of new appropriations from which all ding flows.

In our private lives, the proper way to cut spending is not to
fuse to pay our old bills, but to stop incurring new ones. It is
st the same in government. Once the Congress appropriates funds
r previously authorized purposes, the President, with one
portant exception -- permitting him, as Commander-in-Chief, to
fuse to undertake defense expenditures for purposes which he deems
be unnecessary or unwise -- has no clear authority to refuse to
end those funds.

While government agencies are responsible for the prudent
nagement of their operations, the power to arbitrarily eliminate
ngressionally-approved programs is simply not available. Only if
were clothed with such power could a President carry out
gnificant reductions in Congressionally-approved programs outside
e area of defense. This would require that Congress entrust
e President with the right of the item veto -- a right that
ngress, in defense of its own prerogatives as a coordinate branch
government, has consistently refused to turn over to the Executive
anch.

Thus, once the appropriation budget has been adopted,
penditures are sure to follow -- but only on a delayed basis.
nce many of the dollars in appropriation bills go for such things
public works and complex defense or space hardware, the bills
ten do not come due for several years. For instance, only about
f the money we will pay out this year, fiscal 1964, will come
m this year's appropriation bills. The rest will come from
ies appropriated in earlier years.

Now, just what does all this mean when we look at expenditure
trol in the context of today's situation? It means simply that
should pay continuing and close attention to new appropriations
tead of merely watching the current level of expenditures.
enture to say that there are few among you who realize that during
fiscal year that ended last June, a total of $101.5 billion in
ropriations was approved -- $9 billion more than was spent. That
why expenditures during the current fiscal year will rise by about
billion dollars from last year's level of $92.6. And even if we
ceed, as Congressman Cannon hopes and expects, in holding this
r's appropriations to last year's $101-1/2 billion level, fiscal
r 1965 expenditures, which include the costs of many programs and
jects approved in previous years, can be expected to rise somewhat
ve the 1964 level as a natural response to the lingering effects
earlier appropriation budgets.

However, to the extent we level off appropriations, our future
lls -- and hence our future expenditures -- will also level off,
only after the usual and necessary time lag of about two years.
those who say that we should not cut taxes and increase expenditures
the same time, I say simply this: look at the record being
tten today in new appropriations instead of merely concentrating
the level of expenditures required to meet old bills. When you
ok at this year's appropriations and compare them with last year's,
will see a clear example of firm expenditure control -- a record
t will show up in the spending level of future years.

Therefore, there is simply no reason for undue delay on the tax
1. It will not only give us expanding economy that will generate
greater Federal revenues we need to balance our budget, but it
l also increasingly enlarge the role of the private economy in
ting our economic needs.

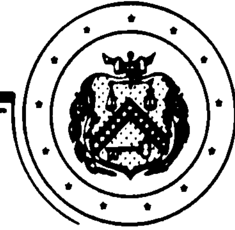
No one knows for certain what our immediate future holds. What
certain is that we cannot afford to be so shortsighted -- or so
getful of our postwar economic history -- as to assume that because
are doing relatively well today, we are doing anywhere near well
ugh to simply let matters proceed as they are into the future.
side of the prospect of a prompt tax cut -- starting next January
-- there is nothing in our present economic situation or in our
t history that permits us to expect that we can ride out 1964 on
ontinuing upswing. By next April 1st, it will have been 37
ths since the end of the last recession. If we are still in an
urn, it will be the longest peacetime recovery in this century --
n the single exception of the 1933-37 pull-out from the Great
ression. And a downturn -- even of the relatively mild magnitude
our last two recessions -- could easily cost us between $5 and
billion in Federal revenue. It would also bring soaring
mployment, which in turn would inevitably lead to greater government
nding. The result would be a deficit that could range as high as
or $20 billion -- a deficit accompanied by unnecessary suffering and
vation, and far larger than any we foresee with tax reduction.

The more we delay on the tax cut, the more we risk losing the
ortunity now before us of choosing, decisively and firmly, to
and the role of the private sector in achieving economic growth
in meeting national needs. We risk, as well, foregoing into the
future the single best hope for ending our chronic budgetary
cits, and for reinvigorating the incentives for increased
rt and investment.

We could not be in a better position to adopt the tax bill than are today. We know that our economy is still on the way up. We o know that beyond the first few months of next year, its course uncertain. We can pass the tax bill this year, and let the rent upturn serve as a springboard toward the more rapid and tained economic growth that we can and must achieve. Or we can l to pass it and cast our entire economic future into doubt. I not see how our choice could be clearer -- or more important.

oOo

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE October 31, 1963

RESULTS OF TREASURY'S CASH OFFERING OF 3-7/8% NOTE

Reports received from the Federal Reserve Banks show that subscriptions total about $20,070 million for the offering of $7,600 million, or thereabouts, of 3-7/8 percent Treasury Notes of Series C-1965, due May 15, 1965. Total subscriptions accepted amount to about $7,975 million.

The Treasury will allot in full, as provided in the offering circular, about $4,299 million of subscriptions from States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Government Investment Accounts, and the Federal Reserve Banks, where the subscriber made the required certification of ownership of securities maturing on November 15, 1963.

On subscriptions received subject to allotment, the Treasury will allot in full subscriptions up to $100,000 and other subscriptions will be subject to a 21 percent allotment with a minimum allotment of $100,000 per subscription. Reports received thus far from the Federal Reserve Banks show that subscriptions subject to allotment total about $8,106 million from commercial banks for their own account and $7,665 million from all others.

Details by Federal Reserve Districts as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

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D-1027

October 21, 1963

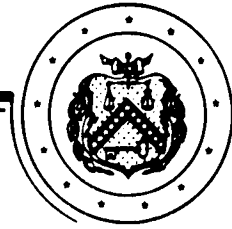
INCOME TAX TREATY BETWEEN THE UNITED STATES
AND THAILAND TO BE DISCUSSED

Representatives of the United States are expected to meet with representatives of the Thailand government in the near future to discuss a possible income tax convention to avoid double taxation of income and facilitate trade and investment between the two countries.

It is anticipated that among the subjects to be discussed will be the tax treatment of trading and other business enterprises, investment, and income from services.

Interested persons in the United States who desire to submit comments on the scope of the discussions or to submit information relating to the subjects mentioned are invited to send their views to Mr. Stanley S. Surrey, Assistant Secretary of the Treasury, Washington 25, D. C. The deadline for receipt of such comments is December 13, 1963.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 31, 1963

FOR IMMEDIATE RELEASE

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-1028

United States Savings Bonds Issued and Redeemed Through October 31, 1963
(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed	Amount Outstanding 2/	% Outstanding of Amt. Issued
MATURED				
Series A-1935 - D-1941	5,003	4,990	13	[illegible]
Series F & G-1941 - 1950	28,512	28,388	124	[illegible]
UNMATURED 3/				
Series E:				
1941	1,828	1,544	284	15.[illegible]
1942	8,076	6,844	1,232	15.2
1943	13,006	11,013	1,993	15.3
1944	15,136	12,679	2,457	16.[illegible]
1945	11,848	9,721	2,127	17.[illegible]
1946	5,327	4,147	1,180	22.[illegible]
1947	5,019	3,726	1,293	25.7
1948	5,170	3,731	1,439	27.[illegible]
1949	5,086	3,582	1,504	29.5
1950	4,435	3,039	1,396	31.[illegible]
1951	3,841	2,618	1,223	31.[illegible]
1952	4,021	2,677	1,344	33.[illegible]
1953	4,573	2,856	1,718	37.5
1954	4,620	2,738	1,882	40.[illegible]
1955	4,780	2,796	1,984	41.5
1956	4,589	2,694	1,895	41.[illegible]
1957	4,310	2,450	1,860	43.[illegible]
1958	4,167	2,204	1,963	47.[illegible]
1959	3,894	2,015	1,878	48.[illegible]
1960	3,873	1,844	2,029	52.[illegible]
1961	3,883	1,636	2,247	57.[illegible]
1962	3,735	1,360	2,375	63.[illegible]
1963	2,679	481	2,198	82.[illegible]
Unclassified	494	476	17	3[illegible]
Total Series E	128,388	88,869	39,519	30[illegible]
Series H (1952 - Jan. 1957) 3/....	3,670	1,393	2,278	62[illegible]
H (Feb. 1957 - 1963)	5,729	683	5,046	88[illegible]
Total Series H	9,399	2,075	7,324	77[illegible]
Total Series E and H	137,787	90,945	46,843	34[illegible]
Series F and G (1951 - 1952).....	1,008	838	4/ 169	16[illegible]
Series J and K (1952 - 1957)	3,702	2,029	1,675	45[illegible]
Total Series F, G, J and K	4,710	2,867	1,843	39[illegible]
All Series: Total matured	33,515	33,378	137	[illegible]
All Series: Total unmatured	142,497	93,812	48,686	34[illegible]
All Series: Grand Total	176,012	127,190	48,823	27[illegible]

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.

BUREAU OF THE PUBLIC DEBT

United States Savings Bonds Issued and Redeemed Through October 31, 1963
(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstanding of Amt. Issued
ED				
es A-1935 - D-1941	5,003	4,990	13	.26
es F & G-1941 - 1950	28,512	28,388	124	.43
RED 3/				
es E:				
1941	1,828	1,544	284	15.54
1942	8,076	6,844	1,232	15.26
1943	13,006	11,013	1,993	15.32
1944	15,136	12,679	2,457	16.23
1945	11,848	9,721	2,127	17.95
1946	5,327	4,147	1,180	22.15
1947	5,019	3,726	1,293	25.76
1948	5,170	3,731	1,439	27.83
1949	5,086	3,582	1,504	29.57
1950	4,435	3,039	1,396	31.48
1951	3,841	2,618	1,223	31.84
1952	4,021	2,677	1,344	33.42
1953	4,573	2,856	1,718	37.57
1954	4,620	2,738	1,882	40.74
1955	4,780	2,796	1,984	41.51
1956	4,589	2,694	1,895	41.30
1957	4,310	2,450	1,860	43.16
1958	4,167	2,204	1,963	47.11
1959	3,894	2,015	1,878	48.23
1960	3,873	1,844	2,029	52.39
1961	3,883	1,636	2,247	57.87
1962	3,735	1,360	2,375	63.59
1963	2,679	481	2,198	82.05
lassified	494	476	17	3.44
l Series E	128,388	88,869	39,519	30.78
H (1952 - Jan. 1957) 3/....	3,670	1,393	2,278	62.07
H (Feb. 1957 - 1963)	5,729	683	5,046	88.08
l Series H	9,399	2,075	7,324	77.92
l Series E and H	137,787	90,945	46,843	34.00
F and G (1951 - 1952).....	1,008	838	4/ 169	16.77
J and K (1952 - 1957)	3,702	2,029	1,675	45.26
l Series F, G, J and K	4,710	2,867	1,843	39.13
ries { Total matured	33,515	33,378	137	.41
ries { Total unmatured	142,497	93,812	48,686	34.17
ries { Grand Total	176,012	127,190	48,823	27.74

ludes accrued discount.
rent redemption value.
option of owner bonds may be held and
l earn interest for additional periods
er original maturity dates.
ludes matured bonds which have not been
sented for redemption.

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You may well have anticipated these conclusions. To me, they seem to be compelled by the fact that tax rates are too high, by the logic of the economic situation, by the need for expansion and long-term growth to meet the needs of our people, by our fiscal circumstances with budgetary deficits resulting from inadequate economic performance, by our determination to control federal expenditures, and by the discipline of our balance of payments deficit. I trust that you will be persuaded by this logic of events and circumstances that has moved the Administration to these conclusions and that you will agree.

hopes and aspirations of the business and financial world. To frustrate those expectations by delay and doubts as to the future passage of the bill entails serious economic risks that may ensue from diminished confidence.

The answers to the three questions with which we began, then, are:

Yes, the national interest would be served by the enactment of a law substantially reducing the rates of Federal income taxes.

Yes, this rate reduction should be a balanced one designed to increase both consumer purchasing power and direct investment incentives.

And, yes, the national economy is far more likely to be benefited by an early enactment of the tax progmam than by a later one next year.

sustained by a tax cut, would attract investment dollars from domestic and foreign sources, sharpen our competitive edge and opportunity for an increasing trade surplus, and free up our monetary tools for use in event interest rate differentials trigger further outflows.

Delay in the passing of the tax bill may mean more than missed opportunities; it may do positive harm. The tax program has become the leading psychological factor in the world of business and finance. It is viewed, rightly or wrongly, as the touchstone for progress and the element of promise for the long-term future. Business expansion and consumer buying in a large measure reflect confidence in the future. Expectations of the enactment of the tax program have become a built-in factor in the

peacetime recovery in the century with the exception of the 1933-37 pull-out from the Great Depression.

So on either premise -- that the economy will continue to expand or begin to contract -- the earlier the enactment of the tax program the better.

Another time factor is the need to achieve, as soon as possible, an equilibrium in our international balance of payments. Continued deficits in our payments situation, with their potential drain on our gold supply and threat to the role of the dollar as the principal reserve currency, provide a compelling reason for prompt action on the tax program. The net outflow of long-term investment ($2.5 billion) in 1962 was the single biggest source of disequilibrium. A rapidly expanding economy,

program is not to arrest a recession but to move an advancing economy into a scale and pace commensurate with its responsibilities and our national needs.

If the tax program is an effort to remedy the withdrawal from the private economy of too much of the Nation's substance in the form of taxes, to lift the tax drag, and to restore some needed incentives for job creating investment, the sooner the remedy is applied the better.

If, in addition to its long-term objective, the enactment of the tax program is viewed as anti-recession insurance, the time is ripe for taking out that insurance. The patient is well and insurable, but he is moving into a vulnerable period of his life. By next April 1st, it will have been 37 months since the end of the last recession. If the economy is still advancing, it will be the longest

This is particularly true in the light of the cogent reasons for an early and prompt disposition of this particular piece of legislative business.

The economy is still expanding, but there is still a large gap of unused manpower and capacity. The economic climate is good. In this setting the enactment of the tax program now would maximize its effectiveness in achieving its initial purpose -- to move the economy to full employment and a more effective utilization of all our resources -- particularly our increasing human resources.

To wait until some later time and risk joining the tax cut to a receding or levelling economy is to put it to its appointed task under adverse circumstances. The overriding purpose of the tax

a declaration of policy which reads as follows:

> "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt."

The President endorsed this statement before the vote.

These facts, plus the even more fundamental one, that expenditures can never exceed the amounts actually appropriated by the Congress -- which controls the Nation's purse strings -- makes it difficult to justify postponement of a final Senate vote on the tax bill for an alleged lack of evidence of an expenditure control policy.

7. As for the fiscal year 1965 and following years, the President has assured the Congress that he intends to maintain a tight rein on expenditures and that a substantial part of the tax revenues from economic expansion will be used to reduce the budgetary deficit until balance is reached.

8. On this basis -- and barring an unforeseen slowdown of the economy or international contingency -- the President expects to submit a budget for fiscal 1965 with a deficit less than presently forecast for fiscal 1964, despite the fact that the second stage of the tax reduction will have gone into effect and that the revenue loss from tax reduction in 1965 -- before feedback -- will be $5 billion greater than in 1964.

9. The House of Representatives has emphasized these factors by specifically including in the bill as Section 1

1964 budget (excluding defense, space and interest) than in the previous year -- only the third time that has been attempted in twelve years, during a period in which population has increased and state and local government spending has grown at a rate averaging more than 15 percent a year.

4. Fiscal 1964 expenditures are currently estimated at $1 billion below last January's estimate. In the first three months of the fiscal year 1964 (July through September) expenditures in the civilian sector of the Federal budget were $107 million less than the same quarter last year.

5. This September there were 242 less regular civilian Federal employees on the payroll in the Executive branch than in September last year.

6. Chairman Cannon of the House Appropriations Committee has observed that new appropriations may aggregate less than last year's total -- the first time that will have been done in some years.

In fact an effective program of expenditure control is well underway and convincing evidence of accomplishment is already at hand:

1. According to the Director of the Budget, the need for continuing expenditure increases for defense has just about ended and will soon taper off on space programs, which, together with interest on the debt, have accounted for more than 70 percent of the budgetary increase from fiscal 1961 through fiscal 1964.

2. Since proposing the tax program in January the fiscal 1963 deficit has declined from an estimated $8.8 billion to an actual $6.2 billion -- and two-thirds of that decline resulted from lower expenditures.

3. In proposing the tax program last January, the President budgeted less for the civilian sector of the

as the two joined together. A combination of the two will interact in such a fashion as to foster an acceleration of economic activity, which should continue for years to come to produce jobs and raise output more effectively than the same amount of tax reduction devoted solely to either investment or consumer demand.

III

This brings us to the third issue -- whether the early enactment of the tax program is likely to be more beneficial to the national economy than a later one next year.

Many favoring tax reduction in the abstract feel that it should be enacted only in the context of fiscal responsibility, and deferred until there is convincing evidence of accomplishment in the control of the increase in Federal expenditures and the reduction of deficit financed

is the most effective way to make more attractive the investment decisions which are not being taken today. It is the most effective way to make the submarginal project of today the supermarginal project of tomorrow. It is the most effective way to maximize the benefits of the tremendous technological, educational, and human resources of the United States. As new techniques and new products are developed and as new markets are opened up new demand will be created, new investment will be fostered, and new jobs will be available that would never have been available otherwise.

This then is the crux of the situation. We must have a stimulus to expansion that is continuing, self-sustaining and self-reinforcing. Neither direct investment incentives nor increased consumer demand will do the job alone as well

our balance of payments. To the extent they encourage modernization and new products they enhance our ability to compete at home and in the export market and thereby maintain or expand our trade surplus. It is equally important to our balance of payments to increase the attractiveness of investment opportunities in the United States. These are important because capital outflows for long-term private investment abroad represent a significant part of our balance of payments deficit.

Finally, one of the most overlooked aspects of creating a sustained economic expansion is the need to utilize the fruits of new technology in the form of new products or the adaptation of existing products to new markets. Increasing the profitability of new investment

A second major reason for direct investment incentives is the characteristic lag of indirect investment stimulus resulting from "demand pull." In other words, demand has to make itself felt in the economy and in the particular sector of the industry in question before it will significantly affect investment decisions. Then, there is the further delay for investment decisions to be translated into reality. If there were any possibility of inflation in the tax program reducing the stimulus to investment would greatly exaggerate it. Price increases are most likely to occur when demand outstrips production and the utilization of efficient capacity. If production and the quantity of efficient capacity expand to keep pace with demand, the danger of inflation is kept at a minimum.

Third, direct tax incentives will affect favorably

in the United States with earnings of less than $25,000 per year. The entire tax program including this change would provide a 17.9 percent reduction in an additional 54,000 corporations whose incomes were less than $50,000 and 9.5 percent reduction for the 25,000 companies whose incomes were less than $100,000.

The critics of reductions in individual tax rates of those with adjusted gross incomes in excess of $10,000 should remember that of the eleven million businesses in the United States, ten million are sole proprietorships or partnerships and many are established and operated by individuals in these higher brackets. These are the people who would be most likely to invest tax savings in the business or businesses which they are operating, which in turn might provide more jobs or facilities.

many small firms simply are not in a position to take advantage of investment opportunities by borrowing. These smaller companies must finance their expansion and modernization for new ventures out of their own internal financial resources. They very much need the increased cash flow of the rate reduction for corporations.

Indeed, they need more than the mere reduction of the overall corporate rate from 52 percent to 48 percent provided by the bill. For that reason the new bill contains a provision providing immediate and substantial investment incentives to smaller corporations For 1964 the present normal tax of 30 percent, applicable to the first $25,000 of taxable corporate income would drop to 22 percent. Thus an immediate tax reduction of most 27 percent would be provided for 467,000 small

corporations

funds to finance new investment ignore several important points. The tax bill does not afford a liquidity windfall to much of the corporate sector. Simultaneously with the rate reduction it requires corporations with incomes in excess of $100,000 to initiate a tax payment schedule whereby they will be making their tax payments current by 1970. In the interim, although their tax liabilities will be reduced as a result of the corporate rate reduction, these larger companies will not have the benefit of an increased cash flow as a result of the corporate rate cut.

More significantly, the critics ignore the fact that despite the general availability of money in corporate treasuries and credit in the capital market for large companies for investment needs,

it has fallen to roughly nine percent. Since 1957 the rate of increase in our stock of business plant and equipment has risen by less than two percent a year, compared to four percent a year in the first postwar decade. Furthermore, there has been a disturbing rise in the proportion of our machinery and equipment which is more than ten years old. Corporate profits and the ratio of expenditures on plant and equipment to gross national product have been below previous postwar levels. Our rich store of research and development has not been joined to capital and labor to produce the explosion of new products, services and jobs of which the Nation is capable.

Moreover, critics of the tax bill on the score that it includes direct incentives for investment when business has adequate or more than adequate

program will play an important part. In combination with last year's 7 percent investment credit and depreciation reform, the proposed 4 percent reduction in the corporate tax rate, together with the liberalization of the credit, would increase the after-tax profitability of new investment in ten year assets, for example, by an estimated 35 percent. That, I submit, is a fact which will weigh very heavily in any investment decision. These considerations apply not only to expansion of capacity to make standard products and new capacity to make new products, but also to the modernization of existing facilities to provide existing products on a more efficient basis.

In 1956 and 1957 business fixed investment averaged 11 percent of total output. Since that time

board of directors will not be determined merely by consideration of the extent to which total personal income next year is likely to exceed the current figure. Certainly demand will be important to them, for no one expects to invest in order to produce when there is no expectation of having a market for one's products. And certainly the effect of demand on the overall economic outlook is a matter which will be given serious consideration in making such a decision.

But one of the vital factors in any marginal investment decision is the rate of return -- the increase in after-tax income in return for a given outlay in investment. This is where the direct stimulus to investment provided in the current tax

$10,000 per annum argue that business has plenty of cash and credit available today and there is no need for more direct investment incentives.

This prompts a closer examination of why it is desirable to provide direct incentives to investment through tax reductions in addition to those reductions which provide a significant increase in consumer demand. Let us consider for a moment the problem of an individual, a partnership, or a corporation deciding whether to make an investment in new plant or equipment or the provision of services.

Anyone facing an investment decision considers two things above all: First, the nature and period of risk involved in the investment and, second, the likelihood of a favorable return. The decision of a

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of the $30 billion a year that would be earned if the Nation's present facilities were operating at what would be considered normal capacity utilization.

But consumer demand is not the whole story. A direct stimulus to investment is also needed. While it is true that if a sufficiently strong increase in consumer demand is provided this will increase investment through "demand pull," it is equally true that a more dynamic and healthy expansion in investment will come from a combination of increasing consumer demand and direct investment incentives.

Characteristically, those who are critical of the inclusion of a corporate tax cut and reductions in the rates of those whose adjusted gross incomes exceed

of expansion we need or the rate of profits that would invite it. In that time average operating rates for manufacturing have gone from 77 percent to 87 percent of capacity but production is substantially below the 92 percent average rate considered as normal by business itself.

Most of the increase in capacity utilization occurred in 1961, with very little improvement since the beginning of 1962. From the first quarter of 1962 to the third quarter of 1963 the average rate of utilization of plant and equipment in manufacturing rose from about 85 percent to about 87 percent of capacity. Although after-tax profits have risen approximately 40 percent, from $19.2 billion to $26.8 billion in this recovery, they are still short

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capacity will be worthwhile. Of course if the economic situation were different -- if all of our economic resources were fully employed -- strengthening of consumer demand might not be as important as it is today. But we do not have a full employment economy and we are not utilizing existing productive capacity to make sufficiently inviting the provision of additional capacity for old products or the new capacity for new products that would make for a more dynamic economy.

For example, even though the nation is enjoying a recovery and expansion that has already lasted thirty-two months, average operating rates in manufacturing have not reached a point of providing either the rate of utilization that would trigger the scale

in the relatively lower income brackets -- say below adjusted gross incomes of $10,000 -- the answer must be that they account for close to 85 percent of all taxable returns and are likely to put a large part of their tax savings into the spending stream. In other words, this is where the customers live. Under the current bill they get nearly 60 percent of the overall individual reduction, with their share of the load being decreased from 50 to 48 percent.

To encourage investment in job producing facilities, strengthening of consumer demand is required. The purchasing power of the consumer must be increased to utilize present productive capacity fully so that additions to productive

This balance of $8 billion of tax reduction for consumption and approximately $5.6 billion for direct investment incentives was adjudged to be appropriate by the House Ways and Means Committee after hearing most of the same witnesses now appearing before the Senate Finance Committee make the same points. This two-pronged character or balance in the tax program is perhaps the most important and most overlooked aspect. It is likely to be the decisive factor in assuring that the program finally adopted will not substantially alter the balance arrived at and will include both a stimulus to consumer purchasing power and direct investment incentives.

To those critics of the present bill who would eliminate or sharply reduce tax cuts for taxpayers

of corporations and unincorporated businesses by $2.5 billion constitute a substantial program of direct incentives to investment totalling $5.6 billion per annum. Much of this amount will be invested. Besides, the incentive of lower tax rates is likely to draw additional monies from other savings into investment in job producing facilities and services. Thus the operations of these direct investment incentives will add to the total of consumer purchasing power in the hands of additional job holders, suppliers, etc. This process adds what the economists term an accelerator effect to the processes of growth that will flow from the tax program.

The interaction of these two facets, with the one aiding and abetting the other, is of vital importance.

about $8 billion will be spent on additional consumption. These expenditures will set in motion the familiar economic process in which money circulates throughout the economy and ultimately increases consumer spending by several times the amount of the initial tax cut -- the so-called multiplier factor. That strong and sustained rise in consumer demand -- and thus in markets and profits for industry -- will further bolster the direct tax incentives to investment.

The estimated difference between the amount individuals receive and consume, approximately $900 million, will go into investment or savings. This sum and a $2.2 billion reduction going to corporations, when added to last year's investment credit and revised depreciation guidelines which reduced tax liabilities

One of the chief virtues of the tax bill now before the Senate Finance Committee is that it incorporates the constructive advice of both sets of critics but rejects their "whole hog or none" approach. The result is that it is a soundly balanced bill -- one purposefully designed to provide both additional consumer purchasing power and direct investment incentives.

The short answer to these critics of the mix of tax reduction in the bill is that both approaches interacting together will achieve a more dynamic and healthier economy than would result from a reliance upon one method to the virtual exclusion of the other.

The bill provides a substantial stimulus to consumer purchasing power. Of the reductions to individuals, amounting to $8.9 billion, it is reliably estimated that

talking about the same tax bill. This is particularly true of the issue of how the tax reductions should be divided. Some think low income taxpayers get too much, others too little. Some think the upper income taxpayers should get more, others less. Many who argue that the low income taxpayers should get a larger share of the reductions say that tax cuts for corporations and individuals in the upper and middle income brackets are wasted because the way to increase investment and jobs is to increase consumer purchasing power. Conversely, many who argue that upper or middle income taxpayers and corporations should get a larger share say that tax cuts for those in the low income brackets are wasted or will provide only a one-shot stimuli and that the way to increasing growth is to increase direct incentives to investment.

Revenue Act of 1963 was approved by a very substantial majority of the House of Representatives.

In sum, there is a national consensus that the national interest is served by the enactment of a law substantially reducing the rates of Federal income taxes.

II

This brings us to our second issue: namely, should the tax rate reduction program so widely endorsed be a balanced one designed to increase both consumer purchasing power and direct investment incentives or be predominantly aimed at only one of these objectives.

You all know the poem about the different descriptions given by six blind men each of whom had grabbed hold of a different part of an elephant. The public discussion about the kind of a tax cut contained in the bill as it passed the House is like that: you'd never think people were

a single-shot effect of the tax program designed as it is to create a healthy environment of sustained demand and investment incentives conducive to a full employment economy. Through the interaction of investment, demand, and profits, the tax program will foster an upward spiral of economic activity which will generate new and sustained vitality. The result will be not merely three million jobs but a continuing high level of job production resulting from an economy operating at full potential.

The early enactment of a law substantially reducing the rates of Federal income taxes has been strongly endorsed by a broad cross-section of the leaders of business and labor, by financial leaders at home and abroad, some forty governors, and by a long list of the most distinguished economists in our universities. After months of public discussion in the press and other media, the proposed

our economy on a scale and a dimension never before undertak by it except in times of all out war or crash build-up for one.

There must be and is full recognition that, if the tax program is to attain its objectives, it must be carried forward as a part of a sound and consistent overall financi program. In particular, that program has two main elements first, a substantial net reduction in Federal taxes, throu meaningful lowering, in several stages of tax rates on individual and corporate income from "top to bottom", and; second, as the tax cut becomes fully effective and the economy expands in response, the allocation of a substanti part of the resulting revenue increases each year toward eliminating the transitional deficit.

The tax program, with related policies of expenditur

spending power in the hands of private consumers and investors and offer more encouragement to private initiative. The most effective policy, therefore, is to expand demand and unleash incentives through a program of tax reduction and reform, coupled with the most prudent possible policy of public expenditures."

The passage by the House of Representatives of the proposed Revenue Act of 1963 is a firm, positive assertion of its preference for the tax reduction-private enterprise-Federal expenditure control road to a bigger, more productive econ

If the opportunity to move down that road by enactment of that bill is passed up, then the likelihood is greatly increased that the economic problems of the past decade -- which are the economic problems ahead for the Sixties -- will be met by a national Government that takes a role in

body, but even more important, the free market keeps economic power widely dispersed. It thus is a vital underpinning of our democratic system."

In any choice of fiscal policy between a primary reliance on massive increases in Government expenditures or a private economy invigorated by new tax measures as the way to a higher level of economic activity, we as a nation prefer to rely primarily on a more prosperous and efficient private economy initiating a larger and larger volume of economic activity under the stimulus of generalized tax incentives. The President in his Tax Message in January made his clear and unequivocal choice saying:

"I do not favor raising demand by a massive increase in Government expenditures. In today's circumstances, it is desirable to seek expansion through our free market processes -- to place increased

action -- Federal, state and local -- as well as private action, to meet the problems of structural unemployment -- the fact that the locations, skills, education and training of available workers do not match the needs of employers. The Manpower Development and Retraining Act and the Area Development Act are responsive to this need.

But the declaration of policy in the Employment Act of 1946 directs that the Federal government, in promoting maximum employment, production and purchasing power, shall coordinate its plans, functions and resources for creating and maintaining these conditions "in a manner calculated to foster and promote free competitive enterprise and the general welfare." I believe we all share the conviction voiced by President Kennedy last year when he said:

"The free market is not only a more efficient decision maker than even the wisest central planning

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The other is the road of Government expenditure increases.

There is a vital difference between these two routes. To depend upon massive increases in Government expenditures as the primary reliance for a higher level of economic activity is to expand the role of Government in making and carrying out economic decisions. An ever larger proportion of the Nation's labor and money will be used directly by the Government. The Government's activities as a buyer, lender or donor will determine in larger and larger part the use of labor and capital even in the private sector of the economy.

The Federal government has many appropriate functions in dealing with problems of employment and unemployment. For example, there is great need for both governmental

of our tax system, a restructuring to be achieved mainly through the single most important tax reform -- reduced rates. 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.

Chairman Mills in opening the debate on the proposed Revenue Act of 1963 in the House of Representatives put the issue squarely. He said:

> "I am convinced that there are two roads the Government can follow toward the achievement of this larger and more prosperous economy. I believe we are at the fork of those two roads today. One of these is the tax reduction road.

Faced with a balance of payments problem that seriously limited the possibility of relying upon sharply decreased interest rates and greatly increased supplies of money and credit, President Kennedy in January offered his program of tax reduction and revision as the key element in the Administration's economic program for the years immediately ahead.

This program and the seven percent investment tax credit enacted in 1962 together with the administrative liberalization of depreciation were a package designed to eliminate an unduly heavy tax drag on purchasing power and demand -- to provide new tax incentives for more investment and increased effort -- to encourage the utilization of new technology and the provision of new facilities that would add to aggregate demand, capacity and competitive efficiency. It involves a basic restructuring

under-utilization of productive resources in the United States.

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. Many long-term factors for growth are more favorable today than they have been in almost a decade. But, some determinative elements of long-term national policy remain to be fixed. It is quite clear that the unemployment and unused plant capacity and inadequate growth rate that ~~has~~ have marked our recent past, and which we can expect in the period ahead if some new decisive initiative is not undertaken, will cause the country to take some kind of action. This Nation is deter to move boldly and forcefully toward an economy with a mor rapidly rising level of activity. We must choose how and when to do it.

Only an economy, enabled by a new tax policy for growth to operate at or near full employment, with a rate of growth substantially exceeding the record of the past six years and the adoption of a firm national policy to hold down increasing Federal expenditures can wipe out this pattern of deficits and lead to a new era of balanced budgets and surpluses.

Finally, our national growth rate of barely three percent since early 1955 compares unfavorably with regular rates in Western Europe of four to six percent, and even with our own four percent trend in much of the period before 1955.

By almost any measure you choose, our economic performance over the past five or six years has been far from adequate. With the exception of the Depression, no period in this century has witnessed such a persistent

ability to compete with foreign goods in markets abroad and at home and to make the United States a more attractive place for the investment dollar to stay and be joined by a stream from abroad. These are the two means we should depend upon primarily if we are to bring our international payments into balance, without relinquishing our responsibilities for leadership in assuring Free World security and development.

A third measure of our inadequate economic performance over the past five or six years is the deficit in the Federal budget. The Federal budget has had five deficits in the past six years -- deficits which averaged $6.3 billion a year. Those deficits were clearly the result of the failure of our economy to perform at its higher potential. Consequently, tax revenues failed to reach adequate levels, and a deficit occurred.

If there were no other consideration at all, the need to create additional jobs would make the tax program a matter of compelling urgency.

But there are other vital considerations as well. Our international balance of payments has been a cause for concern ever since 1957. The persistent large deficits in our balance of payments have led to a marked drain on our national gold stocks. This situation must not be allowed to persist because ultimately it could threaten the value of the dollar, which is the base for the Free World monetary system. President Kennedy recently announced a new series of measures to cope with the balance of payments. He made it abundantly clear that the tax program is the vital element in any long-range solution of this problem. For a tax cut is needed both to sharpen American

last June 30 more than one million workers were added to the labor force, but one out of every six also joined the ranks of the unemployed. As the postwar baby boom hits the labor market, and it is just beginning to do so, the pressure to create more new jobs will increase with a flood tide of new young people entering the labor force. In addition we need to provide at least a million jobs a year for those workers idled by technological advances. An additional million or more jobs will be required to bring unemployment down to our interim goal of four percent.

This problem is of great concern to the leaders of labor, to our mayors and governors, to our legislators and to business. W. P. Gullander, President of the National Association of Manufacturers has estimated that if our economy keeps on producing jobs <u>only</u> at the level of recent years, by 1970 unemployment could rise to a staggering 12.7 percent.

Federal budgets, and a large and ever increasing gap between potential and performance. The truth is that our national economy has not been performing adequately, and as a nation we must do better.

Let us review the past and look into the future.

Unemployment has varied from five to seven percent for more than five years, averaging six percent. Today unemployment has been reduced to five and one-half percent. But that happened earlier in this economic expansion, and we have had to work hard to get back down to the present level. Five and a half percent is too high, and we must do substantially better. Today around four million Americans who are actively looking for work are unable to find it. During the year which ended

increasing business investment in plant and equipment, increasing consumer spending, in spite of a drop in retail sales in September, rising Government outlays in the fourth quarter, and a balanced and reasonable relationship between inventories and sales.

But the issue we are considering is not answered by a look at our particular personal or business picture or the outlook for some temporary additional improvement. The hard fact is that, even with the current economic advance setting new records in terms of gross product, sales and other similar categories, its pace and scale leaves the national economy with too many unemployed, too much unused capacity, too little investment and growth, a continuing imbalance in our international payments and

Some will ask why must we do anything? They will say we seem to be doing fairly well, particularly in the last few months. The gross national product and industrial production and people employed are at an all time high -- along with the stock market, profits, plant and equipment expenditures and many other indices of prosperity.

It is true that the short-term view is a somewhat pleasant one. Many individuals and businesses are comparatively well off, particularly if the situation is measured against some of the dark and uncertain periods of recent years. It is true that there is a clear prospect into the first months of next year for continuing upward movement, even after thirty-two months of expansion. This outlook is based upon such favorable factors as

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The first issue -- whether the national interest is served by the substantial reduction of Federal income tax rates -- is more realistically confronted in the perspective of both a backward and a forward look -- before the last six months and beyond the next six. Much more is at stake in deciding this question than a temporary economic pickup or averting an early recession. Our goal must be a sustained economic expansion which will produce jobs, income, profits, and tax revenue at a significantly higher level over the long-term future. What is at stake is the achievement of a higher normal level of economic activity than that which characterized the last six years.

and Federal tax revenues that an invigorated private economy can provide.

Out of the debate of this legislative proposal three fundamental issues have emerged which I should like to discuss here tonight. They are:

I. Is the national interest served by the enactment of a law substantially reducing the rates of Federal income taxes?

II. Should this rate reduction be a balanced one designed to increase both consumer purchasing power and direct investment incentives or be predominantly aimed at only one of these objectives?

III. Is the early enactment of the tax program likely to be more beneficial to the national economy than a later one next year?

The bill would foster a more prosperous economy by loosening the constraints which the present Federal tax system imposes on our private enterprise system. Through a top-to-bottom reduction in the high income tax rates imposed during wartime to restrain less essential consumption and investment, accompanied by some structural revision to broaden the tax base and remove some inequities, this bill is designed to release and encourage the inherent expansionary forces in our great private market economy. Instead of seeking to gratify particular groups of taxpayers with special tax preferences, the objective of this tax bill is to achieve the increases in jobs, wages, salaries, profits, consumption, investment in the United States,

REMARKS OF THE HONORABLE HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY, AT THE TWENTY-THIRD ANNUAL SYMPOSIUM ON ACCOUNTING AND TAXATION OF THE NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, THE CAROLINA INN, CHAPEL HILL, NORTH CAROLINA, SUNDAY, NOVEMBER 3, 1963, 6:30 P.M. (EST)

There is pending before the United States Senate the most significant piece of economic legislation in the last fifteen years -- the proposed Revenue Act of 1963. This bill passed the House of Representatives by a substantial majority on September 25. It embodies the principal recommendations of a tax reduction and revision program recommended early in January by President Kennedy to meet the leading economic problems of the past six years: chronic unemployment, under-utilization of industrial capacity, inadequate growth, and continuing deficits both in our international balance of payments and in our Federal budget.

TREASURY DEPARTMENT
Washington

R RELEASE: ON DELIVERY

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Out of the debate of this legislative proposal three damental issues have emerged which I should like to discuss here ight. They are:

I. Is the national interest served by the enactment of a law substantially reducing the rates of Federal income taxes?

II. Should this rate reduction be a balanced one designed to increase both consumer purchasing power and direct investment incentives or be predominantly aimed at only one of these objectives?

III. Is the early enactment of the tax program likely to be more beneficial to the national economy than a later one next year?

I

The first issue -- whether the national interest is served by substantial reduction of Federal income tax rates -- is more listically confronted in the perspective of both a backward and orward look -- before the last six months and beyond the next . Much more is at stake in deciding this question than a temporary nomic pickup or averting an early recession. Our goal must be a tained economic expansion which will produce jobs, income, profits, tax revenue at a significantly higher level over the long-term ire. What is at stake is the achievement of a higher normal level economic activity than that which characterized the last six years.

Some will ask why must we do anything? They will say we seem e doing fairly well, particularly in the last few months. The s national product and industrial production and people employed at an all time high -- along with the stock market, profits, t and equipment expenditures and many other indices of prosperity.

It is true that the short-term view is a somewhat pleasant one. individuals and businesses are comparatively well off, particularly he situation is measured against some of the dark and uncertain ods of recent years. It is true that there is a clear prospect the first months of next year for continuing upward movement, after thirty-two months of expansion. This outlook is based such favorable factors as increasing business investment in t and equipment, increasing consumer spending, in spite of a drop etail sales in September, rising Government outlays in the th quarter, and a balanced and reasonable relationship between ntories and sales.

But the issue we are considering is not answered by a look at particular personal or business picture of the outlook for some orary additional improvement. The hard fact is that, even with current economic advance setting new records in terms of gross uct, sales and other similar categories, its pace and scale es the national economy with too many unemployed, too much unused city, too little investment and growth, a continuing imbalance ur international payments and Federal budgets, and a large and increasing gap between potential and performance. The truth

that our national economy has not been performing adequately, and
a nation we must do better.

Let us review the past and look into the future.

Unemployment has varied from five to seven percent for more than
ve years, averaging six percent. Today unemployment has been
duced to five and one-half percent. But that happened earlier in
is economic expansion, and we have had to work hard to get back
wn to the present level. Five and a half percent is too high, and
must do substantially better. Today around four million
ericans who are actively looking for work are unable to find it.
ring the year which ended last June 30 more than one million
rkers were added to the labor force, but one out of every six also
ined the ranks of the unemployed. As the postwar baby boom hits
labor market, and it is just beginning to do so, the pressure
create more new jobs will increase with a flood tide of new young
ople entering the labor force. In addition we need to provide at
ast a million jobs a year for those workers idled by technological
vances. An additional million or more jobs will be required to
ing unemployment down to our interim goal of four percent.

This problem is of great concern to the leaders of labor, to
mayors and governors, to our legislators and to business.
P. Gullander, President of the National Association of
nufacturers, has estimated that if our economy keeps on producing
s only at the level of recent years, by 1970 unemployment could
e to a staggering 12.7 percent. If there were no other consideration
all, the need to create additional jobs would make the tax program
atter of compelling urgency.

But there are other vital considerations as well. Our
ernational balance of payments has been a cause for concern ever
ce 1957. The persistent large deficits in our balance of payments
e led to a marked drain on our national gold stocks. This
uation must not be allowed to persist because ultimately it could
eaten the value of the dollar, which is the base for the Free
ld monetary system. President Kennedy recently announced a new
ies of measures to cope with the balance of payments. He made it
ndantly clear that the tax program is the vital element in any
g-range solution of this problem. For a tax cut is needed both
sharpen American ability to compete with foreign goods in markets
oad and at home and to make the United States a more attractive
ce for the investment dollar to stay and be joined by a stream
n abroad. These are the two means we should depend upon primarily
ve are to bring our international payments into balance, without
inquishing our responsibilities for leadership in assuring Free
ld security and development.

A third measure of our inadequate economic performance over the ;t five or six years is the deficit in the Federal budget. The ieral budget has had five deficits in the past six years -- ficits which averaged $6.3 billion a year. Those deficits were early the result of the failure of our economy to perform at its gher potential. Consequently, tax revenues failed to reach equate levels, and a deficit occurred.

Only an economy, enabled by a new tax policy for growth to rate at or near full employment, with a rate of growth stantially exceeding the record of the past six years and the ption of a firm national policy to hold down increasing Federal enditures can wipe out this pattern of deficits and lead to a new of balanced budgets and surpluses.

Finally, our national growth rate of barely three percent since ly 1955 compares unfavorably with regular rates in Western Europe four to six percent, and even with our own four percent trend in h of the period before 1955.

By almost any measure you choose, our economic performance over past five or six years has been far from adequate. With the eption of the Depression, no period in this century has witnessed h a persistent under-utilization of productive resources in the ted States.

The time is ripe for a wave of U. S. economic expansion closer the recent rapid pace in Western Europe than to our own slack formance since 1957. Many long-term factors for growth are more orable today than they have been in almost a decade. But, some erminative elements of long-term national policy remain to be ed. It is quite clear that the unemployment and unused plant acity and inadequate growth rate that have marked our recent past, which we can expect in the period ahead if some new decisive iative is not undertaken, will cause the country to take some l of action. This Nation is determined to move boldly and efully toward an economy with a more rapidly rising level of vity. We must choose how and when to do it.

Faced with a balance of payments problem that seriously limited possibility of relying upon sharply decreased interest rates and tly increased supplies of money and credit, President Kennedy anuary offered his program of tax reduction and revision as the element in the Administration's economic program for the years diately ahead.

This program and the seven percent investment tax credit enacted 1962 together with the administrative liberalization of preciation were a package designed to eliminate an unduly heavy tax ag on purchasing power and demand -- to provide new tax incentives r more investment and increased effort -- to encourage the ilization of new technology and the provision of new facilities that uld add to aggregate demand, capacity and competitive efficiency. involves a basic restructuring of our tax system, a restructuring be achieved mainly through the single most important tax reform -- duced rates. The adoption of this policy would be a giant step ward a tax structure which interferes as little as possible with e operation of the free market mechanism while supplying the revenues cessary to our national security and national public needs.

Chairman Mills in opening the debate on the proposed Revenue Act 1963 in the House of Representatives put the issue squarely. said:

> "I am convinced that there are two roads the Government can follow toward the achievement of this larger and more prosperous economy. I believe we are at the fork of those two roads today. One of these is the tax reduction road. The other is the road of Government expenditure increases."

There is a vital difference between these two routes. To end upon massive increases in Government expenditures as the mary reliance for a higher level of economic activity is to expand role of Government in making and carrying out economic decisions. ever larger proportion of the Nation's labor and money will be d directly by the Government. The Government's activities as a er, lender or donor will determine in larger and larger part the of labor and capital even in the private sector of the economy.

The Federal government has many appropriate functions in dealing n problems of employment and unemployment. For example, there is at need for both governmental action -- Federal, state and al -- as well as private action, to meet the problems of ictural unemployment -- the fact that the locations, skills, cation and training of available workers do not match the needs employers. The Manpower Development and Retraining Act and the Area evelopment Act are responsive to this need.

But the declaration of policy in the Employment Act of 1946 cts that the Federal government, in promoting maximum employment, luction and purchasing power, shall coordinate its plans, tions and resources for creating and maintaining these conditions

ı a manner calculated to foster and promote free competitive terprise and the general welfare." I believe we all share the ıviction voiced by President Kennedy last year when he said:

> "The free market is not only a more efficient decision maker than even the wisest central planning body, but even more important, the free market keeps economic power widely dispersed. It thus is a vital underpinning of our democratic system."

In any choice of fiscal policy between a primary reliance on ;sive increases in Government expenditures or a private economy ʼigorated by new tax measures as the way to a higher level of ɔnomic activity, we as a nation prefer to rely primarily on a more ɔsperous and efficient private economy initiating a larger and ·ger volume of economic activity under the stimulus of generalized : incentives. The President in his Tax Message in January made ; clear and unequivocal choice saying:

> "I do not favor raising demand by a massive increase in Government expenditures. In today's circumstances, it is desirable to seek expansion through our free market processes -- to place increased spending power in the hands of private consumers and investors and offer more encouragement to private initiative. The most effective policy, therefore, is to expand demand and unleash incentives through a program of tax reduction and reform, coupled with the most prudent possible policy of public expenditures."

passage by the House of Representatives of the proposed Revenue of 1963 is a firm, positive assertion of its preference for the reduction-private enterprise-Federal expenditure control road a bigger, more productive economy.

If the opportunity to move down that road by enactment of that l is passed up, then the likelihood is greatly increased that economic problems of the past decade -- which are the economic ɔlems ahead for the Sixties -- will be met by a national ɜrnment that takes a role in our economy on a scale and a ɜnsion never before undertaken by it except in times of all out or crash build-up for one.

There must be and is full recognition that, if the tax program to attain its objectives, it must be carried forward as a part of sound and consistent overall financial program. In particular, at program has two main elements: first, a substantial net duction in Federal taxes, through a meaningful lowering, in veral stages of tax rates on individual and corporate income from op to bottom", and; second, as the tax cut becomes fully effective d the economy expands in response, the allocation of a substantial rt of the resulting revenue increases each year toward eliminating e transitional deficit.

The tax program, with related policies of expenditure control, bt management and monetary affairs, seeks to establish a financial vironment suitable for the Sixties, so that we can take full vantage of the gathering forces for economic progress inherent our growing labor force, our unprecedented expansion in research d development, and the new market opportunities that exist at home d abroad.

The Joint Economic Committee of Congress has estimated that a) billion tax reduction such as the President proposed would crease our gross national product by approximately $40 billion in years just ahead over what it would be under the present tax ucture. It would add an extra layer of growth onto what we ld expect from existing arrangements.

It has been estimated that such an addition would create some- re between two and three million new jobs.

Increased job creation will be a continuing, rather than a single- t effect of the tax program designed as it is to create a healthy ironment of sustained demand and investment incentives conducive a full employment economy. Through the interaction of investment, and, and profits, the tax program will foster an upward spiral economic activity which will generate new and sustained ality. The result will be not merely three million jobs but a tinuing high level of job production resulting from an economy rating at full potential.

The early enactment of a law substantially reducing the rates Federal income taxes has been strongly endorsed by a broad ss-section of the leaders of business and labor, by financial ders at home and abroad, some forty-two governors, and by a long t of the most distinguished economists in our universities. er months of public discussion in the press and other media, the posed Revenue Act of 1963 was approved by a very substantial ority of the House of Representatives.

In sum, there is a national consensus that the national interest s served by the enactment of a law substantially reducing the rates f Federal income taxes.

II

This brings us to our second issue: namely, should the tax rate eduction program so widely endorsed be a balanced one designed to ncrease both consumer purchasing power and direct investment ncentives or be predominantly aimed at only one of these objectives.

You all know the poem about the different descriptions given by x blind men each of whom had grabbed hold of a different part of elephant. The public discussion about the kind of a tax cut ntained in the bill as it passed the House is like that: you'd ver think people were talking about the same tax bill. This is rticularly true of the issue of how the tax reductions should be vided. Some think low income taxpayers get too much, others too ttle. Some think the upper income taxpayers should get more, others ss. Many who argue that the low income taxpayers should get a rger share of the reductions say that tax cuts for corporations d individuals in the upper and middle income brackets are wasted cause the way to increase investment and jobs is to increase nsumer purchasing power. Conversely, many who argue that upper middle income taxpayers and corporations should get a larger are say that tax cuts for those in the low income brackets are sted or will provide only a one-shot stimulus and that the way to creasing growth is to increase direct incentives to investment.

One of the chief virtues of the tax bill now before the Senate nance Committee is that it incorporates the constructive advice both sets of critics but rejects their "whole hog or none" proach. The result is that it is a soundly balanced bill -- one rposefully designed to provide both additional consumer purchasing wer and direct investment incentives.

The short answer to these critics of the mix of tax reduction the bill is that both approaches interacting together will hieve a more dynamic and healthier economy than would result from reliance upon one method to the virtual exclusion of the other.

The bill provides a substantial stimulus to consumer purchasing wer. Of the reductions to individuals, amounting to $8.9 billion, is reliably estimated that about $8 billion will be spent on itional consumption. These expenditures will set in motion the iliar economic process in which money circulates throughout the nomy and ultimately increases consumer spending by several times

e amount of the initial tax cut -- the so-called multiplier factor. at strong and sustained rise in consumer demand -- and thus in rkets and profits for industry -- will further bolster the direct x incentives to investment.

The estimated difference between the amount individuals receive d consume, approximately $900 million, will go into investment or vings. This sum and a $2.2 billion reduction going to corporations, en added to last year's investment credit and revised depreciation idelines which reduced tax liabilities of corporations and un- corporated businesses by $2.5 billion constitute a substantial ogram of direct incentives to investment totalling $5.6 billion r annum. Much of this amount will be invested. Besides, the centive of lower tax rates is likely to draw additional monies om other savings into investment in job producing facilities and rvices. Thus the operations of these direct investment incentives ll add to the total of consumer purchasing power in the hands of litional job holders, suppliers, etc. This process adds what the onomists term an accelerator effect to the processes of growth at will flow from the tax program.

The interaction of these two facets, with the one aiding and tting the other, is of vital importance.

This balance of $8 billion of tax reduction for consumption and roximately $5.6 billion for direct investment incentives was udged to be appropriate by the House Ways and Means Committee after ring most of the same witnesses now appearing before the Senate ance Committee make the same points. This two-pronged character balance in the tax program is perhaps the most important and t overlooked aspect. It is likely to be the decisive factor in uring that the program finally adopted will not substantially er the balance arrived at and will include both a stimulus to sumer purchasing power and direct investment incentives.

To those critics of the present bill who would eliminate or rply reduce tax cuts for taxpayers in the relatively lower income ckets -- say below adjusted gross incomes of $10,000 -- the answer t be that they account for close to 85 percent of all taxable urns and are likely to put a large part of their tax savings into spending stream. In other words, this is where the customers e. Under the current bill they get nearly 60 percent of the rall individual reduction, with their share of the load being reased from 50 to 48 percent.

To encourage investment in job producing facilities, strengthening consumer demand is required. The purchasing power of the consumer st be increased to utilize present productive capacity fully so at additions to productive capacity will be worthwhile. Of course the economic situation were different -- if all of our economic sources were fully employed -- strengthening of consumer demand ght not be as important as it is today. But we do not have a ll employment economy and we are not utilizing existing productive pacity to make sufficiently inviting the provision of additional pacity for old products or the new capacity for new products at would make for a more dynamic economy.

For example, even though the nation is enjoying a recovery and pansion that has already lasted thirty-two months, average erating rates in manufacturing have not reached a point of oviding either the rate of utilization that would trigger the scale expansion we need or the rate of profits that would invite it. that time average operating rates for manufacturing have gone from percent to 87 percent of capacity but production is substantially low the 92 percent average rate considered as normal by business self.

Most of the increase in capacity utilization occurred in 1961, th very little improvement since the beginning of 1962. From the rst quarter of 1962 to the third quarter of 1963 the average rate utilization of plant and equipment in manufacturing rose from out 85 percent to about 87 percent of capacity. Although after-tax ofits have risen approximately 40 percent, from $19.2 billion to 6.8 billion in this recovery, they are still short of the $30 llion a year that would be earned if the Nation's present facilities re operating at what would be considered normal capacity utilization.

But consumer demand is not the whole story. A direct stimulus to vestment is also needed. While it is true that if a sufficiently rong increase in consumer demand is provided this will increase in-stment through "demand pull," it is equally true that a more dynamic d healthy expansion in investment will come from a combination of creasing consumer demand and direct investment incentives.

Characteristically, those who are critical of the inclusion of a rporate tax cut and reductions in the rates of those whose adjusted oss incomes exceed $10,000 per annum argue that business has plenty cash and credit available today and there is no need for more direct vestment incentives.

This prompts a closer examination of why it is desirable to provide irect incentives to investment through tax reductions in addition to iose reductions which provide a significant increase in consumer demand. et us consider for a moment the problem of an individual, a partnership, : a corporation deciding whether to make an investment in new plant or uipment or the provision of services.

Anyone facing an investment decision considers two things above .1: First, the nature and period of risk involved in the investment id, second, the likelihood of a favorable return. The decision of a iard of directors will not be determined merely by consideration of ie extent to which total personal income next year is likely to exceed ie current figure. Certainly demand will be important to them, for one expects to invest in order to produce when there is no expecta-on of having a market for one's products. And certainly the effect demand on the overall economic outlook is a matter which will be ven serious consideration in making such a decision.

But one of the vital factors in any marginal investment decision the rate of return -- the increase in after-tax income in return : a given outlay in investment. This is where the direct stimulus to vestment provided in the current tax program will play an important :t. In combination with last year's seven percent investment credit 1 depreciation reform, the proposed reduction in the corporate tax :e from 52 to 48 percent, together with the liberalization of the edit, would increase the after-tax profitability of new investment in 1 year assets, for example, by an estimated 35 percent. That, I omit, is a fact which will weigh very heavily in any investment :ision. These considerations apply not only to expansion of capacity make standard products and new capacity to make new products, but io to the modernization of existing facilities to provide existing oducts on a more efficient basis.

In 1956 and 1957 business fixed investment averaged 11 percent of tal output. Since that time it has fallen to roughly nine percent. ice 1957 the rate of increase in our stock of business plant and iipment has risen by less than two percent a year, compared to four :cent a year in the first postwar decade. Furthermore, there has en a disturbing rise in the proportion of our machinery and equipment .ch is more than ten years old. Corporate profits and the ratio of enditures on plant and equipment to gross national product have been .ow previous postwar levels. Our rich store of research and develop-it has not been joined to capital and labor to produce the explosion new products, services and jobs of which the Nation is capable.

Moreover, critics of the tax bill on the score that it includes rect incentives for investment when business has adequate or more an adequate funds to finance new investment ignore several important ints. The tax bill does not afford a cash flow increase to much of e corporate sector. Simultaneously with the rate reduction it requires rporations with incomes in excess of $100,000 to initiate a tax payment hedule whereby they will be making their tax payments current by 1970. the interim, although their tax liabilities will be reduced as a sult of the corporate rate reduction, these larger companies will not ve the benefit of an increased cash flow as a result of the corporate te cut.

More significantly, the critics ignore the fact that despite the neral availability of money in corporate treasuries and credit in e capital market for large companies for investment needs, many small rms simply are not in a position to take advantage of investment op- rtunities by borrowing. These smaller companies must finance their pansion and modernization for new ventures out of their own internal nancial resources. They very much need the increased cash flow of e rate reduction for corporations.

Indeed, they need more than the mere reduction of the overall porate rate from 52 percent to 48 percent provided by the bill. that reason the new bill contains a provision providing immediate substantial investment incentives to smaller corporations. For 4 the present normal tax of 30 percent, applicable to the first ,000 of taxable corporate income would drop to 22 percent. Thus immediate tax reduction of almost 27 percent would be provided for ,000 small corporations in the United States with earnings of s than $25,000 per year. The entire tax program including this nge would provide a 17.9 percent reduction in an additional 000 corporations whose incomes were less than $50,000 and a percent reduction for the 25,000 companies whose incomes were s than $100,000.

The critics of reductions in individual tax rates of those n adjusted gross incomes in excess of $10,000 should remember that the eleven million businesses in the United States, ten million sole proprietorships or partnerships and many are established operated by individuals in these higher brackets. These are the le who would be most likely to invest tax savings in the business usinesses which they are operating, which in turn might provide jobs or facilities.

A second major reason for direct investment incentives is the
ıracteristic lag of indirect investment stimulus resulting from
ımand pull." In other words, demand has to make itself felt in
ı economy and in the particular sector of the industry in question
ore it will significantly affect investment decisions. Then,
ıre is the further delay for investment decisions to be translated
o reality. If there were any possibility of inflation in the tax
gram reducing the stimulus to investment would great exaggerate
Price increases are most likely to occur when demand outstrips
duction and the utilization of efficient capacity. If production
l the quantity of efficient capacity expand to keep pace with de-
ıd, the danger of inflation is kept at a minimum.

Third, direct tax incentives will affect favorably our balance
payments. To the extent they encourage modernization and new
ducts they enhance our ability to compete at home and in the
ort market and thereby maintain or expand our trade surplus. It
equally important to our balance of payments to increase the at-
ctiveness of investment opportunities in the United States. These
important because capital outflows for long-term private invest-
t abroad represent a significant part of our balance of payments
icit.

Finally, one of the most overlooked aspects of creating a sus-
ned economic expansion is the need to utilize the fruits of new
hnology in the form of new products or the adaptation of existing
ducts to new markets. Increasing the profitability of new invest-
t is the most effective way to make more attractive the investment
isions which are not being taken today. It is the most effective
to make the submarginal project of today the supermarginal pro-
t of tomorrow. It is the most effective way to maximize the
efits of the tremendous technological, educational, and human
ources of the United States. As new techniques and new products
developed and as new markets are opened up new demand will be
ated, new investment will be fostered, and new jobs will be avail-
e that would never have been available otherwise.

This then is the crux of the situation. We must have a stimulus
expansion that is continuing, self-sustaining and self-reinforcing.
ther direct investment incentives nor increased consumer demand
l do the job alone as well as the two joined together. A combination
the two will interact in such a fashion as to foster an acceleration
economic activity, which should continue for years to come to produce
s and raise output more effectively than the same amount of tax
ıction devoted solely to either investment or consumer demand.

'0?

III

This brings us to the third issue -- whether the early enact-
ent of the tax program is likely to be more beneficial to the
ational economy than a later one next year.

Many favoring tax reduction in the abstract feel that it should
e enacted only in the context of fiscal responsibility, and deferred
ntil there is convincing evidence of accomplishment in the control of
e increase in Federal expenditures and the reduction of deficit
inancing.

In fact an effective program of expenditure control is well under-
ay and convincing evidence of accomplishment is already at hand:

1. According to the Director of the Budget, the need for continu-
g expenditure increases for defense has just about ended and will
on taper off on space programs, which together with interest on the
bt, have accounted for more than 70 percent of the budgetary increase
om fiscal 1961 through fiscal 1964.

2. Since proposing the tax program in January the fiscal 1963
ficit has declined from an estimated $8.8 billion to an actual $6.2
llion -- and two-thirds of that decline resulted from lower expendi-
res.

3. In proposing the tax program last January, the President
dgeted less for the civilian sector of the 1964 budget (excluding
fense, space and interest) than in the previous year -- only the
ird time that has been attempted in twelve years, during a period in
ich population has increased and state and local government spending
s grown at a rate averaging more than 15 percent a year.

4. Fiscal 1964 expenditures are currently estimated at $1 billion
low last January's estimate. In the first three months of the fiscal
ar 1964 (July through September) expenditures in the civilian sector
the Federal budget were $107 million less than the same quarter last
ar.

5. This September there were 242 less regular civilian Federal
loyees on the payroll in the Executive branch than in September last
ar.

6. Chairman Cannon of the House Appropriations Committee has
erved that new appropriations may aggregate less than last year's
al -- the first time that will have been done in some years.

7. As for the fiscal year 1965 and following years, the
:sident has assured the Congress that he intends to maintain a tight
.n on expenditures and that a substantial part of the tax revenues
m economic expansion will be used to reduce the budgetary deficit
:il balance is reached.

8. On this basis -- and barring an unforeseen slowdown of the
nomy or international contingency -- the President expects to sub-
: a budget for fiscal 1965 with a deficit less than presently fore-
:t for fiscal 1964, despite the fact that the second stage of the
: reduction will have gone into effect and that the revenue loss
m tax reduction in 1965 -- before feedback -- will be $5 billion
ater than in 1964.

9. The House of Representatives has emphasized these factors by
cifically including in the bill as Section 1 a declaration of policy
ch reads as follows:

> "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt."

President endorsed this statement before the vote.

These facts, plus the even more fundamental one, that expenditures
never exceed the amounts actually appropriated by the Congress --
ch controls the Nation's purse strings -- makes it difficult to
tify postponement of a final Senate vote on the tax bill for an
eged lack of evidence of an expenditure control policy.

This is particularly true in the light of the cogent reasons for
early and prompt disposition of this particular piece of legislative
iness.

The economy is still expanding, but there is still a large gap of
sed manpower and capacity. The economic climate is good. In this
:ing the enactment of the tax program now would maximize its effec-
ness in achieving its initial purpose -- to move the economy to
. employment and a more effective utilization of all our resources --
:icularly our increasing human resources.

To wait until some later time and risk joining the tax cut to
eceding or levelling economy is to put it to its appointed task
er adverse circumstances. The overriding purpose of the tax
gram is not to arrest a recession but to move an advancing
nomy into a scale and pace commensurate with its responsibilities
our national needs.

If the tax program is an effort to remedy the withdrawal from
private economy of too much of the Nation's substance in the form
taxes, to lift the tax drag, and to restore some needed incentives
job creating investment, the sooner the remedy is applied the
ter.

If, in addition to its long-term objective, the enactment of the
program is viewed as anti-recession insurance, the time is ripe
taking out that insurance. The patient is well and insurable,
he is moving into a vulnerable period of his life. By next
il 1st, it will have been 37 months since the end of the last re-
sion. If the economy is still advancing, it will be the longest
ctime recovery in the century with the exception of the 1933-37
l-out from the Great Depression.

So on either premise -- that the economy will continue to expand
begin to contract -- the earlier the enactment of the tax program
better.

Another time factor is the need to achieve, as soon as possible,
equilibrium in our international balance of payments. Continued
icits in our payments situation, with their potential drain on our
d supply and threat to the role of the dollar as the principal
erve currency, provide a compelling reason for prompt action on the
program. The net outflow of long-term investment ($2.5 billion)
1962 was the single biggest source of disequilibrium. A rapidly
anding economy, sustained by a tax cut, would attract investment
lars from domestic and foreign sources, sharpen our competitive
e and opportunity for an increasing trade surplus, and free up our
etary tools for use in event interest rate differentials trigger
ther outflows.

Delay in the passing of the tax bill may mean more than missed
ortunities; it may do positive harm. The tax program has become
leading psychological factor in the world of business and finance.
is viewed, rightly or wrongly, as the touchstone for progress and
element of promise for the long-term future. Business expansion
consumer buying in a large measure reflect confidence in the
ure. Expectations of the enactment of the tax program have become
uilt-in factor in the hopes and aspirations of the business and

ancial world. To frustrate those expectations by delay and doubts to the future passage of the bill entails serious economic risks t may ensue from diminished confidence.

The answers to the three questions with which we began, then, are:

Yes, the national interest would be served by the enactment of a substantially reducing the rates of Federal income taxes.

Yes, this rate reduction should be a balanced one designed to in- ase both consumer purchasing power and direct investment incentives.

And, yes, the national economy is far more likely to be benefited an early enactment of the tax program than by a later one next year.

You may well have anticipated these conclusions. To me, they seem e compelled by the fact that tax rates are too high, by the logic he economic situation, by the need for expansion and long-term th to meet the needs of our people, by our fiscal circumstances with etary deficits resulting from inadequate economic performance, by determination to control federal expenditures, and by the discipline ur balance of payments deficit. I trust that you will be persuaded his logic of events and circumstances that has moved the Administra- to these conclusions and that you will agree.

oOo

RELEASE A. M. NEWSPAPERS,
Tuesday, November 5, 1963.

November 4, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated August 8, 1963, and the other series to be dated November 7, 1963, which were offered on October 30, were opened at the Federal Reserve Banks on November 4. Tenders were invited for $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing February 6, 1964		:	182-day Treasury bills maturing May 7, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.116 a/	3.497%	:	98.190	3.580%
Low	99.108	3.529%	:	98.154	3.651%
Average	99.111	3.517% 1/	:	98.169	3.621% 1/

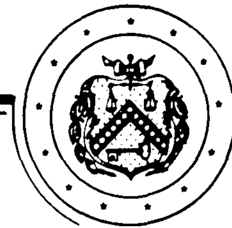
a/ Excepting one tender of $1,700,000
11% of the amount of 91-day bills bid for at the low price was accepted
1% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied for	Accepted	:	Applied for	Accepted
Boston	$ 42,802,000	$ 18,852,000	:	$ 8,063,000	$ 8,063,000
New York	1,453,830,000	854,102,000	:	977,210,000	617,260,000
Philadelphia	27,669,000	12,689,000	:	10,041,000	5,041,000
Cleveland	20,606,000	20,606,000	:	9,545,000	9,545,000
Richmond	14,361,000	14,361,000	:	6,157,000	6,157,000
Atlanta	26,391,000	21,214,000	:	8,262,000	8,262,000
Chicago	269,914,000	179,834,000	:	124,331,000	72,331,000
St. Louis	36,414,000	31,296,000	:	10,878,000	9,863,000
Minneapolis	21,400,000	17,310,000	:	7,688,000	7,688,000
Kansas City	32,084,000	29,084,000	:	8,493,000	8,393,000
Dallas	39,564,000	32,974,000	:	10,392,000	10,392,000
San Francisco	79,911,000	68,017,000	:	38,001,000	37,011,000
TOTAL	$2,050,969,000	$1,300,339,000 b/		$1,219,061,000	$800,026,000 c/

b/ Includes $248,037,000 noncompetitive tenders accepted at the average price of 99.111
c/ Includes $62,398,000 noncompetitive tenders accepted at the average price of 98.169
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.61%, for the 91-day bills, and 3.75%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

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	Price	Approx Equiv. Annual Rate	:	Price	Approx Equiv. Annual Rate
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Low	99.108	3.529%	:	98.154	3.651%
Average	99.111	3.517% 1/	:	98.169	3.621% 1/

a/ Excepting one tender of $1,700,000
41% of the amount of 91-day bills bid for at the low price was accepted
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TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

rict	Applied for	Accepted	:	Applied for	Accepted
on	$ 42,802,000	$ 18,852,000	:	$ 8,063,000	$ 8,063,000
York	1,453,830,000	854,102,000	:	977,210,000	617,260,000
ladelphia	27,689,000	12,689,000	:	10,041,000	5,041,000
reland	20,606,000	20,606,000	:	9,545,000	9,545,000
mond	14,361,000	14,361,000	:	6,157,000	6,157,000
nta	26,394,000	21,214,000	:	8,262,000	8,262,000
ago	255,914,000	179,834,000	:	124,331,000	72,331,000
Louis	36,414,000	31,296,000	:	10,878,000	9,883,000
eapolis	21,400,000	17,310,000	:	7,688,000	7,688,000
as City	32,084,000	29,084,000	:	8,493,000	8,393,000
as	39,564,000	32,974,000	:	10,392,000	10,392,000
Francisco	79,911,000	68,017,000	:	38,001,000	37,011,000
TOTAL	$2,050,969,000	$1,300,339,000 b/		$1,219,061,000	$800,026,000 c/

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

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

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

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 August 15, 1963, (91 days remaining until maturity date on February 13, 1964) 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 November 14, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 14, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

November 4, 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 November 14, 1963 , in the amount of $ 2,101,512,000 , as follows:

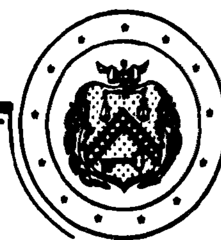
91 -day bills (to maturity date) to be issued November 14, 1963 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated August 15, 1963 , and to mature February 13, 1964 , originally issued in the amount of $ 800,116,000 / (an additional $100,092,000 was issued on October 1?), the additional and original bills to be freely interchangeable.

182-day bills, for $ 800,000,000 , or thereabouts, to be dated November 14, 1963 , and to mature May 14, 1964 .

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Friday, November 8, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 4, 1963

R IMMEDIATE RELEASE

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Banking institutions generally may submit tenders for account of omers provided the names of the customers are set forth in such ers. Others than banking institutions will not be permitted to it tenders except for their own account. Tenders will be received out deposit from incorporated banks and trust companies and from onsible and recognized dealers in investment securities. Tenders others must be accompanied by payment of 2 percent of the face nt of Treasury bills applied for, unless the tenders are mpanied by an express guaranty of payment by an incorporated bank rust company.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated August 15, 1963, (91-days remaining until maturity date on February 13, 1964)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 November 14, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 14,1963.Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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concentrating on the level of expenditures required to meet old bills. Look at this year's appropriations and compare them with last year's, and you will see a clear example of firm expenditure control -- expenditure control that will show up in the spending level of future years.

There is, therefore, not one good reason for undue delay on the tax bill. The more we delay, the more we risk losing the unparalleled opportunity now before us to expand the role of the private sector -- rather than to rely upon greater Federal spending -- in achieving economic growth and in meeting national needs. Our need for more rapid and durable economic growth -- for relief from budget and balance of payments deficits, and from excessive unemployment -- becomes more pressing as the hour becomes later. I think most of us agree that the tax bill is clearly the most preferable means to achieve that growth. And now is clearly the time to choose it.

Chairman Clarence Cannon of the House Appropriations Committee hopes and expects that we will hold this year's appropriations at or below last year's $101.5 billion level -- which, of course is still at least $4 billion above this year's expected expenditure level. But even if Chairman Cannon's hopes are realized, fiscal 1965 expenditures will inevitably rise somewhat above the 1964 level -- for the simple reason that we must meet the bills for many programs and projects for which funds were appropriated in previous years.

To the extent, however, that we level off appropriations, our future bills -- and thus our future expenditures -- will also level off, but only after the normal and inevitable time lag of about two years. Therefore, to those who say we should not cut taxes and increase expenditures at the same time, I say simply this: look at the record being written today in new appropriations instead of merely

Once the Congress appropriates funds for previously authorized purposes, the President -- with one specialized exception covering defense expenditures -- has no clear authority to refuse to spend those funds. Thus, once the appropriation budget has been adopted, expenditures are sure to follow -- but only on a delayed basis. Often, the bills do not come due for several years. This year, for example -- fiscal 1964 -- only about half of our expenditures will come from this year's appropriation bills. The rest will come from monies appropriated in earlier years.

During the fiscal year that ended last June, a total of $101.5 billion in appropriations was approved -- $9 billion more than was spent. That is why expenditures during the current fiscal year are rising and will be about $5 billion higher than last year's level of $92.6 billion.

exercise the same self-discipline in that respect that the government must exercise in controlling expenditures.

I have not the time today to discuss with you this question of expenditure control as thoroughly as I would like to. Certainly no single subject of national concern has been attended by more misunderstanding. At the core of that misunderstanding, it seems to me, is a failure to realize that, in effect, the government has two budgets: One, familiar to all, records expenditures as we meet our bills. The other, far more important and far less familiar budget records the new appropriations from which all expenditures flow.

It is this second budget which we must weigh in deciding whether or not we are achieving expenditure control. In government, as in our private lives, the proper way to cut spending is not to refuse to pay our old bills, but to stop incurring new ones.

The expanded investment -- along with more buoyant economic growth generally -- is of course vital in our program to restore balance to our international payments. For as it results in more rapidly advancing productivity and more intensive exploration and development of new markets and new products, it will sharpen the competitive edge of American business both at home and abroad. And as our economy grows in response to the tax cut and employment and productive efficiency climb, the United States will become continually more attractive to both foreign and domestic investment -- and monetary policy will be gradually freed from the present restraints upon its use as a means of stabilizing our balance of payments position.

If we are not, however, to dissipate these fruits of the tax cut, then it is essential that we maintain the kind of wage and price stability that we have enjoyed in recent years. We must

add on top of this the proposed liberalization of the investment credit, the after-tax profitability of new investment would be increased by more than <u>one-third</u>. That, certainly, is one dramatic indication of how much the passage of the tax bill means to American business.

To support the large direct tax stimulus to business that I have just described, the tax bill will also release nearly $9 billion in individual tax reductions into the private economy. Some of that amount will be saved and invested -- particularly since the lowering of individual marginal rates makes individual investment more profitable. But well over 90 percent of that money will be spent, circulating throughout the economy and ultimately increasing consumer spending by several times the amount of the initial tax cut. That strong and sustained rise in consumer demand will provide the expanded markets necessary to absorb the fruits of expanded investment

Earlier this year, businessmen credited these measures for 43 percent of their planned 1963 increase in capital spending. Less than two weeks ago, the Wall Street Journal reported that increased cash flow as a result of these measures is a major reason why seven of our largest steel companies plan next year to boost their capital spending by a sizable 25 percent. That gain would bring industry-wide spending to more than $1.5 billion -- an amount larger than any since 1960 and verging upon the 1957 peak of $1.7 billion.

Passage of the current tax bill would almost double the present incentive of the investment credit by eliminating the requirement that the depreciation basis of new investment must be reduced by the amount of the credit. It would also remove the difficult accounting procedures that flow from the current statute.

Together, the 48 percent corporate tax rate, and last year's investment and depreciation reform, would reduce corporate tax liabilities by a total of $4.5 billion annually. And

government. At the same time, the private economy, under the impetus of the tax bill, will itself contribute far more than it is now doing toward meeting our national economic needs -- and will thus lessen pressures for greater Federal action and ease the burden on the Federal budget.

I cannot emphasize that last point too strongly. The tax bill now before the Senate Finance Committee represents a conscious, deliberate decision by the Administration, the House Ways and Means Committee, and the House of Representatives, to rely upon expanded private activity rather than expanded government activity to generate the greater economic growth that -- by one means or the other -- we must and will achieve.

Already the tax measures adopted last year -- the investment credit and depreciation reform -- have done a great deal to encourage greater business investment and rising economic activity.

That tax bill, as the President has repeatedly stressed, is the most important domestic economic measure to come before the Congress in fifteen years. Upon its passage hinge the solutions to every major economic problem that confronts this country -- the deficits in our Federal budget and our international balance of payments, our excessively high rate of unemployment, our chronic postwar pattern of recession and abortive recovery.

I do not, for a moment, imply that the tax bill alone is the full answer to these problems. We will continue, for example, to need specific programs to reduce our balance of payments deficit and to alleviate so-called structural unemployment. But the tax bill alone can give us the more robust and rapidly expanding private economy in which these programs will be most efficient, most productive and ultimately, therefore, least costly to the Federal

(PRESENTS CITATION)

(MR. GENEEN WILL RESPOND BRIEFLY .... THEN SECRETARY WILL CONTINUE WITH HIS FORMAL SPEECH).

The volunteer efforts of such distinguished business leaders as yourselves on behalf of the Payroll Savings Drive are certainly a notable instance of the active and productive concern of American business generally for the fiscal soundness and economic well-being of this nation. But it is by no means the only instance. A number of you, I am sure, are among the more than 2,500 members of the Business Committee for Tax Reduction in 1963 -- business leaders throughout the country who are translating into action their keen awareness that, in the months and years ahead, the role of the private sector in our economic growth is heavily dependent upon what happens to the tax bill now before the Congress.

"Inspired by his enthusiasm and splendid example American industry in 1963 enrolled more than one million new regular buyers of United States Savings Bonds through the Payroll Savings Plan. While these are the direct beneficiaries of his devoted efforts, our Nation as a whole is in his debt.

"His generous service is in the finest tradition of the volunteer spirit whhich symbolizees the Savings Bonds program and gives strength and vitality to our American way of life.

"Given under my hand and seal this fifth day of November, nineteen hundred and sixty three.

Douglas Dillon
Secretary of the Treasury"

I ask you to accepŝ this citation, Mr. Geneen, with my thanks and congratulation.

Again, time does not allow for individual presentations to the other members, so they will be given to you at your places. May I say in passing, Mr. Geneen, that in donating these unique gifts, one of your motives may have been to help lengthen the maturity structure of the debt. At least I don't expect to see these bonds presented for payment very soon.

Finally, I have an award for Harold Geneen, chairman for the electronics industry and chairman of the Industrial Payroll Savings Committee. It is a special Treasury citation in recognition of the many contributions he has made to the success of this 1963 campaign. I would like to reach the citation:

"United States Treasury Department Citation

to Harold S. Geneen, Chairman, U.S. Industrial Payroll Savings Committee.

'For distinguished leadership in the most successful Payroll Savings campaign of the peacetime

Now, I have a rather unusual award. This goes to each of you except Mr. Geneen. In presenting it, I am really only an intermediary, because the gift is not from me, but from your chairman. I am sure each member of the committee knows with what admiration and appreciation Mr. Geneen has followed your progress in this campaign. He has therefore arranged for this very special memento which carries his thanks and good wishes.

(HOLDS UP FRAMED GIFT)

This is a United States Savings Bond especially inscribed as a souvenir of your committee experience -- and accompanied by a letter from me. This one happens to be yours, Mr. Milliken, and I am happy to present it on behalf of Mr. Geneen.

(MILLIKEN ACCEPTS IT)

rendered for your country.

(HOLDS UP MEDAL)

This is the Treasury medal for distinguished service, a small thing in itself, but representing much in terms of exceptional public service. On its face is the Minute Man, symbol of the Savings Bonds volunteer program, with a ring of 13 stars representing the original colonies. On the back, the seal of the Treasury Department.

~~Mr. Geneen,~~ I am happy to present this medal to ~~you~~ (Mr. Harold S. Geneen), as Chairman o the Industrial Payroll Savings Committee. (MR. GENEEN ACCEPTS IT).

We have a similar medal for each member of the committee. I wish time permitted my presenting each one individually. Since it does not, I have asked our staff members to present them to you at your places. Congratulations to each of you.

as your chairman for 1964. A long time supporter of the Payroll Savings Plan, Mr. Milliken led a most successful campaign in the [illegible] industry this year, in which his own company achieved 76 percent par-ticipation. I am sure you will find him an able, active, and inspir[illegible] leader.

We will be following your progress next year with keen interest, particularly in view of the successful beginnings of our Industrial Payroll Savings Committee. We will be working closely with you, hel[illegible] ing you in every possible way. I hope we will be able to meet again next fall to hear the final report of another distinguished achieve[illegible]

It is perfectly clear that the success of thés year's Payroll Savings campaign was brought about by this Committee's leadership, enthusiasm, and determination. For that reason, it is now my great pleasure to present to the committee members tangible evidence of appreciation for their excellent work. We hope that the symbol [illegible] will prove a meaningful reminder of the services you have so abl[illegible]

the new members who have joined our committee today. They, like the original members, enjoy wide acquaintance and respect within their industries, and will meet with the same favorable response from their counterparts in other companies when they ask for support of the Payroll Savings Plan.

Our request of you for next year is the same as this year's: to stimulate active interest on the part of management within the compa[illegible] of your industry and wherever else your influence extends. Our goal is also the same: to sign up a million new participants on the Payroll Savings Plan during 1964. Later this afternoon, Mr. Neal will give you the details of the campaign, as well as information about staff members who will assist you.

I am delighted to announce at this time that Mr. Frank R. Milliken, president of the Kennecott Copper Corporation and chairman for the copper industry in this year's campaign, has agreed to serve

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY, BEFORE THE
MEETING OF INDUSTRIAL PAYROLL SAVINGS COMMITTEE
DIPLOMATIC FUNCTIONS AREA, DEPARTMENT OF STATE
TUESDAY, NOVEMBER 5, 1963, 1:45 P.M., EST

Last January, when this Committee was organized, I said that one of the most direct means by which you could bolster our nation's financial position was to promote the ownership of Savings Bonds among your employees and those of other companies in your industries.

Your success has been outstanding. We asked you to help us sign up a million new savers on the Payroll Savings Plan. This goal will be met through industry alone. The influence of your work will, by the end of the year, have produced perhaps an additional half-million savers outside of the industrial field.

You, the members of this Industrial Payroll Savings Committee, were selected in January because of your leadership in America's foremost industries, which contribute so much to the strength of our economy, and because you personally furthered the progress of Payroll Savings in your own Companies. These same factors led us to invite

TREASURY DEPARTMENT
Washington

R RELEASE: UPON DELIVERY

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Our request of you for next year is the same as this year's: to ulate active interest on the part of management within the anies of your industry and wherever else your influence extends. goal is also the same: to sign up a million new participants he Payroll Savings Plan during 1964. Later this afternoon, Mr. Neal give you the details of the campaign, as well as information about f members who will assist you.

I am delighted to announce at this time that Mr. Frank R. iken, president of the Kennecott Copper Corporation and chairman the copper industry in this year's campaign, has agreed to serve your chairman for 1964. A long time supporter of the Payroll ngs Plan, Mr. Milliken led a most successful campaign in the er industry this year, in which his own company achieved 76 percent icipation. I am sure you will find him an able, active, and iring leader.

We will be following your progress next year with keen interest, ·ticularly in view of the successful beginnings of our Industrial ·roll Savings Committee. We will be working closely with you, .ping you in every possible way. I hope we will be able to meet ιin next fall to hear the final report of another distinguished ιievement.

It is perfectly clear that the success of this year's Payroll ·ings campaign was brought about by this Committee's leadership, :husiasm, and determination. For that reason, it is now my great ·asure to present to the committee members tangible evidence of · appreciation for their excellent work. We hope that the symbol ›sen will prove a meaningful reminder of the services you have so ιirably rendered for your country.

This is the Treasury medal for distinguished service, a small .ng in itself, but representing much in terms of exceptional public ·vice. On its face is the Minute Man, symbol of the Savings Bonds .unteer program, with a ring of 13 stars representing the original onies. On the back, the seal of the Treasury Department.

I am happy to present this medal to Mr. Harold S. Geneen, as irman of the Industrial Payroll Savings Committee. We have a .ilar medal for each member of the committee. I wish time mitted my presenting each one individually. Since it does not, ave asked our staff members to present them to you at your places. gratulations to each of you.

Now, I have a rather unusual award. This goes to each of you ept Mr. Geneen. In presenting it, I am really only an intermediary ause the gift is not from me, but from your chairman. I am sure h member of the committee knows with what admiration and reciation Mr. Geneen has followed your progress in this campaign. has therefore arranged for this very special memento which carries thanks and good wishes.

This is a United States Savings Bond especially inscribed as a venir of your committee experience -- and accompanied by a letter m me. This one happens to be yours, Mr. Milliken, and I am happy present it on behalf of Mr. Geneen.

Again, time does not allow for individual presentation to the er members, so they will be given to you at your places. May I in passing, Mr. Geneen, that in donating these unique gifts, one your motives may have been to help lengthen the maturity structure the debt. At least I don't expect to see these bonds presented payment very soon.

Finally, I have an award for Harold S. Geneen as chairman for the electronics industry and chairman of the Industrial Payroll Savings Committee. It is a special Treasury citation in recognition of the many contributions he has made to the success of this 1963 campaign. I would like to read the citation:

> "United States Treasury Department Citation to Harold S. Geneen, Chairman, U. S. Industrial Payroll Savings Committee.
>
> "For distinguished leadership in the most successful Payroll Savings campaign of the peacetime years.
>
> "Inspired by his enthusiasm and splendid example American industry in 1963 enrolled more than one million new regular buyers of United States Savings Bonds through the Payroll Savings Plan. While these are the direct beneficiaries of his devoted efforts, our Nation as a whole is in his debt.
>
> "His generous service is in the finest tradition of the volunteer spirit which symbolizes the Savings Bonds program and gives strength and vitality to our American way of life.
>
> "Given under my hand and seal this fifth day of November, nineteen hundred and sixty three.
>
> Douglas Dillon
> Secretary of the Treasury"

I ask you to accept this citation, Mr. Geneen, with my thanks and congratulations.

The volunteer efforts of such distinguished business leaders as yourselves on behalf of the Payroll Savings Drive are certainly a notable instance of the active and productive concern of American business generally for the fiscal soundness and economic well-being of this nation. But it is by no means the only instance. A number of you, I am sure, are among the more than 2,500 members of the Business Committee for Tax Reduction in 1963 -- business leaders

throughout the country who are translating into action their keen awareness that, in the months and years ahead, the role of the private sector in your economic growth is heavily dependent upon what happens to the tax bill now before the Congress.

That tax bill, as the President has repeatedly stressed, is the most important domestic economic measure to come before the Congress in fifteen years. Upon its passage hinge the solutions to every major economic problem that confronts this country -- the deficits in our Federal budget and our international balance of payments, our excessively high rate of unemployment, our chronic postwar pattern of recession and abortive recovery.

I do not, for a moment, imply that the tax bill alone is the full answer to those problems. We will continue, for example, to need specific programs to reduce our balance of payments deficit and to alleviate so-called structural unemployment. But the tax bill alone can give us the more robust and rapidly expanding private economy in which these programs will be most efficient, most productive and ultimately, therefore, least costly to the Federal government. At the same time, the private economy, under the impetus of the tax bill, will itself contribute far more than it is now doing toward meeting our national economic needs -- and will thus lessen pressures for greater Federal action and ease the burden on the Federal budget.

I cannot emphasize that last point too strongly. The tax bill now before the Senate Finance Committee represents a conscious, deliberate decision by the Administration, the House Ways and Means Committee, and the House of Representatives, to rely upon expanded *private* activity rather than expanded *government* activity to generate the greater economic growth that -- *by one means or the other* we must and will achieve.

Already the tax measures adopted last year -- the investment credit and depreciation reform -- have done a great deal to encourage greater business investment and rising economic activity. Earlier this year, businessmen credited these measures for 43 percent of their planned 1963 increase in capital spending. Less than two weeks ago, the *Wall Street Journal* reported that increased cash flow as a result of these measures is a major reason why seven of our largest steel companies plan next year to boost their capital spending by a sizable 25 percent. That gain would bring industry-wide spending to more than $1.5 billion -- an amount larger than any since 1960 and verging upon the 1957 peak of $1.7 billion.

Passage of the current tax bill would almost double the present incentive of the investment credit by eliminating the requirement :hat the depreciation basis of new investment must be reduced by the amount of the credit. It would also remove the difficult accounting procedures that flow from the current statute.

Together, the 48 percent corporate tax rate, and last year's investment and depreciation reform, would reduce corporate tax liabilities by a total of $4.5 billion annually. And when you add on top of this the proposed liberalization of the investment credit, the after-tax profitability of new investment would be increased by more than one-third. That, certainly, is one dramatic indication of how much the passage of the tax bill means to American business.

To support the large direct tax stimulus to business that I have just described, the tax bill will also release nearly $9 billion in individual tax reductions into the private economy. Some of that amount will be saved and invested -- particularly since the lowering of individual marginal rates makes individual investment more profitable. But well over 90 percent of that money will be spent, circulating throughout the economy and ultimately increasing consumer spending by several times the amount of the initial tax cut. That strong and sustained rise in consumer demand will provide the expanded markets necessary to absorb the fruits of expanded investment.

The expanded investment -- along with more buoyant economic growth generally -- is of course vital in our program to restore balance to our international payments. For as it results in more rapidly advancing productivity and more intensive exploration and development of new markets and new products, it will sharpen the competitive edge of American business both at home and abroad. And as our economy grows in response to the tax cut and employment and productive efficiency climb, the United States will become continually more attractive to both foreign and domestic investment -- and monetary policy will be gradually freed from the present restraints upon its use as a means of stabilizing our balance of payments position.

If we are not, however, to dissipate these fruits of the tax cut, then it is essential that we maintain the kind of wage and price stability that we have enjoyed in recent years. We must exercise the same self-discipline in that respect that the government must exercise in controlling expenditures.

I have not the time today to discuss with you this question of expenditure control as thoroughly as I would like to. Certainly no single subject of national concern has been attended by more misunderstanding. At the core of that misunderstanding, it seems to me, is a failure to realize that, in effect, the government has two budgets: One, familiar to all, records expenditures as we meet our bills. The other, far more important and far less familiar budget,records the new appropriations from which all expenditures flow.

It is this second budget which we must weigh in deciding whether or not we are achieving expenditure control. In government, as in our private lives, the proper way to cut spending is not to refuse to pay our old bills, but to stop incurring new ones. Once the Congress appropriates funds for previously authorized purposes, the President -- with one specialized exception covering defense expenditures -- has no clear authority to refuse to spend those funds. Thus, once the appropriation budget has been adopted, expenditures are sure to follow -- but only on a delayed basis. Often, the bills do not come due for several years. This year, for example -- fiscal 1964 -- only about half of our expenditures will come from this year's appropriation bills. The rest will come from monies appropriated in earlier years.

During the fiscal year that ended last June, a total of $101.5 billion in appropriations was approved -- $9 billion more than was spent. That is why expenditures during the current fiscal year are rising and will be about $5 billion higher than last year's level of $92.6 billion.

Chairman Clarence Cannon of the House Appropriations Committee hopes and expects that we will hold this year's appropriations at or below last year's $101.5 billion level -- which, of course is stil[illegible] at least $4 billion above this year's expected expenditure level. But even if Chairman Cannon's hopes are realized, fiscal 1965 expenditures will inevitably rise somewhat above the 1964 level -- for the simple reason that we must meet the bills for many programs and projects for which funds were appropriated in previous years.

To the extent, however, that we level off appropriations, our future bills -- and thus our future expenditures -- will also level off, but only after the normal and inevitable time lag of about two years. Therefore, to those who say we should not cut taxes and increase expenditures at the same time, I say simply this: look at the record being written today in new appropriations instead of merel[illegible] concentrating on the level of expenditures required to meet old bills Look at this year's appropriations and compare them with last year's, and you will see a clear example of firm expenditure control -- [illegible]enditure control that will show up in the spending level of future [illegible]rs.

There is, therefore, not one good reason for undue delay on he tax bill. The more we delay, the more we risk losing the nparalleled opportunity now before us to expand the role of the rivate sector -- rather than to rely upon greater Federal pending -- in achieving economic growth and in meeting national eeds. Our need for more rapid and durable economic growth -- for elief from budget and balance of payments deficits, and from xcessive unemployment -- becomes more pressing as the hour becomes ater. I think most of us agree that the tax bill is clearly the ore preferable means to achieve that growth. And now is clearly he time to choose it.

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In addition to Secretary Dillon and Mr. Geneen, speakers at the meeting, held in the Benjamin Franklin Room of the State Department, included Henry H. Fowler, Under Secretary of the Treasury, and William H. Neal, ~~Assistant to the Secretary and~~ National Director of the Savings Bonds Division.

~~At the conclusion,~~ committee members were to be ~~[illegible]~~ received at the White House by President Kennedy.

(List of those attending attached. (*) denotes new member.)

Referring to a report by Mr. Geneen, revealing that more Payroll Savings Bonds have been purchased during 1963 than in any year since the end of World War II, Secretary Dillon told the Committee that "your success has been outstanding."

He recalled that the Committee originally had been asked to help sign up a million new savers on the Payroll Savings Plan, adding:

"This goal will be met through industry alone. The influence of your work will, by the end of the year, have produced perhaps an additional half-million savers outside of the industrial field."

As another highlight of the session, Secretary Dillon presented Treasury ~~awards~~ medals for distinguished service to the 28 members of the original committee, and predicted that nine new members, attending their first meeting, would "meet with the same favorable response from their counterparts in other industries when they ask for support of the Payroll Savings Plan."

The Secretary's citation to Mr. Geneen — a parchment scroll — described his service as being "in the finest tradition of the volunteer spirit which symbolizes the Savings Bonds program and gives strength and vitality to our American way of life."

~~To each of the other members he presented a silver medal.~~

In a surprise award, Mr. Geneen gave each of his committee members a framed $100 U. S. Savings Bond, accompanied by a letter of appreciation from Secretary Dillon.

The committee's plans for the 1964 Payroll Savings Drive include a concentration of effort on approximately 300 large companies, with some six million employees. These are companies which, for a variety of reasons, were unable to conduct all-out Bond campaigns during the past year or were compelled to postpone their drives until a later time.

FOR RELEASE AT 12 NOON (EST)
TUESDAY, NOVEMBER 5, 1963

MILLION NEW PAYROLL SAVERS IS GOAL

OF TREASURY BOND COMMITTEE IN 1964

Thirty-four business leaders, representing 27 major American industries, met with Treasury Secretary Douglas Dillon here today and mapped a program designed to enroll an additional one million new payroll savers for U. S. Savings Bonds in 1964.

At the same time, the group -- designated the U. S. Industrial Payroll Savings Committee -- heard words of praise from Secretary Dillon and other Treasury officials for their efforts in making 1963 the most productive year for ~~Savings Bonds~~ Payroll Savings since 1945.

Said Secretary Dillon:

"The volunteer efforts of such distinguished business leaders as yourselves on behalf of the Payroll Savings Drive are certainly a notable instance of the active and productive concern of American business generally for the fiscal soundness and economic well-being of this nation."

Mr. Dillon also announced the appointment of Frank R. Milliken, New York, President of the Kennecott Copper Corp., to serve as chairman of the committee during the next year. He succeeds Harold S. Geneen, New York, President of the International Telephone and Telegraph Corp., who will remain as a member of the committee at large. Mr. Milliken has represented the copper and brass industry on the committee since it was formed last January.

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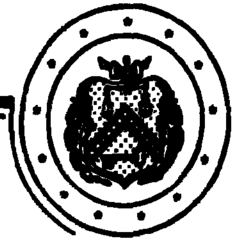

WASHINGTON, D.C.

November 5,1963

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Referring to a report by Mr. Geneen, revealing that more small denomination Series E Bonds -- the "payroll savings bonds" -- have been purchased during 1963 than in any year since World War II, Secretary Dillon told the Committee that "your success has been outstanding."

He recalled that the Committee originally had been asked to help sign up a million new savers on the Payroll Savings Plan, adding:

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In a surprise award, Mr. Geneen gave each of his committee members a framed $100 U.S. Savings Bond, accompanied by a letter of appreciation from Secretary Dillon, as a memento of the 1963 campaign.

Other speakers at the meeting, held in the Benjamin Franklin Room of the State Department, included Henry H. Fowler, Under Secretary of the Treasury, and William H. Neal, National Director of the U. S. Savings Bonds Division.

Later in the day, committee members were to be received at the White House by President Kennedy.

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(List of those attending attached. (*) denotes new members.)

LIST OF THOSE ATTENDING U. S. INDUSTRIAL PAYROLL SAVINGS COMMITTEE MEETING CALLED BY SECRETARY DILLON, NOVEMBER 5, 1963.

Crowdus Baker
President
Sears, Roebuck and Company
Chicago, Illinois

X X Edward B. Bates
Executive Vice President
Connecticut Mutual Life Insurance Co.
Hartford, Connecticut

X Walter Bouldin
President
Alabama Power Company
Birmingham, Alabama

J. J. Bricker
Vice President
International Business Machines Corporation
New York, New York

Maurice R. Chambers
President
International Shoe Company
St. Louis, Missouri

Harold W. Comfort
President
The Borden Company
New York, New York

John Davies
Assistant Treasurer
The Goodyear Tire & Rubber Co.
Akron, Ohio

Emile F. du Pont
Director
E. I. du Pont de Nemours & Co., Inc.
Wilmington, Delaware

X X Charles W. Ebersold
Assistant to the President
Illinois Bell Telephone Company
Chicago, Illinois

X John D. Ehrgott
Chairman of the Board
The Great Atlantic & Pacific Tea Company, Inc.
New York, New York

X Dr. Elmer W. Engstrom
President
Radio Corporation of America
New York, New York

X Ray R. Eppert
President
Burroughs Corporation
Detroit, Michigan

X Raymond C. Firestone
President
The Firestone Tire & Rubber Company
Akron, Ohio

Alexander H. Galloway
President
R. J. Reynolds Tobacco Company
Winston-Salem, North Carolina

Harold S. Geneen
President
International Telephone and Telegraph Corporation
New York, New York

James T. Griffin
Vice President
Sears, Roebuck and Company
Chicago, Illinois

John L. Gushman
President
Anchor Hocking Glass Corp.
Lancaster, Ohio

(more)

Leon E. Hickman
Executive Vice President
Aluminum Company of America
Pittsburgh, Pennsylvania

Earl D. Johnson
Executive Vice President
Delta Air Lines, Inc.
Atlanta, Georgia

L. B. Johnson
Treasurer
Standard Oil Company (N.J.)
New York, New York

Thomas V. Jones
President
Northrop Corporation
Beverly Hills, California

Clarence A. Kelley
President
Dixie Ohio Express, Inc.
Akron, Ohio

Lawrence Litchfield, Jr.
Chairman of the Board
Aluminum Company of America
Pittsburgh, Pennsylvania

E. S. Marsh
President
Atchison, Topeka & Santa Fe
Railway System
Chicago, Illinois

H. G. Mehlhouse
Vice President
Western Electric Company, Inc.
New York, New York

Frank R. Milliken
President
Kennecott Copper Corporation
New York, New York

Charles F. Myers, Jr.
President
Burlington Industries, Inc.
Greensboro, North Carolina

M. Nielsen
President
Babcock & Wilcox Company
New York, New York

Thomas F. Owens
Treasurer and Director
National Lead Company
New York, New York

* William J. Quinn
Chairman and President
Chicago, Milwaukee, St. Paul
+ Pacific Railroad
Chicago, Illinois

Louis G. Seaton
Vice President
General Motors Corporation
Detroit, Michigan

* W. Cordes Snyder, Jr.
Chairman of the Board
Blaw-Knox Company
Pittsburgh, Pennsylvania

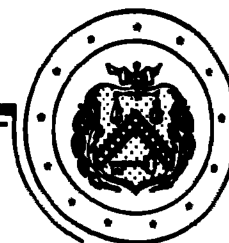
Earl G. Spiker
Attorney
Swift & Company
Washington, D. C.

Robert M. Wachob
Vice President
Bell Telephone Company of
Pennsylvania
Philadelphia, Pennsylvania

Leslie B. Worthington
President
U. S. Steel Corporation
Pittsburgh, Pennsylvania

(*) — Denotes new member.
(**) — Representative of new member.

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 7, 1963

FOR IMMEDIATE RELEASE

Tax Treaty Discussions Between Belgium
and the United States Announced

Discussions are to be held in the near future between Belgium and the United States on possible modification in the existing income tax convention between the two countries, the Treasury Department announced today.

The principal purpose of the disuussions will be to consider revisions that may have been made necessary by recent amendments to the Belgium tax system, although other matters are also likely to be discussed. It is expected that modifications in the tax convention will not result in any appreciable change in the total tax burden on profits which are derived in Belgium by American firms operating there through subsidiary corporations and which are subsequently distributed as dividends.

Interested taxpayers in the United States are invited to submit their comments on such matters as they believe should be considered in the forthcoming discussions to Mr. Stanley S. Surrey, Assistant Secretary of the Treasury, Washington 25, D. C. Deadline for receipt of comments is November 22, 1963.

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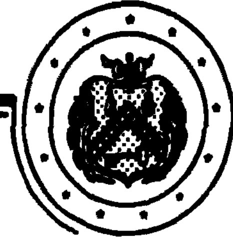
D-1033

TREASURY DEPARTMENT



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D-1033

the need for prompt action. Enactment of the tax bill at this time, with the economy still on the recovery side, will enable us to link the existing economic momentum with the expansionary thrust of the bill. The time is thus ripe for the tax bill and the bill is well suited to the time. Its early enactment will enable our Federal tax policy to make a clearly needed, clearly desirable, and clearly effective contribution to the accomplishment of our national goals.

more bouyant economy we can keep the recessions shallower and the recoveries longer lasting and stronger. We would thus avoid the economic waste, the business dislocations and the human suffering that these jarring economic swings have meant. Here also, the tax bill is the basic precondition to breaking out of our post-war pattern.

As a fifth example, an economy operating at high levels can help us solve many of our social problems that are linked to economic factors. The remedies for racial discrimination in employment operate far better when jobs are plentiful, so that the gains of one group do not occur at the expense of another. State and local governments can best cope with the problems of crowded schools and hospitals, of inadequate urban transportation, of slum clearance, when their efforts are fortified by the higher tax revenues they will enjoy in a stronger economy.

In this perspective, it is not surprising that a national consensus, joined in by business, labor, and the academic world, has developed in support of the tax bill. The consensus is probably unique in our tax history. These groups grasp both the far-reaching importance of the tax bill and

revenues we need. Expenditure restraint by itself will not transform chronic deficits into balanced budgets; indeed, by itself it could lead us to an economic downswing and still greater budgetary problems. But expenditure restraint accompanied by a tax reduction will lead us to our goal of a balanced budget in an expanding economy.

As a third example, the President has stated that the tax bill is the single most effective measure needed to restore equilibrium to our balance of payments. The increased productivity which the bill would promote will, with price stability, improve the international competitive position of American industry. The incentives to investment in the tax bill, together with the higher level of activity that will result, will attract to the United States a greater share of both domestic capital and foreign capital. These results are essential to a basic improvement in our balance of payments position and the tax bill is an indispensable condition to their achievement.

As a fourth example, our economy must seek to halt the post-war pattern of recession and inadequate recovery. We may not yet have the key to end recessions. But with a

national problems. President Kennedy has said that the tax bill is the most significant piece of economic legislation in the last fifteen years. The reason for this is that its enactment is essential to the solution of every major economic problem which we face today. It is not the sole solution for these problems -- but it is a necessary ingredient to their effective solution.

As one example, we have already spoken of our chronic unemployment, our under-utilization of industrial capacity, our low rate of investment in plant and equipment. A higher level of economic activity will end these problems, and the tax bill is essential to our obtaining that higher level. To be sure, some problems of structural unemployment will require special measures, such as manpower retraining and improved education. But all such special measures will be far more effective in an expanding, flourishing economy where general employment prospects are strong.

As a second example, for a number of years we have been experiencing chronic budgetary deficits. These deficits have been caused by the failure of the economy to achieve levels of economic activity capable of producing the revenues needed to balance our budgets. The tax bill, by raising the level of the economy, will permit us to achieve the increased

The tax bill, and its predecessor in 1962, obviously do not solve all the outstanding problems of tax policy. But the progress being made constantly narrows the area of study, leading us inevitably to the most difficult subjects. The consideration of tax policy issues that has accompanied the legislative measures of these years has served to bring these issues beyond the borders of the technical journals, seminars and learned symposia into the domain of broad public discussion. One of the invisible benefits of this legislation will thus be the attention, both public and legislative, which has been focused on the entire tax area. Today it is no exaggeration to say that tax policy has become a matter of urgent national attention. This fact in itself will make the likelihood of future improvements far greater than it was before these measures were started. Since the hard problems that remain involve social and political judgments, this exposure to public debate is essential to their ultimate resolution.

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As my final point, I would like to consider the contributions the proposed changes in tax policy will make to our

In addition to these innovations, the House bill also eliminates some of the existing restrictive features of the income tax. Examples in this area are the additional deduction for employee moving expenses and the removal of the two percent consolidated returns tax.

These features of the House bill involve $485 million in revenue loss. Put together with the over a billion dollars of revenue-raising changes, the combination is a substantial step forward in improving the income tax structure. Naturally more remains to be done. Thus the recent legislative events have helped bring into focus some areas where more analysis is needed. The debate over the proposal of a five percent floor on personal expenses showed how thorny are the problems in this area. The debate over the taxation and treatment of capital gains, especially those passed on to heirs, revealed some of the difficulties in that subject. The proposal for an optional rate scale, with lower rates applied to a broader and simpler measure of a person's taxable income, raises the question whether this is a feasible path to lessen or eliminate the great disparities in tax burdens on equal incomes that we know exist under present rates.

first bracket of income, $0 - $2,000 for a single person and $0 - $4,000 for a married person, into four brackets subject to rates from 14 percent through 17 percent. Since the income of over half of our taxpayers falls entirely in the present first bracket, this splitting of that bracket adds significantly to the fairness of the tax by introducing this differentiation in its application at this level of income. The introduction of a minimum standard deduction of $300 for a single person and $100 for a wife or dependent makes it possible to provide special relief for those with very low incomes, relief beyond that which tax reduction itself can accomplish. Up to now the approach used to achieve this special relief for these groups has been a raising of exemptions. But since such an approach applies to taxpayers at all levels, it fails to concentrate its relief on the low income recipients and, in this sense, wastes revenue. The minimum standard deduction involves a revenue loss of $320 million, almost all of which goes to taxpayers with incomes less than $5,000. A $100 increase in exemptions would cost $2.6 billion, but 78 percent of this would go to incomes over $5,000.

that, starting with the returns over $50,000 and going up the scale, dividend income on the average rises from 20 percent to 50 percent of all income -- as compared to 1 percent to 3 percent on returns up to $20,000 -- the real function of the dividend credit, as Secretary Dillon stated to the Senate Finance Committee, was to mitigate the severity of top bracket rates running up to 90 percent and over. The Congress in 1954 did not feel in a position to cut these high rates directly, but did so in a roundabout fashion through the dividend credit. Since the House bill now directly reduces those rates, the dropping of the dividend credit is an appropriate and necessary companion measure.

In addition to its revenue-raising changes, the House bill involves the introduction of tax innovations designed to strengthen the income tax and increase its fairness. Thus the bill provides for the first time a broad averaging system to meet the problems of fluctuating income. It will thereby ease the burdens of those taxpayers whose activities -- be they authors, athletes, actors, farmers, loggers, proprietors of small businesses -- generally result in fluctuating or bunched income. The bill also splits the present 20 percent

This leaves only 2.5 million returns -- 4.9 percent of all taxable returns -- on which the tax on dividends would be increased. But on these returns the tax rate reductions, ranging from 15 percent to 23 percent and applicable to all income -- including dividend income -- clearly outweigh the loss of a four percent credit on the same dividend income. This is simply because four percent is less than 15 percent or 23 percent. While it may happen that a technical and erroneous quirk of drafting in the present law relating the retirement income credit to the dividend credit may, on elimination of the dividend credit, increase the over-all tax slightly in a few cases -- in which a taxpayer receives the retirement income credit and has stockholdings, say, of $200,000 for married couples -- yet even here the final result under the bill is an over-all increase in after-tax income since the corporate tax reduction will undoubtedly result in an increase in dividend payments.

These facts on the effect of the House bill reinforce the sound arguments for the repeal of the dividend credit advanced in the House Report. In essence, given the fact that half of all dividends go to taxpayers above $20,000 and

At the same time that it repealed the credit, the House increased the dividend exclusion from $50 to $100 -- or $200 where husband and wife both qualify. Let us consider the combined effect of this change and the elimination of the credit.

First, at present about 88 percent of taxable returns, or 44.8 million returns, involve taxpayers with no dividend income at all.

Of the remaining 12 percent of taxable returns (about 6.2 million), the dividends in about one-third, or 1.7 million returns, are excluded from tax under the present $50 exclusion.

The dividends of another one million returns would be completely excluded from tax under the $100 exclusion of the House bill.

The dividends of still another one million returns would be taxed less than under present law, since for these taxpayers -- with incomes up to $16,000 for married persons and dividends up to about $600 (stock holdings of about $20,000) -- the additional exclusion is worth more than the four percent credit.

the House Ways and Means Committee states:

> ". . . the notion that the dividend credit would encourage equity financing does not seem to be borne out by the events which have occurred since 1954. As pointed out to your committee by the Secretary of the Treasury in the hearings before your committee on this bill, the ratio of equity to debt financing by corporations has not increased despite the presence of the 4-percent credit.
>
> "The form of the present dividend credit, in any event, is undesirable since it reduces any double taxation by a much larger percentage for the higher income bracket stockholders than it does for those in the lower bracket. Information presented by the Secretary of the Treasury to your committee indicated that the dividend credit, even combined with the present exclusion, reduces the extra burden of double taxation by 10.4 percent in the highest income bracket, while reducing it by only 4.3 percent for those subject to the first bracket rate."

It was also pointed out that the proposed reduction from 52 percent to 48 percent in the corporate tax rate would effectively eliminate for all taxpayers 7.7 percent of the extra burden of double taxation, which is as much as the dividend credit accomplishes, except for those taxpayers above $60,000 of income. It may also be observed that since the corporate tax cut amounts to $2.2 billion in reduced taxes, the removal of a dividend credit involving $300 million can hardly be taken as leaving the bill adverse to investment incentives.

The $30,000 figure can hardly be said to be unreasonably low. Proposals to alter the House bill by basing the excludable insurance on some multiple of salary, such as two or three times salary, would simply for many companies exclude policies running up to $300,000 and $400,000 and even to the million dollar level. Criticism of this provision, moreover, generally overlooks several important aspects: one, the taxable cost can easily be computed from a table, which incidentally is based on "bargain rates", in the sense that no loading factor is involved; and two, under this table and the individual income tax rates of the House bill the employee's tax on this item -- which tax is the cost to him of the insurance -- still compares very favorably with what any person, say an accountant, would have to pay who purchases his own insurance under a group-term plan.

Another provision which appears to involve some disagreement concerns the four percent dividend credit. The House bill repealed this credit, regarding it both as ineffective to encourage equity financing and as an undesirable approach to the problem of double taxation. The Report of

to the extent the protection exceeds $30,000, is said to be wrong on the grounds that the employee does not receive a taxable benefit, and that in any event $30,000 is too low a figure. Yet surely we can all understand that to have one's life insurance paid for by his employer is an important benefit, and the larger the insurance policy the greater the benefit. For this reason, the tax law has always included the cost of employer-provided life insurance in the employee's income, so that the group term situation is an historical aberration. The Report of the House Ways and Means Committee stresses this:

> ". . . this tax-free status for employer-financed group term life insurance is inconsistent with the tax treatment of other types of life insurance protection furnished employees by their employers. While this complete exclusion might have been considered relatively insignificant when tax rates were low, the present relatively high rates as well as the growing volume of group term life insurance now provided makes it particularly inequitable to continue this complete exclusion. The employee in such case receives a substantial economic benefit from this insurance protection whether or not the policy for a specific year leads to a payment to his beneficiary. The provision of this insurance by the employer relieves the employee of substantial costs of providing his own insurance protection for his family which he would otherwise have to provide out of tax-paid dollars."

previously accomplished -- the total for all the revenue acts since 1940 was scarcely above $600 million, the total from 1953 to 1954 was less than $200 million. Nor do the changes in 1962 and 1963 represent reform just for reform's sake -- the revenue raised by them has been turned back into rate reductions and investment incentives.

Naturally there are differing views on some of these changes. Each existing preference has its able defenders and spokesmen, and the old saying that possession is nine-tenths of the law certainly refers to legislative contests regarding these preferences. Despite all this, the course of tax legislation since 1961, considered in perspective, marks both a reversal of the prior erosion of the tax base and progress toward elimination of tax preferences combined with a reduction of high rates.

While these revenue-raising provisions in the House bill, worked out as they were with considerable debate and thought by the House Ways and Means Committee, are generally acceptable, there are of course some who may disagree. For example, the provision regarding group life insurance, which includes in an employee's income the cost of such insurance

current earnings of foreign tax haven companies, the removal of the tax advantages of foreign investment companies and foreign trusts, the restrictions on the exemptions for earned income of Americans resident abroad, the end of the estate tax exemption for foreign real estate.

The present House bill continues the task, moving over equally difficult terrain -- for example, the elimination of the dividend credit, the disallowance of deductions for certain State and local taxes, the curtailment of the exclusion for sick pay, the floor under the casualty loss deduction, the taxation of compensation represented by sizable group-term life insurance policies, the restrictions on the eligibility of executive stock options, the tightening of the rules governing personal holding companies, the additional tax on multiple corporations, the change in the aggregation rules for large oil operations.

These changes embody major improvements in the equity of the tax system. The Revenue Act of 1962 involved $855 million of revenue-raising reforms, the House bill involves $1.085 billion -- all together about $2 billion in changes increasing the equity of the tax. This far exceeds anything

governmental action. But starting in 1961, as a result of the high priority President Kennedy has given to changes in tax policy, these matters have been the subject both of active Governmental consideration and broad public discussion. This emphasis on tax policy is bringing major structural changes in the income tax.

The 1962 Act involved significant improvements in tax equity, accomplished through revenue-raising changes in areas that, while clearly in need of change, presented complex and thorny problems difficult of resolution. The mere enumeration of the changes underscores both the obvious difficulty of the task and the significant reforms accomplished -- the taxation of mutual savings banks and savings and loan associations, the taxation of the underwriting income of mutual fire and casualty companies, the current taxation of the income of cooperatives, the revision of the rules involving expense accounts and business gifts, the elimination of the conversion of ordinary income into capital gain on sales of depreciable personal property, an effective reporting system for dividend and interest income, the many changes in the foreign area, such as the taxation of the

achieved in a balanced fashion that has brought wide support for the over-all appropriateness of the reductions.

II

Let me turn now to the second significant aspect of these tax measures, the structural changes contained in the proposed bill, together with those already enacted in the 1962 Act. The last half of the 1950's saw a comprehensive examination of national tax policy conducted by Congressional committees, starting with the study of the 1955 Subcommittee on Tax Policy of the Joint Economic Committee, chaired by Congressman Wilbur Mills, and continuing through the 1959 studies of the House Ways and Means Committee, also chaired by Mr. Mills. To some extent this examination was matched by discussion in academic circles. The examination disclosed many criticisms of the tax structure, centering mainly on the preferences that favored some taxpayers, the hardships or inequalities faced by others, and the resulting great disparities in tax burdens. To this was added a concern over the growing complexity of the tax laws. Throughout this period these criticisms and concerns remained at the discussion level and did not arouse broad public consideration or

increase after-tax incomes more in these brackets.

In point of fact, the House bill reduces taxes at all levels. It provides the greatest percentage reduction in the lowest brackets where the hardship of the present system is evident. In short, there is in the current tax bill no group of taxpayers which has been "forgotten", nor -- and this is important, given the Treasury recommendation that capital gain rates not be changed -- any group which has been too well remembered.

Placed in this perspective, the central aspect of the 1962 and 1963 tax measures is the considerable reduction in the over-all weight of the income tax. The reductions under the pending tax bill reduce individual income tax liabilities by about nine billion dollars, or 19 percent. The changes in corporate tax rates under that bill, together with the 1962 reductions under the investment credit and the revised depreciation rules, reduce corporate tax liabilities by 4.5 billion dollars, or also 19 percent. The combined effect is thus a 19 percent reduction in income tax liabilities. Moreover, this reduction of one-fifth in income tax liabilities -- the largest reduction in our tax history -- is being

taxpayer's total income. They thus forget that segments of the taxpayer's income fall in the preceding brackets, so that the rate reductions in all these preceding brackets of course accumulate to, and thus benefit, the middle brackets. The suggestions these groups make would, of course, radically alter the shape of the tax reduction. Thus the proposed rate schedule of the NAM (coupled with its suggestion that the dividend credit be retained) would substantially decrease the share of tax reduction going to the groups under $10,000 as compared with the House bill, would leave the share the same -- about 16 percent -- in the $10,000 to $20,000 bracket, but would increase it from 15 percent to 24 percent in the $20,000 to $50,000 bracket and from 12.6 percent to 30.7 percent for those over $50,000.

On the other hand, those witnesses who seek to shift the reduction to lower brackets are prone to talk in terms of the greater increases in after-tax income received by the upper brackets. But these overlook the fact that almost any change in tax rates under a progressive system must produce this result, since such a system taxes incomes more heavily at the top. Hence even a small reduction in tax liability will

from the consumption gear to the investment gear -- are seldom obvious. The forces of consumer demand and investment stimulus are mutually reinforcing, and their interaction will provide our economy with a strength that neither would offer alone.

This aspect of balance in the House bill is also reflected in the nature of the individual rate reductions. Here, too, the witnesses before the Senate Finance Committee have taken polar positions. One will say it is a rich man's bill, only to be followed by another who asserts just as forcefully that the middle and upper brackets have been unfairly treated since a major share of the benefits goes to the lower brackets. These latter witnesses -- some of whom like to speak of the middle bracket taxpayer as the "forgotten man" -- also like to stress the tax rates applicable to single persons in the middle brackets, thus overlooking the fact that the rates for married persons -- and 94 percent of taxpayers over $10,000 are married -- are of course far lower in these brackets, since the brackets are twice as wide and the progression far less. They also point to the bracket or marginal rates at these levels and sometimes make them sound like effective rates applicable to the

The "balance" of the tax bill lies in this reliance on both consumer demand and investment incentive to achieve economic growth. The larger share devoted to consumer demand is simply a tangible recognition that, if we are to lift actual output to our present capacity, our most pressing and immediate need is an increase in consumer demand. It is also a recognition that investment incentives -- such as the investment credit -- work best when demand is strong. The investment credit and depreciation reform have served us well -- witness, for example, the railroads or the machine tool industry -- but their force will become even more evident as demand increases.

The sizable share of tax reduction devoted to investment incentives in turn represents an awareness that, as our economy moves closer to its present capacity, the maintenance of the upward drive and an increase in our basic rate of growth depend heavily upon increasing investment levels. The tandem reliance on both consumer demand and investment incentives represents a belief that rigid or extreme attitudes are always suspect in a field as complex as economic growth, and that niceties of timing -- precisely, for example, when to shift

tailored specially to the investment sector, will constitute a significant stimulus to investment.

For business investment, perhaps the most important effect of these changes lies in the increase in the profitability of investment -- an increase of about 35 percent in the after-tax rate of return. For many businesses the decisive factors determining new investment will include not only this profitability increase but also the increase in cash flow resulting from the tax changes. This may be the case for many small and medium-sized corporations which must rely almost entirely on internal cash flow to support investment. These corporations not only receive a larger percentage reduction in taxes -- 27 percent for those under $25,000 of income -- but are also unaffected by the acceleration of corporate tax payments, which affects only the larger corporations. These larger corporations generally have ample resources to finance their investments or can readily absorb the relatively small after-tax interest cost which that acceleration involves. In addition to the corporate sector, the 10 million proprietorships and partnerships will receive important benefits through the 20 percent or so reduction in individual income taxes.

has only been about $20 - $25 billion. When this annual increase drops to something like $2 billion as it did in 1958 compared to 1957, we have what is generally recognized to be a recession. Thus the difference between prosperity and recession can be a difference of something like $20 billion in the GNP level. Clearly then the initial $8 billion of added consumer spending -- with its larger impact on GNP -- will be an effective -- and highly important -- economic force.

In its lowering of corporate rates -- involving $2.2 billion -- and in the reduction of income tax rates in the middle and upper brackets, the bill provides a strong stimulus to investment. To this can be added the $2-1/2 billion accorded in 1962 through the investment credit and depreciation reform -- or a total of about $5 billion. Moreover, the provision in the House bill eliminating the reduction in depreciation basis by the amount of the investment credit just about doubles the incentive effect of the credit and at the same time sweeps away the complications which that basis adjustment now involves. These changes, which involve a reliance both on general rate reduction and on approaches

reduction of almost one-fifth in their tax is certainly a significant cut. But far more important than the immediate dollar benefits each taxpayer will receive are the indirect benefits -- in terms of increased personal income, better employment opportunities, and greater economic security -- that will come as a result of the impact of the tax cut on the economy. For an initial increase of over $8 billion in aggregate consumer demand is a sizable economic lever. Moreover, this $8 billion of initial spending multiplies into more and more consumption as the first round of spending generates a second round, and so on. The Joint Economic Committee of Congress has estimated, for example, that a $10 billion tax reduction in the form suggested by the President would increase our GNP over the next few years by about $40 billion. The tax bill now under consideration, of course, is an $11 billion cut, so this would presumably have an even greater effect on GNP. On the basis of this estimate, the $8 billion of initial consumer demand could be expected to add more than $30 billion to GNP, so you can see that this $8 billion will have a significant impact on the economy. The normal annual GNP increase in recent years

The real difficulty, of course, is that most of the witnesses are stating positions in terms of extremes. If one approaches the criticisms of the bill from a balance sheet point of view, balancing pros and cons, the net criticism is very slight indeed. And far from being merely fanciful, such a conclusion is, in fact, quite in accord with reality -- for almost every witness favors _this_ tax bill if he cannot get _his_ bill. Clearly, therefore, the tax bill emerges from all this pulling and hauling as a balanced bill -- a bill that embodies the wisdom in both approaches to increased economic activity and greater growth but shuns the extremes for which the advocates of these approaches have argued.

Thus the bill, through its net reduction in individual tax rates, involves an initial increase of more than $8 billion in consumer spending. Those who try to minimize the impact of the tax cut by dividing the total cut by the total number of taxpayers and then dividing again to get the average cut per week or some similar figure are, in effect, looking at the tax cut through the wrong end of the telescope. First of all I think most taxpayers will agree that an average

matters as more savings, larger cash flow, increased profitability of investment, higher after-tax rates of return, and greater encouragement to undertake new projects and develop new products. Their stress is thus on direct incentives to investment -- which, translated into tax rates, means a tax reduction that emphasizes a very considerable lowering of corporate tax rates and, for the individual income taxes, rate cuts concentrated in the brackets above $10,000.

Much of the testimony before the Senate Finance Committee has been couched in terms of these competing, and as generally phrased, diametrically opposite points of view. In this clash of views, one thing is certainly clear -- the Congress cannot simultaneously follow both extremes. Thus, one proposal to increase personal exemptions to $1,000 would -- all by itself -- cost about $12 billion, which is more than the entire $11 billion program now under consideration. Proposals to reduce the corporate tax to 45 percent would cost $3.5 billion. A rate cut that would start at 12 percent on the first $1,000, as some have suggested, and also rise only to 50 percent, as others would suggest, could cost about $13 to $15 billion.

tax reduction to the individual rates and, in addition, concentrating the reduction as much as possible in the brackets below $10,000, either through an increase in personal exemptions or a lowering of bottom bracket rates. They argue that since individuals on the average spend about 93 percent of increased incomes, with the lower brackets at or above the average, practically the entire tax reduction would thus go into consumption -- and, given their premise that increased consumption is the path to increased business activity, bring the needed stimulus.

But another set of witnesses has advanced a competing argument. For them the key to economic activity is increased investment. They stress -- and on this there is no disagreement -- that our investment in plant and equipment has lagged markedly over the past few years. Thus, investment in plant and equipment as a proportion of gross national product has declined from around 8 percent in 1950 to 6.7 percent in 1962. These witnesses urge that reversal of this trend, by increasing the rate of modernization of plant and equipment as well as adding to new capacity, will provide the jobs we need. Increased investment, they say, turns predominantly on such

> or private consumers and investors will control how our increased output is to be used. The Administration, in supporting H. R. 8363, has chosen the free enterprise, private economy course. It prefers that course. This is the course that leaves to private individual and corporate spenders the decision as to which particular goods and services shall be purchased with the increase in demand that will flow from the substantial reductions we are recommending in our harsh tax rates. I feel certain that the great majority of Americans agree with the Administration's preference for the tax reduction, private economy route to full production and full employment. The enactment of H. R. 8363 will carry out their desires."

When we thus turn to the private sector -- and agree in principle that tax reduction is the better course -- we find a difference of opinion, or rather a variety of shades of opinion, on how best to bring about the needed increase in economic activity. There are those who urge that the crux of the whole problem is insufficient consumer demand. For them the key to greater use of existing capacity, to more jobs, to more investment, is essentially more dollars seeking the goods business produces. Accordingly, for them the sole purpose of the tax reduction -- if it is to achieve the needed increase in economic activity -- should be to remedy this insufficiency of consumer demand by increasing consumer purchasing power. This means, they say, confining the entire

meet and finance our pressing future needs -- defense, space exploration, education, housing, transportation, urban renewal -- all that our society demands. Put simply, if we grow in the next ten years at four percent rather than three percent, our output at the end of the decade will be $80 billion higher.

These are the goals. The task is to achieve them. It is on this question that the Senate Finance Committee in its hearings on the tax bill has become a sort of economics seminar, with a very sizable crowd of visiting professors, each with his own plan. In this economic debate, there are some who urge that the proper path lies through increased Federal expenditures. But the Administration and the House of Representatives have rejected this course. As Secretary Dillon stated in his testimony before the Senate Finance Committee -- and I quote:

> "Our persisting problem has been insufficient demand. The Federal Government has the capacity to meet this problem and since the enactment of the Employment Act of 1964 it has had a clear responsibility to do so. Two entirely different course are open. Either additional Government expenditures, which mean bigger central government, or an increase in the growth of the private sector, can stimulate our economy. The choice is whether the Government

another example, for six years our economy has not been operating at capacity or close to it. Our industrial production is around 126 percent of the 1957-1959 average, a record high -- but the average rate of plant utilization is only about 87 percent, which is well below the 92 percent rate preferred by business.

The truth is that today our economy falls short of what we could be producing by over $30 billion a year -- the increase in the national output or gross national product we would achieve if we could reduce unemployment to our interim goal of four percent. But there is more to the problem than this matching of actual output with our present available capacity. It will not suffice merely to approach our full employment goal and then see it move away from us again. Our economy must grow faster than it has been growing over the long term if, once we close the gap, we are to keep it closed and at the same time increase our rate of economic growth. This is the primary goal of domestic economic policy -- a significant increase in our long-run rate of economic growth. Economists see in this lifting of the entire economy to new heights the most feasible and adequate way to

Our recent economic recovery from the 1960 recession has been quite satisfactory. During the 32 months since that recovery started, we have averaged an annual growth rate of almost 5-1/2 percent -- a very respectable figure. Output and employment are posting new highs, as are a number of other economic indicators.

These records are solid accomplishments, but we must be careful to interpret them correctly. For while these records tell us that our pace is up and our country growing, that is not the crucial fact. The crucial fact is that our rate of growth is not rapid enough for our needs. The records represent recovery from recession, but recovery alone will not suffice. Our needs continue to grow relentlessly -- and to meet those needs today, and even greater needs tomorrow, we must maintain a decisively higher rate of economic growth than we have had over the past five or six years. Today, for example, our economy is supplying almost 70 million jobs, a record high, but almost 4 million people are unsuccessfully seeking jobs. And the years just ahead will see a sharply growing need for more jobs, as new entrants enlarge the labor force and some jobs disappear with technological changes. As

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ASSISTANT SECRETARY OF THE TREASURY
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CERTIFIED PUBLIC ACCOUNTANTS
LOS ANGELES, CALIFORNIA
FRIDAY, NOVEMBER 8, 1963, 11:00 A.M. PST

THE TAX BILL AND FEDERAL TAX POLICY

Three major topics stand out in any discussion of the tax bill now before the Senate Finance Committee. These topics are the rate reductions, the structural changes and their relationship to the structural changes already made in the Revenue Act of 1962, and finally, the role of the tax bill in contributing to a solution to the major economic problems facing the United States. Those are the three topics I intend to talk about today. I will begin with what, to almost every taxpayer, is the most interesting part of the bill -- the rate reductions themselves.

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Any consideration of the rate reductions should start with the reason for reducing rates in the first place. The reason rate reductions were proposed by the Administration and adopted by the House is to move us closer to our basic domestic economic goal -- a higher level of employment, income, profits, tax revenues and economic activity generally.

TREASURY DEPARTMENT
Washington

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When we thus turn to the private sector -- and agree in principle that tax reduction is the better course -- we find a difference of opinion, or rather a variety of shades of opinion, on how best to bring about the needed increase in economic activity. There are those who urge that the crux of the whole problem is insufficient consumer demand. For them the key to greater use of existing capacity, to more jobs, to more investment, is essentially more dollars seeking the goods business produces. Accordingly, for them the sole purpose of the tax reduction -- if it is to achieve the needed increase in economic activity -- should be to remedy this insufficiency of consumer demand by increasing consumer purchasi power. This means, they say, confining the entire tax reduction to the individual rates and, in addition, concentrating the reduction as much as possible in the brackets below $10,000, either through an increase in personal exemptions or a lowering of bottom bracket rates. They argue that since individuals on the average spend about 93 percent of increased incomes, with the lower brackets at or above the average, practically the entire tax reduction would thus go into consumption -- and, given their premise that increased consumption is the path to increased business activity, bring the needed stimulus.

But another set of witnesses has advanced a competing argument. For them the key to economic activity is increased investment. They stress -- and on this there is no disagreement -- that our investment in plant and equipment has lagged markedly over the past

few years. Thus, investment in plant and equipment as a proportion of gross national product has declined from around 8 percent in 1950 to 6.7 percent in 1962. These witnesses urge that reversal of this trend, by increasing the rate of modernization of plant and equipment as well as adding to new capacity, will provide the jobs we need. Increased investment, they say, turns predominantly on such matters as more savings, larger cash flow, increased profitability of investment, higher after-tax rates of return, and greater encouragement to undertake new projects and develop new products. Their stress is thus on direct incentives to investment -- which, translated into tax rates, means a tax reduction that emphasizes a very considerable lowering of corporate tax rates and, for the individual income taxes, rate cuts concentrated in the brackets above $10,000.

Much of the testimony before the Senate Finance Committee has been couched in terms of these competing, and as generally phrased, diametrically opposite points of view. In this clash of views, one thing is certainly clear -- the Congress cannot simultaneously follow both extremes. Thus, one proposal to increase personal exemptions to $1,000 would -- all by itself -- cost about $12 billion, which is more than the entire $11 billion program now under consideration. Proposals to reduce the corporate tax to 45 percent would cost $3.5 billion. A rate cut that would start at 12 percent on the first $1,000, as some have suggested, and also rise only to 50 percent,as others would suggest, could cost about $13 to $15 billion.

The real difficulty, of course, is that most of the witnesses are stating positions in terms of extremes. If one approaches the criticisms of the bill from a balance sheet point of view, balancing pros and cons, the net criticism is very slight indeed. And far from being merely fanciful, such a conclusion is, in fact, quite in accord with reality -- for almost every witness favors <u>this</u> tax bill if he cannot get <u>his</u> bill. Clearly, therefore, the tax bill emerges from all this pulling and hauling as a balanced bill -- a bill that embodies the wisdom in both approaches to increased economic activity and greater growth but shuns the extremes for which the advocates of these approaches have argued.

Thus the bill, through its net reduction in individual tax rates, involves an initial increase of more than $8 billion in consumer spending. Those who try to minimize the impact of the tax cut by dividing the total cut by the total number of taxpayers and then dividing again to get the average cut per week or some similar figure are, in effect, looking at the tax cut through the wrong end of the telescope. First of all I think most taxpayers will agree that an average reduction of almost one-fifth in their

tax is certainly a significant cut. But far more important than the immediate dollar benefits each taxpayer will receive are the indirec benefits -- in terms of increased personal income, better employment opportunities, and greater economic security -- that will come as a result of the impact of the tax cut on the economy. For an initial increase of over $8 billion in aggregate consumer demand is a sizable economic lever. Moreover, this $8 billion of initial spending multiplies into more and more consumption as the first roun of spending generates a second round, and so on. The Joint Economic Committee of Congress has estimated, for example, that a $10 billion tax reduction in the form suggested by the President would increase our GNP over the next few years by about $40 billion. The tax bill now under consideration, of course, is an $11 billion cut, so this would presumably have an even greater effect on GNP. On the basis of this estimate, the $8 billion of initial consumer demand could be expected to add more than $30 billion to GNP, so you can see that this $8 billion will have a significant impact on the economy. The normal annual GNP increase in recent years has only been about $20 - $25 billion. When this annual increase drops to something like $2 billion as it did in 1958 compared to 1957, we have what is generally recognized to be a recession. Thus the difference between prosperity and recession can be a difference of something like $20 billion in the GNP level. Clearly then the initial $8 billion of added consumer spending -- with its larger impact on GNP -- will be an effective -- and highly important -- economic force.

In its lowering of corporate rates -- involving $2.2 billion -- and in the reduction of income tax rates in the middle and upper brackets, the bill provides a strong stimulus to investment. To this can be added the $2-1/2 billion accorded in 1962 through the investment credit and depreciation reform -- or a total of about $5 billion. Moreover, the provision in the House bill eliminating the reduction in depreciation basis by the amount of the investment credit just about doubles the incentive effect of the credit and at the same time sweeps away the complications which that basis adjustment now involves. These changes, which involve a reliance both on general rate reduction and on approaches tailored specially to the investment sector, will constitute a significant stimulus to investment.

For business investment, perhaps the most important effect of these changes lies in the increase in the profitability of investment -- an increase of about 35 percent in the after-tax rate

of return. For many businesses the decisive factors determining new investment will include not only this profitability increase but also the increase in cash flow resulting from the tax changes. This may be the case for many small and medium-sized corporations which must rely almost entirely on internal cash flow to support investment. These corporations not only receive a larger percentage reduction in taxes -- 27 percent for those under $25,000 of income -- but are also unaffected by the acceleration of corporate tax payments which affects only the larger corporations. These larger corporatior generally have ample resources to finance their investments or can readily absorb the relatively small after-tax interest cost which that acceleration involves. In addition to the corporate sector, the 10 million proprietorships and partnerships will receive important benefits through the 20 percent or so reduction in individu income taxes.

The "balance" of the tax bill lies in this reliance on both consumer demand and investment incentive to achieve economic growth. The larger share devoted to consumer demand is simply a tangible recognition that, if we are to lift actual output to our present capacity, our most pressing and immediate need is an increase in consumer demand. It is also a recognition that investment incentives -- such as the investment credit -- work best when demand is strong. The investment credit and depreciation reform have served us well -- witness, for example, the railroads or the machine tool industry -- but their force will become even more evident as demand increases.

The sizable share of tax reduction devoted to investment incentives in turn represents an awareness that, as our economy moves closer to its present capacity, the maintenance of the upward drive and an increase in our basic rate of growth depend heavily upon increasing investment levels. The tandem reliance on both consumer demand and investment incentives represents a belief that rigid or extreme attitudes are always suspect in a field as complex as economic growth, and that niceties of timing -- precisely, for example, when to shift from the consumption gear to the investment gear -- are seldom obvious. The forces of consumer demand and investment stimulus are mutually reinforcing, and their interaction will provide our economy with a strength that neither would offer alone.

This aspect of balance in the House bill is also reflected in the nature of the individual rate reductions. Here, too, the witnesses before the Senate Finance Committee have taken polar positions. One will say it is a rich man's bill, only to be follow

by another who asserts just as forcefully that the middle and upper brackets have been unfairly treated since a major share of the benefits goes to the lower brackets. These latter witnesses -- some of whom like to speak of the middle bracket taxpayer as the "forgotten man" -- also like to stress the tax rates applicable to single persons in the middle brackets, thus overlooking the fact that the rates for married persons -- and 94 percent of taxpayers over $10,000 are married -- are of course far lower in these brackets, since the brackets are twice as wide and the progression far less. They also point to the bracket or marginal rates at these levels and sometimes make them sound like effective rates applicable to the taxpayer's total income. They thus forget that segments of the taxpayer's income fall in the preceding brackets, so that the rate reductions in all these preceding brackets of course accumulate to, and thus benefit, the middle brackets. The suggestions these groups make would, of course, radically alter the shape of the tax reduction. Thus the proposed rate schedule of the NAM (coupled with its suggestion that the dividend credit be retained) would substantially decrease the share of tax reduction going to the groups under $10,000 as compared with the House bill, it would leave the share the same -- about 16 percent -- in the $10,000 to $20,000 bracket, but would increase it from 15 percent to 24 percent in the $20,000 to $50,000 bracket and from 12.6 percent to 30.7 percent for those over $50,000.

On the other hand, those witnesses who seek to shift the reduction to lower brackets are prone to talk in terms of the greater increases in after-tax income received by the upper brackets. But these overlook the fact that almost any change in tax rates under a progressive system must produce this result, since such a system taxes incomes more heavily at the top. Hence even a small reduction in tax liability will increase after-tax incomes more in these brackets.

In point of fact, the House bill reduces taxes at all levels. It provides the greatest percentage reduction in the lowest brackets where the hardship of the present system is evident. In short, there is in the current tax bill no group of taxpayers which has been "forgotten",nor -- and this is important, given the Treasury recommendation that capital gain rates not be changed -- any group which has been too well remembered.

Placed in this perspective, the central aspect of the 1962 and 1963 tax measures is the considerable reduction in the over-all weight of the income tax. The reductions under the pending tax bill reduce individual income tax liabilities by about nine billion dollars, or 19 percent. The changes in corporate tax rates under

that bill, together with the 1962 reductions under the investment credit and the revised depreciation rules, reduce corporate tax liabilities by 4.5 billion dollars, or also 19 percent. The combined effect is thus a 19 percent reduction in income tax liabilities. Moreover, this reduction of one-fifth in income tax liabilities -- the largest reduction in our tax history -- is being achieved in a balanced fashion that has brought wide support for the over-all appropriateness of the reductions.

II

Let me turn now to the second significant aspect of these tax measures, the structural changes contained in the proposed bill, together with those already enacted in the 1962 Act. The last half of the 1950's saw a comprehensive examination of national tax policy conducted by Congressional committees, starting with the study of the 1955 Subcommittee on Tax Policy of the Joint Economic Committee, chaired by Congressman Wilbur Mills, and continuing through the 1959 studies of the House Ways and Means Committee, also chaired by Mr. Mills. To some extent this examination was matched by discussion in academic circles. The examination disclosed many criticisms of the tax structure, centering mainly on the preferences that favored some taxpayers, the hardships or inequalities faced by others, and the resulting great disparities in tax burdens. To this was added a concern over the growing complexity of the tax laws. Throughout this period these criticisms and concerns remained at the discussion level and did not arouse broad public consideration or governmental action. But starting in 1961, as a result of the high priority President Kennedy has given to changes in tax policy, these matters have been the subject both of active Governmental consideration and broad public discussion. This emphasis on tax policy is bringing major structural changes in the income tax.

The 1962 Act involved significant improvements in tax equity, accomplished through revenue-raising changes in areas that, while clearly in need of change, presented complex and thorny problems difficult of resolution. The mere enumeration of the changes underscores both the obvious difficulty of the task and the significant reforms accomplished -- the taxation of mutual savings banks and savings and loan associations, the taxation of the underwriting income of mutual fire and casualty companies, the current taxation of the income of cooperatives, the revision of the rules involving expense accounts and business gifts, the elimination of the conversion of ordinary income into capital gain on sales of depreciable personal property, an effective reporting system for dividend and interest income, the many changes in the foreign area, such as the taxation of the current earnings of foreign tax haven companies, the removal of the tax advantages of foreign investment companies and foreign trusts, the restrictions

on the exemptions for earned income of Americans resident abroad, the end of the estate tax exemption for foreign real estate.

The present House bill continues the task, moving over equally difficult terrain -- for example, the elimination of the dividend credit, the disallowance of deductions for certain State and local taxes, the curtailment of the exclusion for sick pay, the floor under the casualty loss deduction, the taxation of compensation represented by sizable group-term life insurance policies, the restrictions on the eligibility of executive stock options, the tightening of the rules governing personal holding companies, the additional tax on multiple corporations, the change in the aggregation rules for large oil operations.

These changes embody major improvements in the equity of the tax system. The Revenue Act of 1962 involved $855 million of revenue-raising reforms, the House bill involves $1.085 billion -- all together about $2 billion in changes increasing the equity of the tax. This far exceeds anything previously accomplished -- the total for all the revenue acts since 1940 was scarcely above $600 million, the total from 1953 to 1954 was less than $200 million. Nor do the changes in 1962 and 1963 represent reform just for reform's sake -- the revenue raised by them has been turned back into rate reductions and investment incentives.

Naturally there are differing views on some of these changes. Each existing preference has its able defenders and spokesmen, and the old saying that possession is nine-tenths of the law certainly refers to legislative contests regarding these preferences. Despite all this, the course of tax legislation since 1961, considered in perspective, marks both a reversal of the prior erosion of the tax base and progress toward elimination of tax preferences combined with a reduction of high rates.

While these revenue-raising provisions in the House bill, worked out as they were with considerable debate and thought by the House Ways and Means Committee, are generally acceptable, there are, of course, some who may disagree. For example, the provision regarding group life insurance, which includes in an employee's income the cost of such insurance to the extent the protection exceeds $30,000, is said to be wrong on the grounds that the employee does not receive a taxable benefit, and that in any event $30,000 is too low a figure. Yet surely we can all understand that to have one's life insurance paid for by his employer is an important benefit, and the larger the insurance policy the greater the benefit. For this reason, the tax law has always included the cost of employer-provided life insurance in the employee's income, so that the group term situation is an historical aberration. The Report of the House Ways and Means Committee stresses this:

> ". . . this tax-free status for employer-financed group term life insurance is inconsistent with the tax treatment of other types of life insurance protection furnished employees by their employers. While this complete exclusion might have been considered relatively insignificant when tax rates were low, the present relatively high rates as well as the growing volume of group term life insurance now provided makes it particularly inequitable to continue this complete exclusion. The employee in such case receives a substantial economic benefit from this insurance protection whether or not the policy for a specific year leads to a payment to his beneficiary. The provision of this insurance by the employer relieves the employee of substantial costs of providing his own insurance protection for his family which he would otherwise have to provide out of tax-paid dollars.

The $30,000 figure can hardly be said to be unreasonably low. Proposals to alter the House bill by basing the excludable insurance on some multiple of salary, such as two or three times salary, would simply for many companies exclude policies running up to $300,000 and $400,000 and even to the million dollar level. Criticism of this provision, moreover, generally overlooks several important aspects: one, the taxable cost can easily be computed from a table, which incidentally is based on "bargain rates", in the sense that no loading factor is involved; and two, under this table and the individual income tax rates of the House bill the employee's tax on this item -- which tax is the cost to him of the insurance -- still compares very favorably with what any person, say an accountant, would have to pay who purchases his own insurance under a group-term plan.

Another provision which appears to involve some disagreement concerns the four percent dividend credit. The House bill repealed this credit, regarding it both as ineffective to encourage equity financing and as an undesirable approach to the problem of double taxation. The Report of House Ways and Means Committee states:

> ". . . the notion that the dividend credit would encourage equity financing does not seem to be borne out by the events which have occurred since 1954. As pointed out to your committee by the Secretary of the Treasury in the hearings before your committee on this bill, the ratio of equity to debt financing

> by corporations has not increased despite the presence of the 4-percent credit.
>
> "The form of the present dividend credit, in any event, is undesirable since it reduces any double taxation by a much larger percentage for the higher income bracket stockholders than it does for those in the lower bracket. Information presented by the Secretary of the Treasury to your committee indicated that the dividend credit, even combined with the present exclusion, reduces the extra burden of double taxation by 10.4 percent in the highest income bracket, while reducing it by only 4.3 percent for those subject to the first bracket rate."

It was also pointed out that the proposed reduction from 52 percent to 48 percent in the corporate tax rate would effectively eliminate for all taxpayers 7.7 percent of the extra burden of double taxation, which is as much as the dividend credit accomplishes, except for those taxpayers above $60,000 of income. It may also be observed that since the corporate tax cut amounts to $2.2 billion in reduced taxes, the removal of a dividend credit involving $300 million can hardly be taken as leaving the bill adverse to investment incentives.

At the same time that it repealed the credit, the House increased the dividend exclusion from $50 to $100 -- or $200 where husband and wife both qualify. Let us consider the combined effect of this change and the elimination of the credit.

First, at present about 88 percent of taxable returns, or 44.8 million returns, involve taxpayers with no dividend income at all

Of the remaining 12 percent of taxable returns (about 6.2 million), the dividends in about one-third, or 1.7 million returns, are excluded from tax under the present $50 exclusion.

The dividends of another one million returns would be completely excluded from tax under the $100 exclusion of the House bill.

The dividends of still another one million returns would be taxed less than under present law, since for these taxpayers -- with incomes up to $16,000 for married persons and dividends up to about $600 (stock holdings of about $20,000) -- the additional exclusion is worth more than the four percent credit.

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This leaves only 2.5 million returns -- 4.9 percent of all taxable returns -- on which the tax on dividends would be increased. But on these returns the tax rate reductions, ranging from 15 percent to 23 percent and applicable to all income -- including dividend income -- clearly outweigh the loss of a four percent credit on the same dividend income. This is simply because four percent is less than 15 percent or 23 percent. While it may happen that a technical and erroneous quirk of drafting in the present law relating the retirement income credit to the dividend credit may, on elimination of the dividend credit, increase the over-all tax slightly in a few cases -- in which a taxpayer receives the retirement income credit and has stockholdings, say, of $200,000 for married couples -- yet even here the final result under the bill is an over-all increase in after-tax income since the corporate tax reduction will undoubtedly result in an increase in dividend payments.

These facts on the effect of the House bill reinforce the sound arguments for the repeal of the dividend credit advanced in the House Report. In essence, given the fact that half of all dividends go to taxpayers above $20,000 and that, starting with the returns over $50,000 and going up the scale, dividend income on the average rises from 20 percent to 50 percent of all income -- as compared to 1 percent to 3 percent on returns up to $20,000 -- the real function of the dividend credit, as Secretary Dillon stated to the Senate Finance Committee, was to mitigate the severity of top bracket rates running up to 90 percent and over. The Congress in 1954 did not feel in a position to cut these high rates directly, but did so in a roundabout fashion through the dividend credit. Since the House bill now directly reduces those rates, the dropping of the dividend credit is an appropriate and necessary companion measure.

In addition to its revenue-raising changes, the House bill involves the introduction of tax innovations designed to strengthen the income tax and increase its fairness. Thus the bill provides for the first time a broad averaging system to meet the problems of fluctuating income. It will thereby ease the burdens of those taxpayers whose activities -- be they authors, athletes, actors, farmers loggers, proprietors of small businesses -- generally result in fluctuating or bunched income. The bill also splits the present 20 percent first bracket of income, $0 - $2,000 for a single person and $0 - $4,000 for a married person, into four brackets subject to rates from 14 percent through 17 percent. Since the income of over half of our taxpayers falls entirely in the present first bracket, this splitting of that bracket adds significantly to the fairness of the tax by introducing this differentiation in its application at this level of income. The introduction of a minimum standard deduction of $300 for a single person and $100 for a wife or dependent makes it

possible to provide special relief for those with very low incomes, relief beyond that which tax reduction itself can accomplish. Up to now the approach used to achieve this special relief for these group has been a raising of exemptions. But since such an approach applie to taxpayers at all levels, it fails to concentrate its relief on the low income recipients and, in this sense, wastes revenue. The minimum standard deduction involves a revenue loss of $320 million, almost all of which goes to taxpayers with incomes less than $5,000. A $100 increase in exemptions would cost $2.6 billion, but 78 percen of this would go to incomes over $5,000.

In addition to these innovations, the House bill also eliminat some of the existing restrictive features of the income tax. Exampl in this area are the additional deduction for employee moving expens and the removal of the two percent consolidated returns tax.

These features of the House bill involve $485 million in reven loss. Put together with the over a billion dollars of revenue-raising changes, the combination is a substantial step forward in improv the income tax structure. Naturally more remains to be done. Thus the recent legislative events have helped bring into focus some areas where more analysis is needed. The debate over the proposal of a five percent floor on personal expenses showed how thorny are the problems in this area. The debate over the taxation and treatme of capital gains, especially those passed on to heirs, revealed some of the difficulties in that subject. The proposal for an optional rate scale, with lower rates applied to a broader and simpler measur of a person's taxable income, raises the question whether this is a feasible path to lessen or eliminate the great disparities in tax burdens on equal incomes that we know exist under present rates.

The tax bill, and its predecessor in 1962, obviously do not solve all the outstanding problems of tax policy. But the progress being made constantly narrows the area of study, leading us inevitab to the most difficult subjects. The consideration of tax policy issues that has accompanied the legislative measures of these years has served to bring these issues beyond the borders of the technical journals, seminars and learned symposia into the domain of broad pub discussion. One of the invisible benefits of this legislation will thus be the attention, both public and legislative, which has been focused on the entire tax area. Today it is no exaggeration to say that tax policy has become a matter of urgent national attention. T fact in itself will make the likelihood of future improvements far greater than it was before these measures were started. Since the hard problems that remain involve social and political judgments, th exposure to public debate is essential to their ultimate resolution.

III

As my final point, I would like to consider the contributions the proposed changes in tax policy will make to our national problems. President Kennedy has said that the tax bill is the most significant piece of economic legislation in the last fifteen years. The reason for this is that its enactment is essential to the solution of every major economic problem which we face today. It is not the sole solution for these problems -- but it is a necessary ingredient to their effective solution.

As one example, we have already spoken of our chronic unemployment, our under-utilization of industrial capacity, our low rate of investment in plant and equipment. A higher level of economic activity will end these problems, and the tax bill is essential to our obtaining that higher level. To be sure, some problems of structural unemployment will require special measures, such as manpower retraining and improved education. But all such special measures will be far more effective in an expanding, flourishing economy where general employment prospects are strong.

As a second example, for a number of years we have been experiencing chronic budgetary deficits. These deficits have been caused by the failure of the economy to achieve levels of economic activity capable of producing the revenues needed to balance our budgets. The tax bill, by raising the level of the economy, will permit us to achieve the increased revenues we need. Expenditure restraint by itself will not transform chronic deficits into balanced budgets; indeed, by itself it could lead us to an economic downswing and still greater budgetary problems. But expenditure restraint accompanied by a tax reduction will lead us to our goal of a balanced budget in an expanding economy.

As a third example, the President has stated that the tax bill is the single most effective measure needed to restore equilibrium to our balance of payments. The increased productivity which the bill would promote will, with price stability, improve the internation competitive position of American industry. The incentives to investment in the tax bill, together with the higher level of activity that will result, will attract to the United States a greater share of both domestic capital and foreign capital. These results are essentia to a basic improvement in our balance of payments position and the tax bill is an indispensable condition to their achievement.

As a fourth example, our economy must seek to halt the postwar pattern of recession and inadequate recovery. We may not yet have the key to end recessions. But with a more buoyant economy we

can keep the recessions shallower and the recoveries longer lasting and stronger. We would thus avoid the economic waste, the business dislocations and the human suffering that these jarring economic swings have meant. Here also, the tax bill is the basic preconditio to breaking out of our post-war pattern.

As a fifth example, an economy operating at high levels can help us solve many of our social problems that are linked to economi factors. The remedies for racial discrimination in employment operate far better when jobs are plentiful, so that the gains of one group do not occur at the expense of another. State and local governments can best cope with the problems of crowded schools and hospitals, of inadequate urban transportation, of slum clearance, when their efforts are fortified by the higher tax revenues they wil enjoy in a stronger economy.

In this perspective, it is not surprising that a national consensus, joined in by business, labor, and the academic world, has developed in support of the tax bill. The consensus is probably unique in our tax history. These groups grasp both the far-reaching importance of the tax bill and the need for prompt action. Enactment of the tax bill at this time, with the economy still on the recovery side, will enable us to link the existing economic momentum with the expansionary thrust of the bill. The time is thus ripe for the tax bill and the bill is well suited to the time. Its early enactment will enable our Federal tax policy to make a clearly neede clearly desirable, and clearly effective contribution to the accompl ment of our national goals.

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FOR RELEASE A. M. NEWSPAPERS,
Saturday, November 9, 1963.

November 8,

RESULTS OF TREASURY'S [illegible] BILL OFFERING

The Treasury Department announced last evening that the tenders [illegible] Treasury bills, one series to be an additional issue of the bills d[illegible] and the other series to be dated November 14, 1963, which were offe[red] were opened at the Federal Reserve Banks on November 8. Tenders we[re] $1,300,000,000, or thereabouts, of 91-day bills and for $800,000,000 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing February 13, 1964		:	182-day maturing
	Price	Approx. Equiv. Annual Rate	:	Price
High	99.103 a/	3.549%	:	98.150
Low	99.097	3.572%	:	98.135
Average	99.099	3.565% 1/	:	98.141

a/ Excepting one tender of $100,000
58% of the amount of 91-day bills bid for at the low price was a[ccepted]
14% of the amount of 182-day bills bid for at the low price was

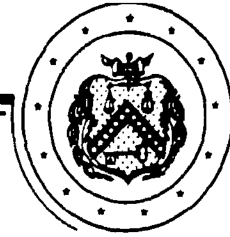
TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For
Boston	$ 44,125,000	$ 28,125,000	:	$ 8,331,000
New York	1,588,021,000	[illegible],175,000	:	1,107,266,000
Philadelphia	42,363,000	14,363,000	:	8,983,000
Cleveland	31,726,000	31,726,000	:	11,796,000
Richmond	14,[illegible]	14,[illegible],000	:	4,396,000
Atlanta	24,109,000	20,363,000	:	8,166,000
Chicago	244,107,000	132,427,000	:	133,400,000
St. Louis	34,402,000	[illegible]	:	14,231,000
Minneapolis	19,584,000	16,[illegible],000	:	[illegible],112,000
Kansas City	26,988,000	25,[illegible],000	:	11,735,000
Dallas	28,127,000	19,707,000	:	10,721,000
San Francisco	101,302,000	75,[illegible],000	:	94,159,000
TOTALS	$2,199,838,000	$1,300,[illegible],000 b/		1,421,896,000

b/ Includes $246,209,000 noncompetitive tenders accepted at the averag[e]
c/ Includes $66,006,000 noncompetitive tenders accepted at the average
1/ On a coupon issue of the same length and for the same amount invest[ed] these bills would provide yields of 3.66%, for the 91-day bills, an[d] 182-day bills. Interest rates on bills are quoted in terms of bank return related to the face amount of the bills payable at maturity [r] amount invested and their length in actual number of days related t[o] In contrast, yields on certificates, notes, and bonds are computed [i] terest payment period to the actual number of days in the period, w[i] compounding if more than one coupon period is involved.
on the amount invested, and related the number of days remaining [i]

A-1630

IRY DEPARTMENT



WASHINGTON, D.C.

IEWSPAPERS,
9, 1963.

November 8, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

Department announced last evening that the tenders for two series of
e series to be an additional issue of the bills dated August 15, 1963
es to be dated November 14, 1963, which were offered on November 4,
Federal Reserve Banks on November 8. Tenders were invited for
thereabouts, of 91-day bills and for $800,000,000, or thereabouts, o:
e details of the two series are as follows:

91-day Treasury bills maturing February 13, 1964		:	182-day Treasury bills maturing May 14, 1964	
Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
99.103 a/	3.549%	:	98.150	3.659%
99.097	3.572%	:	98.135	3.689%
99.099	3.565% 1/	:	98.141	3.678% 1/

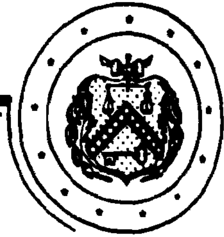
one tender of $100,000
ount of 91-day bills bid for at the low price was accepted
ount of 182-day bills bid for at the low price was accepted

IED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

Applied For	Accepted	:	Applied For	Accepted
$ 44,125,000	$ 28,125,000	:	$ 8,831,000	$ 2,831,000
1,588,021,000	889,175,000	:	1,107,366,000	599,266,000
42,383,000	14,383,000	:	8,983,000	3,983,000
31,726,000	31,726,000	:	11,796,000	11,796,000
14,964,000	14,964,000	:	4,396,000	3,536,000
24,109,000	20,363,000	:	8,166,000	8,166,000
244,107,000	132,427,000	:	133,400,000	48,900,000
34,402,000	28,898,000	:	14,231,000	13,231,000
19,584,000	16,164,000	:	8,112,000	6,682,000
26,988,000	25,988,000	:	11,735,000	10,535,000
28,127,000	19,707,000	:	10,721,000	7,721,000
101,302,000	78,582,000	:	94,159,000	83,579,000
$2,199,838,000	$1,300,502,000 b/		$1,421,896,000	$800,226,000 c/

?09,000 noncompetitive tenders accepted at the average price of 99.09
)6,000 noncompetitive tenders accepted at the average price of 98.141
sue of the same length and for the same amount invested, the return o
uld provide yields of 3.66%, for the 91-day bills, and 3.81%, for the
Interest rates on bills are quoted in terms of bank discount with t
to the face amount of the bills payable at maturity rather than the
i and their length in actual number of days related to a 360-day year
ields on certificates, notes, and bonds are computed in terms of in-
amount invested, and relate the number of days remaining in an intere
to the actual number of days in the period, with semiannual compound
ne coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 13, 1963

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN OCTOBER

During October 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 $345,665,650.00.

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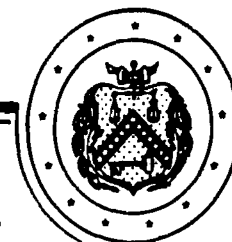
D-1036

TREASURY DEPARTMENT



WASHINGTON, D.C.

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oOo

D-1036

MODIFIED

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 August 22, 1963, (91 days remaining until maturity date on February 20, 1964) 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 November 21, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 21, 1963. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE November 13, 1963

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing November 21, 1963, in the amount of $ 2,101,341,000, as follows:

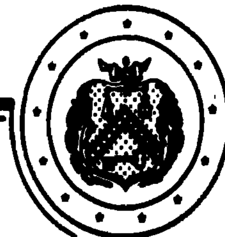
91 -day bills (to maturity date) to be issued November 21, 1963, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated August 22, 1963, and to mature February 20, 1964, originally issued in the amount of $ 800,672,000 / (an additional $100,092,000 was issued Oct. 28, 19), the additional and original bills to be freely interchangeable.

182 -day bills, for $ 800,000,000, or thereabouts, to be dated November 21, 1963, and to mature May 21, 1964.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 18, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 13, 1963

FOR IMMEDIATE RELEASE

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

D-1037

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 $ 200,000or less for the additional bills dated August 22,1963, (91-days remaining until maturity date on February 20,1964) 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 November 21,1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 21,1963.Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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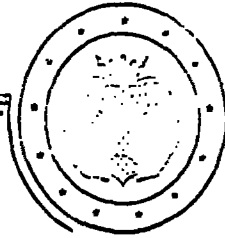
Treasury Reduces amount of Weekly Treasury Bills

The Treasury indicated that its reduction of $100 million in the amount of Treasury bills to be auctioned next week represented a modest precaution in view of the need to avoid upsetting the present balanced relation between money market rates of interest in the United States and those of foreign countries.

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 13, 1963

FOR IMMEDIATE RELEASE

TREASURY REDUCES AMOUNT OF
WEEKLY TREASURY BILLS

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D-1038

FOR RELEASE: UPON DELIVERY

STATEMENT BY MERLYN N. TRUED
DEPUTY ASSISTANT SECRETARY OF THE TREASURY
BEFORE SUBCOMMITTEE 4
OF THE HOUSE JUDICIARY COMMITTEE
ON H.J.RES. 658 (SEE AMERICA YEAR)
THURSDAY, NOVEMBER 14, 1963, 10:00 A.M.,EST

I am happy to be here and to support, on behalf of the Treasury Department, H.J. Resolution 658, authorizing and requesting the President to proclaim 1964 as "See America Year." Adoption of this resolution would be desirable for several reasons, but most importantly, in our view, it would give further impetus to the "See America Now" program which the President announced last July 18 along with other measures to eliminate the balance of payments deficit. It will enhance our efforts to make travel at home a more appealing alternative to travel abroad, and thereby reduce the large drain on our balance of payments resulting from the ever increasing flow of American tourists abroad.

As the President pointed out, the dollar outflow from the United States resulting from travel abroad by Americans is substantial. In 1962 Americans spent almost $2.5 billion for such travel. This included $1.9 billion for expenditures in foreign countries and about $560 million in payments to foreign carriers for trans-ocean transportation. These expenditures were only partially offset by expenditures of foreigners in this country, which in 1962 amounted to about $1 billion,

including about $120 million for trans-oceanic fares paid to U.S. carriers. Thus, the net deficit in our balance of payments on account of travel was $1.4 billion, which was, of course, an important part of our overall balance of payments deficit of $2.2 billion. The figures available for 1963 indicate that the deficit on travel account will be even larger.

The table I have distributed shows the rapid growth in travel expenditures abroad by Americans since 1951. That table shows that our total travel expenditures increased almost three fold from 1951 to 1962. Our receipts also increased substantially during this period, but although they doubled our net deficit increased from $366 million to $1,430 million.

The rise in expenditures by Americans for foreign travel is, like other consumer expenditures, related to the increase in our national income during the period. But a recent study by the Commerce Department shows that Americans have been spending an increasing share of their income on foreign travel. This study shows that during the 1951-62 period an increase of 10 percent in disposable personal income has been associated on the average with a nearly 20 percent increase in foreign travel expenditures. Obviously, continuation of this relationship would have an increasingly heavier impact on our balance of payments.

Insofar as we can, by positive steps, make travel in the U.S. more and more attractive, we will tend to redress somewhat these balance of payments results.

As you are aware, the Administration has an extensive program to eliminate our balance of payments deficit and a major part of that program is to make the United States more competitive in attracting the investments and expenditures of Americans as well as foreigners. The promotion of tourism in the United States is also appropriate in this regard. The success of the "See America Now" program will primarily depend on the extent to which the American people are made aware of the desirability and importance of their looking to the United States for their vacation and travel opportunities. The lure of foreign lands is glamorous and well advertised. For our part, we should not only become more competitive in this area but also bring to the attention of Americans the infinite variety of beautiful and historic places in the United States which are readily at hand for vacation and other non-business travels.

Adoption by the Congress of this resolution would indicate its strong support for the objective of the "See America Now" program and would thus make a most useful contribution in this respect. Consequently, the Treasury Department welcomes the initiative of Congressman Ullman in introducing this resolution and strongly urges its adoption.

U.S. TRAVEL ACCOUNT 1951 - FIRST HALF 1963
(In millions of dollars)

	Receipts			Expenditures			
Year	Trans-ocean Fare Receipts from Foreigners	Travel by Foreigners in U.S.	Total Travel Receipts	Trans-ocean Fare Payments to Foreign Carriers	Travel by Americans Abroad 1/	Total Travel Payments	NET TRAVEL BALANCE
1951	+50	+473	+523	-132	-757	-889	-366
1952	+62	+550	+612	-172	-840	-1,012	-400
1953	+58	+574	+632	-179	-929	-1,108	-476
1954	+61	+595	+656	-183	-1,009	-1,192	-536
1955	+64	+654	+718	-201	-1,153	-1,354	-636
1956	+63	+705	+768	-238	-1,275	-1,513	-745
1957	+84	+785	+869	-261	-1,372	-1,633	-764
1958	+89	+825	+914	-320	-1,460	-1,780	-866
1959	+90	+902	+992	-380	-1,610	-1,990	-998
1960	+110	+887	+997	-513 2/	-1,745	-2,258	-1,261
1961	+112	+900	+1,012	-515	-1,747	-2,262	-1,250
1962	+117	+921	+1,038	-563	-1,905	-2,468	-1,430
First Half 3/							
1962	+53	+447	+500	-287	-790	-1,077	-577
1963	+57 p	+479	+536	-325 p	-857	-1,182	-646

1/ Roughly 80 percent pleasure, family, etc. and 20 percent business.
2/ Begins new series.
3/ Not seasonally adjusted.

p Preliminary

Note: In published balance of payments statistics trans-ocean fares are included in transportation account.

FOR IMMEDIATE RELEASE

November 14, 1963

SUBSCRIPTION AND ALLOTMENT FIGURES FOR TREASURY'S CURRENT CASH OFFERING

The Treasury Department today announced the subscription and allotment figures with respect to the current offering of 3-7/8% Treasury Notes of Series C-1965, due May 15, 1965.

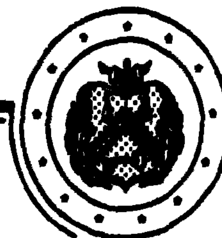
Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District		Total Subscriptions Received	Total Allotments
Boston		$ 693,098,000	$ 164,709,000
New York		11,665,131,000	5,762,021,000
Philadelphia		355,766,000	87,990,000
Cleveland		920,376,000	232,465,000
Richmond		495,788,000	133,697,000
Atlanta		492,321,000	144,598,000
Chicago		2,111,757,000	536,357,000
St. Louis		442,542,000	138,818,000
Minneapolis		267,166,000	92,266,000
Kansas City		405,578,000	126,717,000
Dallas		363,180,000	95,909,000
San Francisco		1,818,808,000	430,329,000
Treasury		37,204,000	31,014,000
	Totals	$20,068,715,000	$7,976,890,000

Subscriptions by investor classes:

States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States -------	$ 301,910,000
Commercial Banks (own account) ---------	7,953,338,000
All Others --------------------------	7,808,422,000
Total	$16,063,670,000
Fed. Res. Banks & Govt. Inv. Accts. ----	4,005,045,000
Grand Total	$20,068,715,000

TREASURY DEPARTMENT



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All Others ---------------------------	7,808,422,000
Total	$16,063,670,000
Fed. Res. Banks & Govt. Inv. Accts. ----	4,005,045,000
Grand Total	$20,068,715,000

D-1039

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

FRIDAY, NOVEMBER 15,1963 D-1040

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1963, as follows:

Country of Origin	Wheat		Milled wheat products	
	Established Quota	Imports May 29, 1963, to Nov. 2, 1963	Established Quota	Imports May 29, 1963, to Nov. 2, 1963
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	1,224
United Kingdom	100	-	75,000	6,180
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	800,000	795,000	4,000,000	3,822,404

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, NOVEMBER 15,1963

D-1040

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1963, as follows:

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Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	1,224
United Kingdom	100	-	75,000	6,180
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	800,000	795,000	4,000,000	3,822,404

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

FRIDAY, NOVEMBER 15,1963 D-1040

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1963, as follows:

Country of Origin	Wheat		Milled wheat products	
	Established Quota	Imports May 29, 1963, to Nov. 2, 1963	Established Quota	Imports May 29, 1963, to Nov. 2, 1963
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	1,224
United Kingdom	100	-	75,000	6,180
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	800,000	795,000	4,000,000	3,822,404

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

FRIDAY, NOVEMBER 15,1963 D-1040

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1963, as follows:

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Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	1,224
United Kingdom	100	-	75,000	6,180
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	~~800,000~~	795,000	4,000,000	3,822,404

Commodity	Period and Quantity		Unit of Quantity	Imports as of Nov. 2, 196
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat...............	Calendar Year 1963	1,200,000	Pound	Quota Filled
Fibers of cotton processed but not spun....................	12 mos. from Sept. 11, 1963	1,000	Pound	530
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)........................	12 mos. from August 1, 1963	1,709,000	Pound	767,90

1/ Imports through November 8, 1963.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, NOVEMBER 15,1963

D-1041

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 November 2, 1963:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Nov. 2, 1963
Tariff-Rate Quotas:				
Cream, fresh or sour............	Calendar Year	1,500,000	Gallon	675,220
Whole Milk, fresh or sour.......	Calendar Year	3,000,000	Gallon	99
Cattle, 700 lbs. or more each (other than dairy cows).......	July 1, 1963- Sept. 30, 1963	120,000	Head	7,946
	Oct. 1, 1963- Dec. 31, 1963	120,000	Head	5,131
Cattle less than 200 lbs. each..	12 mos. from April 1, 1963	200,000	Head	46,607
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish......	Calendar Year	24,874,871	Pound	Quota Filled
Tuna Fish......................	Calendar Year	63,130,642	Pound	43,462,313
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	0
Other..........................	Sept. 15, 1963	45,000,000	Pound	477,395
Knives, forks, and spoons with stainless steel handles..	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	Quota Filled
	Nov. 1, 1963- Oct. 31, 1964	69,000,000	Pieces	9,664,487 1/

1/ Imports through November 8, 1963

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
FRIDAY, NOVEMBER 15,1963

D-1041

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Tuna Fish.......................	Calendar Year	63,130,642	Pound	43,462,313
White or Irish potatoes:				
Certified seed	12 mos. from	114,000,000	Pound	0
Other........................	Sept. 15, 1963	45,000,000	Pound	477,395
Knives, forks, and spoons with stainless steel handles ..	Nov. 1, 1962- Oct. 31, 1963	69,000,000	Pieces	Quota Filled
	Nov. 1, 1963- Oct. 31, 1964	69,000,000	Pieces	9,664,487[1]

[1] Imports through November 8, 1963

Commodity	Period and Quantity		Unit of Quantity	Imports as of Nov. 2, 1963
Absolute Quotas:				
Butter substitutes, including butter oil, containing 45% or more butterfat................	Calendar Year 1963	1,200,000	Pound	Quota Filled
Fibers of cotton processed but not spun....................	12 mos. from Sept. 11, 1963	1,000	Pound	530 1/
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)........................	12 mos. from August 1, 1963	1,709,000	Pound	767,900

1/ Imports through November 8, 1963.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, NOVEMBER 15,1963

D-1042

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

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of November 2, 1963
Buttons..........	680,000	Gross	234,876
Cigars...........	160,000,000	Number	11,705,857
Coconut oil......	358,400,000	Pound	353,765,267 1/
Cordage..........	6,000,000	Pound	4,892,136
Tobacco..........	5,200,000	Pound	5,163,247

1/ Preliminary, through November 8, 1963.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

FRIDAY, NOVEMBER 15,1963 D-1042

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

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Cordage..........	6,000,000	Pound	4,892,136
Tobacco..........	5,200,000	Pound	5,163,247

1/ Preliminary, through November 8, 1963.

COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1963, to November 12, 1963	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to November 12, 1963
United Kingdom............	4,323,457	420,452	1,441,152	23,538
Canada....................	239,690	239,690	-	-
France....................	227,420	137,166	75,807	22,445
India and Pakistan........	69,627	-	-	-
Netherlands...............	68,240	11,249	22,747	-
Switzerland...............	44,388	-	14,796	-
Belgium...................	38,559	33,022	12,853	-
Japan.....................	341,535	-	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	-	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	841,579	1,599,886	45,983

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

FRIDAY, NOVEMBER 15,1963 D-1043

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, as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1963 - November 12, 1963

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	204,735	Honduras....................	752	-
Peru.......................	247,952	-	Paraguay....................	871	-
India and Pakistan..........	2,003,483	-	Colombia....................	124	-
China......................	1,370,791	-	Iraq........................	195	-
Mexico.....................	8,883,259	8,883,259	British East Africa.........	2,240	-
Brazil.....................	618,723	600,000	Indonesia and Netherlands New Guinea...............	71,388	-
Union of Soviet Socialist Republics.......	475,124	-	1/British W. Indies..........	21,321	-
Argentina..................	5,203	-	Nigeria.....................	5,377	-
Haiti......................	237	-	2/British W. Africa..........	16,004	-
Ecuador....................	9,333	-	Other, including the U.S....	-	-

1/ Except Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Except Nigeria and Ghana.

Cotton 1-1/8" or more
Established Yearly Quota - 45,656,420 lbs.

Imports August 1, 1963, to November 12, 1963

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	81,759
1-1/8" or more and under		

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
'RIDAY, NOVEMBER 15,1963

D-1043

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, as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

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Peru........................	247,952	-	Paraguay....................	871	-
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China.......................	1,370,791	-	Iraq........................	195	-
Mexico......................	8,883,259	8,883,259	British East Africa.........	2,240	-
Brazil......................	618,723	600,000	Indonesia and Netherlands New Guinea................	71,388	-
Union of Soviet Socialist Republics.......	475,124	-	1/British W. Indies...........	21,321	-
Argentina...................	5,203	-	Nigeria.....................	5,377	-
Haiti.......................	237	-	2/British W. Africa..........	16,004	-
Ecuador.....................	9,333	-	Other, including the U.S....	-	-

1/ Except Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
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1-1/8" or more and under		

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(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:

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India and Pakistan........	69,627	-	-	-
Netherlands...............	68,240	11,249	22,747	-
Switzerland...............	44,388	-	14,796	-
Belgium...................	38,559	33,022	12,853	-
Japan.....................	341,535	-	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	-	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	841,579	1,599,886	45,983

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, NOVEMBER 15, 1963

D-1044

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, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD – October 1 – December 31, 1963

IMPORTS – October 1 – November 8, 1963 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	12,703,206	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	958,734**	15,920,000	8,500,106	66,480,000	66,480,000	37,840,000	15,592,649
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	14,314,380	70,480,000	24,019,060	6,320,000	3,603,024
Peru	16,160,000	16,160,000	12,880,000	4,394,968	35,120,000	9,502,428	3,760,000	3,061,342
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	1,873,944**
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	4,627,752**	-	-	-	-
All other foreign countries (total)	6,560,000	2,229,229**	6,080,000	6,080,000	17,840,000	17,006,423**	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Imports as of November 12, 1963.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, NOVEMBER 15, 1963

D-1044

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, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD – October 1 – December 31, 1963

IMPORTS – October 1 – November 8, 1963 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	12,703,206	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	958,734**	15,920,000	8,500,106	66,480,000	66,480,000	37,840,000	15,592,649
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	14,314,380	70,480,000	24,019,060	6,320,000	3,603,024
Peru	16,160,000	16,160,000	12,880,000	4,394,968	35,120,000	9,502,428	3,760,000	3,061,342
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	1,873,944**
Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	4,627,752**	-	-	-	-
All other foreign countries (total)	6,560,000	2,229,229**	6,080,000	6,080,000	17,840,000	17,006,423**	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Imports as of November 12, 1963.

10

STATUTORY DEBT LIMITATION

As of October 31, 1963

Washington, Nov. 15, 1963

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "Shall not exceed in the aggregate $285,000,000,000 (Act of June 30, 1959; U. S. C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount." The Act of August 27, 1963 (P.L. 88-106 88th Congress) provides that the above limitation shall be temporarily increased during the period beginning on September 1, 1963, and ending on November 30, 1963 to $309,000,000,000.

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			$309,000,000,000
Outstanding obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$49,720,132,000		
Certificates of indebtedness	15,493,494,000		
Treasury notes	53,694,595,000	$118,908,221,000	
Bonds -			
Treasury	86,438,729,350		
* Savings (Current redemption value)	48,686,814,417		
United States Retirement Plan bonds	360,406		
Depositary	98,783,500		
R. E. A. series	25,731,000		
Investment series	3,719,476,000	138,969,894,673	
Certificates of Indebtedness -			
Foreign series	396,000,000		
Foreign Currency series	30,120,482		
Treasury notes -			
Foreign series	163,118,258		
Treasury bonds-			
Foreign Currency series	705,021,190	1,294,259,930	
Treasury certificates	2,500,000	2,500,000	
Special Funds -			
Certificates of indebtedness	5,965,830,386		
Treasury notes	2,652,172,000		
Treasury bonds	34,665,435,000	43,283,437,386	
Total interest-bearing		302,458,312,989	
Matured, interest-ceased		261,800,525	
Bearing no interest:			
United States Savings Stamps	52,563,514		
Excess profits tax refund bonds	691,057		
Internat'l Monetary Fund notes	3,036,000,000		
Internat'l Develop. Ass'n. notes	128,956,600		
Inter-American Develop. Bank notes	125,000,000		
United Nations Children's Fund bonds	3,000,000		
United Nations Special Fund bonds	10,000,000	3,356,211,171	
Total		306,076,324,685	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	704,380,950		
Matured, interest-ceased	627,300	705,008,250	
Grand total outstanding			306,781,332,935
Balance face amount of obligations issuable under above authority			2,218,667,065

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

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

Outstanding -	
Total gross public debt	306,442,143,989
Guaranteed obligations not owned by the Treasury	705,008,250
Total gross public debt and guaranteed obligations	307,147,152,239
Deduct - other outstanding public debt obligations not subject to debt limitation	365,819,304
	306,781,332,935

D-1045

STATUTORY DEBT LIMITATION

As of October 31, 1963

Washington, Nov. 15, 1963

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "Shall not exceed in the aggregate $285,000,000,000 (Act of June 30, 1959; U. S. C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount." The Act of August 27, 1963 (P.L. 88-106 88th Congress) provides that the above limitation shall be temporarily increased during the period beginning on September 1, 1963, and ending on November 30, 1963 to $309,000,000,000.

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Treasury bills	$49,720,132,000		
Certificates of indebtedness	15,493,494,000		
Treasury notes	53,694,595,000	$118,908,221,000	
Bonds -			
Treasury	86,438,729,350		
* Savings (Current redemption value)	48,686,814,417		
United States Retirement Plan bonds	360,406		
Depositary	98,783,500		
R. E. A. series	25,731,000		
Investment series	3,719,476,000	138,969,894,673	
Certificates of Indebtedness -			
Foreign series	396,000,000		
Foreign Currency series	30,120,482		
Treasury notes -			
Foreign series	163,118,258		
Treasury bonds-			
Foreign Currency series	705,021,190	1,294,259,930	
Treasury certificates	2,500,000	2,500,000	
Special Funds -			
Certificates of indebtedness	5,965,830,386		
Treasury notes	2,652,172,000		
Treasury bonds	34,665,435,000	43,283,437,386	
Total interest-bearing		302,458,312,989	
Matured, interest-ceased		261,800,525	
Bearing no interest:			
United States Savings Stamps	52,563,514		
Excess profits tax refund bonds	691,057		
Internat'l Monetary Fund notes	3,036,000,000		
Internat'l Develop. Ass'n. notes	128,956,600		
Inter-American Develop. Bank notes	125,000,000		
United Nations Children's Fund bonds	3,000,000		
United Nations Special Fund bonds	10,000,000	3,356,211,171	
Total		306,076,324,685	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F. H. A. & DC Stad. Bds.	704,380,950		
Matured, interest-ceased	627,300	705,008,250	
Grand total outstanding			306,781,332,935
Balance face amount of obligations issuable under above authority			2,218,667,065

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

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

Outstanding -	
Total gross public debt	306,442,143,989
Guaranteed obligations not owned by the Treasury	705,008,250
Total gross public debt and guaranteed obligations	307,147,152,239
Deduct - other outstanding public debt obligations not subject to debt limitation	365,819,304
	306,781,332,935

1045

with the First National City Bank in New York. Mr. Ahern served with the U.S. Army from January 1944 to April 1946.

Mr. Ahern, 38, was born in New York City, where he ~~attended City College and~~ received his A.B. and Ph.D. degrees from Columbia College and Columbia University Graduate School of Economics. He has written a number of financial articles and holds several academic honors, including Phi Beta Kappa membership~~. He~~ is also a member of the American Finance Association, American Statistical Association and the National Association of Business Economists.

Mr. Ahern is unmarried, and resides at

DRAFT 11/14/63

November 14, 1963

FOR IMMEDIATE RELEASE

DANIEL S. AHERN NAMED ASSISTANT TO THE SECRETARY OF THE TREASURY

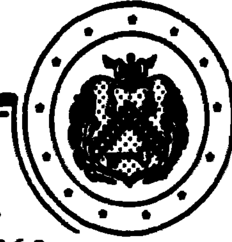
Treasury Secretary Douglas Dillon today announced the appointmen of Daniel S. Ahern, Vice President of Wellington Management Company, Philadelphia, Pennsylvania, as Assistant to the Secretary (Debt Management).

Mr. Ahern succeeds Frank E. Morris, who resigned recently to join Loomis, Sayles & Company, investment counselors, in Boston.

Mr. Ahern will aid in developing and coordinating plans and policies for debt management, including the work of the Office of Debt Analysis.

For the past two years Mr. Ahern has directed investment resear ~~activities~~ for the Wellington Management Company, with offices in Philadelphia. From June 1951 to November 1961, he was an economist

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 14, 1963

FOR IMMEDIATE RELEASE

DANIEL S. AHEARN NAMED ASSISTANT
TO THE SECRETARY OF THE TREASURY

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Mr. Ahearn will aid in developing and coordinating plans and policies for debt management.

For the past two years Mr. Ahearn has been active in investment research for the Wellington Management Company, with offices in Philadelphia. From June 1951 to November 1961, he was an economist with the First National City Bank in New York. Mr. Ahearn served with the U. S. Army from January 1944 to April 1946.

Mr. Ahearn, 38, was born in New York City, where he received his A.B. and Ph.D. degrees from Columbia College and Columbia University Graduate School of Economics. He has written a number of financial articles and is the author of "Federal Reserve Policy Reappraised, 1951-1959," published in July of this year. He holds several academic honors, including Phi Beta Kappa membership and is also a member of the American Finance Association, American Statistical Association and the National Association of Business Economists.

oOo

D-1046

FOR RELEASE: UPON DELIVERY

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS
ON LEGISLATION AFFECTING
THE INTER-AMERICAN DEVELOPMENT BANK
AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION
NOVEMBER 15, 1963, 10:00 A.M. EST

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today in connection with the participation of the United States in the Inter-American Development Bank (IDB) and the International Development Association (IDA). Important increases in the financial resources of both of these institutions are urgently required. The legislation before you would authorize the United States to subscribe its proportionate share of these increases.

The National Advisory Council on International Monetary and Financial Problems has considered and reported on these matters, and copies of its reports are before you. In both cases, the Council has strongly recommended early and favorable action by the Congress. On August 19, 1963, the House of Representatives, by a voice vote, passed H.R. 7406, covering the Inter-American Development Bank request being considered today. The International Development Association request was

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only recently introduced, and has not yet been taken up in the House.

INTER-AMERICAN DEVELOPMENT BANK

H.R. 7406 authorizes me, as U. S. Governor of the Inter-American Development Bank, to vote in favor of an expansion of the Bank's resources and thereby provide for the continued operation of that institution as a major force in the Alliance for Progress.

Since the IDB was established at the close of 1959 and began operating in the fall of 1960, it has assumed an active and increasingly vital role in Latin America's economic and social development. Although established prior to such major milestones of Inter-American cooperation as the Act of Bogota and the Charter of Punta del Este, the IDB's Charter anticipated the principles subsequently set forth and now established as basic elements of the Alliance for Progress. All of the IDB's activities serve the accomplishment of the goals of the Alliance, and the IDB - as the principal financial institution of the Inter-American system - has become a central and essential operating element of this great endeavor. In short, the Inter-American Development Bank has in a ve

become "The Bank of the Alliance" -- breaking the trail and providing leadership in showing the way to the economic and social development of this hemisphere.

Structure and U. S. Participation

Let me recall briefly, Mr. Chairman, the structure of the IDB and the extent of United States participation in this institution which was established for the purpose of contributing to "the acceleration of the process of economic development of the member countries."

The IDB was initially established with an authorized ordinary capital amounting to $850 million. In addition, there was established within the IDB a Fund for Special Operations, with resources of approximately $150 million. The aggregate initial resources of the IDB were thus on the order of $1 billion, and were further supplemented by entrusting to the IDB the administration for the United States of the Social Progress Trust Fund, with $394 million.

Of the authorized ordinary capital of $850 million, it was arranged that $400 million would be paid in, and of this latter sum the United States subscribed to $150 million, while the Latin American members subscribed to $232 million.

Half of these payments were due in gold or dollars and half in the currency of the member country. (Although Cuba was initially considered a prospective member and was allotted a share of the capital, Cuba failed to join the IDB and to subscribe to its capital, and is now excluded from membership.) Actual payments to the IDB on these subscriptions were made in three installments completed in October 1962. All of the members have met their subscription payments promptly and in full.

Matters of the ordinary operations of the Bank are decided by a simple majority vote of the Executive Directors or of the Governors. The United States is entitled to cast 42% of the total votes, so that an important vote is always assured for the U. S. viewpoint. The Bank's Articles provide that all decisions relating to the Fund for Special Operations shall be taken by a two-thirds vote. Since the United States casts the same number of votes with respect to the Fund's operations as it does for the Bank's ordinary operations, the favorable vote of the United States is required with respect to operations of the Fund.

That portion of the ordinary capital not required to be paid in is known as the "callable capital." The callable capital was established at $450 million, of which the United States' share is $200 million and that of the other members is $232 million. The callable capital represents a guarantee of the member governments for the IDB's obligations and thus permits the IDB to raise funds in the private capital markets. The IDB has in fact successfully used this authority to raise funds totalling approximately $100 million in two separate bond issues. A first placement of bonds was arranged in April 1962 in Italy, for $24.2 million equivalent in Italian lire, at 5 percent and for a 20-year term. In December of last year, IDB successfully floated in this country a public issue consisting of $75 million of 20-year 4-1/4 percent bonds.

The ordinary capital of the Bank can be utilized only for loans on conventional terms, with credit standards similar to those of the World Bank. The loans are repayable in the currency lent. They bear interest at 5-3/4 percent, except in the case of loans made in Italian lire borrowed by the Bank, which were at 6-3/4 percent. Maturities range up to 20 years,

depending on the type of project involved.

The Fund for Special Operations, on the other hand, was created to make loans on softer terms and generally repayable in the local currency of the borrower. These loans were designed for cases where, for balance of payments reasons, payment in hard currencies would be difficult or uncertain. With rare exceptions, they have borne interest at 4% or 4-1/2%, with maturities of up to 29 years. While these loans are on softer repayment terms than those from the ordinary capital, the same high standards as to projects are enforced.

All payments on loans have been made regularly to the Bank and none of the loans made, either from Ordinary Capital or from the Fund for Special Operations, is in default.

Of the original resources of the Fund for Special Operations, the United States contributed $100 million and the Latin American members paid in $46 million (half of which, again, was in the form of gold or dollars and half in their own currencies).

To recapitulate, the extent of United States participation to date in providing capital to the Inter-American Development Bank has involved payments of $250 million ($150 million for ordinary capital and $100 million for the Fund for Special Operations) and a callable capital subscription of $200 million which will not involve any payment except in the unlikely event the IDB should ever be unable to meet its obligations. In addition, the United States has entrusted the administration of the $394 million Social Progress Trust Fund to the IDB.

Proposed Enlargement of Resources of IDB

The Agreement establishing the Inter-American Development Bank contemplated a future need to enlarge the resources of the IDB and included specific provisions looking toward such an enlargement. It was provided that the callable capital could be increased after all the original subscriptions had been paid and that the Fund for Special Operations could be increased when the Governors deemed it advisable. In the spring of 1962, it became clear from the tempo of the IDB's operations that the question of an increase in the IDB's capital should be placed under active study. The Governors

of the IDB at that time, meeting in Buenos Aires, instructed the Board of Executive Directors to study the question of enlarging the resources of the IDB and to submit such proposals as appeared desirable.

The Directors submitted their Report on this matter in March of this year, together with their recommendations. The full text of this Report has been made available as an Appendix in the Special Report of the National Advisory Council submitted to you earlier. At their annual meeting in Caracas, in April of this year, the Governors of the IDB approved the proposals of the Executive Directors to enlarge the resources of the IDB and recommended to each member that it take the necessary administrative and legal actions to make the proposals effective as soon as possible.

The proposal now placed before you involves three major actions: First, the authorized capital of the IDB would be increased by $1 billion, entirely in the form of callable capital available to back-up the IDB's obligations. Second, the resources of the Fund for Special Operations would be increased by $73 million. Third, the authorized ordinary capital would be further increased by $300 million to provide for the possible future admission of new members to the IDB.

The proposed $1 billion increase in the callable capital would be subscribed by all members in the same proportions as their present subscriptions bear to the present authorized ordinary capital of the IDB. The United States' share of the increase would thus be $411.8 million. Authority for this increase is being requested at this time in order to provide the Bank with assurance regarding its ability to raise additional funds in the private capital market. Members are to notify the Bank on or before December 31, 1963 of their agreement to the proposed increase and their intention to subscribe to their proportionate share. The actual subscriptions, and appropriations to meet the United States subscription, will not be required until a later stage and it is planned to phase them in two installments -- one half by the end of December, 1964 and the other half by the end of 1965.

I wish to emphasize that it is quite unlikely that any of this increase in our subscription will ever have to be paid out as an actual cash expenditure of the Treasury. The "callable capital" arrangement is similar to our subscription to the IBRD, which has worked so successfully during the past 15 years, with no defaults, no inability of the IBRD to meet

its obligations, and no cash transfers required from the Treasury. We do not anticipate that our experience with the IDB will be any less satisfactory than it has been with the IBRD.

The proposed increase in the resources of the Fund for Special Operations represents a 50 percent increase over existing resources of the Fund. The United States' share of the increase would be $50 million while the Latin American members will contribute $23 million. As was the case with the original contributions, the Latin American members will make their contributions to the extent of one-half in gold or dollars and one-half in their own currencies. Members are to notify the IDB by the end of this year of their consent to the increase and intention to make the necessary payment within 90 days. Accordingly, subject to the approval of this authorizing legislation, a $50 million appropriation is being sought for the current fiscal year to enable the United States to make its payment.

The $300 million additional increase in the authorized capital of the IDB would not involve subscriptions by the United States or other present members of the IDB. In other words, no authorization or appropriation of funds by the U.S. would be required. Rather this proposal looks toward the eventual

eventual admission of newly independent nations of the Americas, and possibly Canada, as members of the IDB. In the event such additional members are admitted and subscribe to as much as $220 million, one additional Executive Director would be elected to represent the new members. At present the Board of Executive Directors consists of seven members, of which one represents the United States.

I should add, with respect to the Fund for Special Operations, that the proposed increase in resources represents approximately one additional year's needs for loan operations. The future of this Fund and its potential need for additional resources is presently the subject of special study. The Directors of the IDB were instructed by the Governors earlier this year to conduct such a study, looking especially at the relationship of this Fund, which was designed to make so-called "soft loans", to the other activities of the IDB. It has been the view of some -- and I tend to share this view -- that the image of the IDB and its operations might be strengthened if its three existing loan windows could be consolidated into two windows. Consideration will therefore be given by the Executive Directors and the Governors to the advisability in

the future of limiting the IDB's operations to the existing ordinary capital or "hard loan window" and one "soft window" which would combine the operations now conducted through the Fund for Special Operations and the Social Progress Trust Fund -- much along the lines of the IBRD/IDA arrangements. Such a consolidation would not, of itself, affect the total amount of funds needed by the IDB for economic and social development purposes. At least as much -- perhaps even more -- will be needed than in the past for these purposes.

The Special Report of the National Advisory Council and the report of the IDB's Executive Directors explain fully the need for the proposed increase in the resources of the IDB. This need stems fundamentally from the tasks being assigned to the IDB within the context of the expanding program of inter-American economic cooperation, and Latin America's requirements for external resources to accomplish the goals of the Alliance for Progress. The specific amounts involved are derived by projecting a modest dollar lending rate, from the IDB's own resources, of $200 million a year, of which $150 million would be from ordinary capital and $50 million from the Fund for Special Operations. On this basis, it is estimated that existing

lendable dollar resources will have been exhausted some time during calendar 1965, with respect to ordinary capital, and by the end of this year, with respect to the Special Fund. The proposed increases will cover additional loan commitments at the projected rates through 1967 for the ordinary capital, and, as I have noted, for one additional year (1964) in the Special Fund.

The IDB's Activities

The IDB has a remarkable record of accomplishment during the short three year span since it opened its doors for loan operations. As of the end of September, it had approved from its own resources 101 loans for an aggregate value of $417 million and 65 loans from the Social Progress Trust Fund for $358 million. In excess of $750 million has thus been put to work to meet the pressing economic and social needs of Latin America -- for housing and schools, for water supply and sanitation facilities, and for the variety of agricultural, industrial, and public works facilities essential to proper development and growth.

Of the loans made from its own capital resources, 68 loans for $300 million were financed out of the IDB's ordinary capital resources, drawing upon the paid-in capital subscriptions

as well as the resources derived from the two bond issues last year. Approximately $54 million of these ordinary capital loans were made in the Latin American currencies available to the IDB. It has made 33 loans for $117 million, including $16 million in Latin American currencies, from the resources of the Fund for Special Operations, which are now rapidly approaching exhaustion.

Together with the assistance the IDB has provided to Latin America through the provision of this loan capital, it has also given help in the building of developmental institutions. It has been instrumental in the creation or improvement of many such institutions -- among them development banks, housing institutes, savings and loan associations and agrarian credit organizations. The IDB has also helped significantly in promoting the acceptance of the administrative and social reforms so vital to the success of the Alliance for Progress, such as the re-structuring of antiquated fiscal, agrarian and administrative systems.

Of special interest at this time, I should note the increasing effort being made by the IDB to mobilize resources and obtain supplementary credits from European countries for

development projects which it is helping to finance. I have already noted that the IDB placed its first bond issue in Europe. It has been very active in bringing Latin America's needs to the attention of the European countries and stimulating their interest in specific project opportunities. We are hopeful that the increasing interest in Latin America on the part of European governments and investors will help broaden their participation in international development assistance on suitable terms. We have in the IDB an admirable multilateral instrument which can assist -- and is exerting itself to assist -- in bringing about expanded European participation in the Alliance for Progress.

Conclusion

Mr. Chairman, the Inter-American Development Bank was established as a tangible institutional symbol of inter-American economic cooperation. Events moved rapidly after its establishment, and multilateral economic and social cooperation in this hemisphere culminated in President Kennedy's call in early 1961 for an "Alliance for Progress." In an unprecedented move shortly thereafter, the nations of the Americas committed themselves in the Charter of Punta del Este to a sweeping program of social reform and a decade

of economic growth. Since then, the Inter-American Development Bank has assumed new stature, in the forefront of the Alliance, stimulating, encouraging, and leading the way toward achievement of the Alliance goals.

The realization of the goals of the Alliance is a formidable task. The difficulties inevitably encountered in attempting to bring about fundamental changes in whole societies are immense. Certainly, the mere provision of money from outside sources cannot assure success of the Alliance. Fortunately, there is increasing realization throughout Latin America that the extent of their own efforts will in the long run determine the success or failure of the Alliance for Progress and will determine whether the external resources being made available to them can be successfully utilized. The Inter-American Bank plays a significant role in shaping and stimulating the nature of Latin America's own efforts toward Alliance goals. Through their own financial participation, through their presence in the staff and management, and their decisions in all of its governing bodies, the IDB is available to the Latin American countries as their own instrument, which

they themselves can use and direct in the struggle to cast off the bonds of poverty and ignorance.

The record shows that Latin America is making a substantial and effective use of the IDB as a means of accelerating social and economic progress, and that the IDB is worthy of full and continued U. S. support. I therefore urge the approval of the bill before you to provide for increased participation by the United States in the Inter-American Development Bank.

INTERNATIONAL DEVELOPMENT ASSOCIATION

I would now like to turn to our request for authority which would permit the United States to participate with sixteen other economically advanced members of the International Development Association in an increase of $750 million in the Association's resources, to be paid in over a three-year period, beginning in fiscal 1966, at the rate of $250 million a year. In comparison with the annual payments initially subscribed to IDA, the present proposal means an increase of two thirds in the amounts we and these other countries are providing for use by this effective, multilateral institution.

Action on this matter is required now, because the Association will very shortly exhaust its authority to make credit commitments against its existing subscribed resources. These present resources are still in the process of being paid in under a five-year schedule, with the final payment falling due in November, 1964. Thus, while IDA currently has funds with which to make disbursements on commitments already made, it needs prompt assurance of the future availability of new funds if it is to continue to make new commitments. Although authorization for our participation is required now in order to permit IDA to continue operations, no appropriation of funds would be required until fiscal year 1966.

Structure and Operations of IDA

Legislation relating to IDA has not been before this Committee since 1960, and I would therefore like to review briefly the nature of the institution and its accomplishments to date. IDA came into existence in September 1960, as an affiliate of the World Bank, and is located here in Washington. Any member country of the World Bank may join the Association, and as of November 8, 1963, 90 of the 101 members of the Bank were also members of the Association. IDA has no staff separate from its parent institution; instead, for reasons both of

economy and coordination, the regular World Bank staff performs IDA's loan appraisal and other functions, and IDA reimburses the Bank for these services. Similarly, IDA's Board of Executive Directors, which oversees day-to-day operations, consists of the World Bank's Executive Directors serving *ex officiis*. The senior policy body of IDA, the Board of Governors, consists of the IBRD Governors of IDA member countries, also serving *ex officiis*.

IDA's membership is divided into two categories: the Part I countries are the economically advanced countries of the free world and supply the great bulk of the Association's hard currency resources, while the Part II countries are the developing nations, which are the recipients of IDA's credits. Member countries initially subscribed to IDA in approximate proportion to their subscriptions to the International Bank, and voting strength is based on the relative size of subscriptions. Part I countries are required to pay their entire initial subscriptions in convertible currencies, whereas Part II countries are required to pay 10% of their initial subscriptions in convertible currency and the remaining 90% in local currency which may not be used outside the member country without its permission. Total subscriptions as of

November 8, 1963, were $984.4 million, of which $766.9 million was due in convertible currency and $217.5 million in restricted local currency. Initial subscriptions were made payable in five annual installments, the fourth of which fell due on November 8. The subscription of the United States to IDA amounts to $320.29 million, on which $258.6 million has already been paid in.

IDA makes credits for the same general purposes as the World Bank, but its terms differ sharply from those carried by the World Bank's loans, which are now at 5-1/2% interest and for periods up to 25 years. All IDA credits are made for a term of 50 years, and bear no interest, but carry a service charge of 3/4% per annum. There is a 10-year grace period on repayment of principal; in the next ten years, 1% of principal is repaid annually; and in the final thirty years, 3% of principal is repaid annually.

Out of its total lendable resources in hard currency of just over $750 million, IDA had committed $554 million on 42 credits in 18 countries by October 31, 1963. Disbursements as of that date were $104 million. At the rate of IDA lending evidenced in FY 1963, the balance of lendable funds would be exhausted sometime next Spring.

A major part of IDA's commitments has gone to projects in Asia and the Middle East. Latin America has been the next largest recipient, followed by Africa and Europe. The European activities of IDA have been confined exclusively to Turkey.

Need for Finance on IDA Terms

The external public debt of developing countries more than doubled between 1955 and 1961. However, this dramatic increase was not matched by a comparable increase in the foreign exchange earnings required to meet this heavier debt servicing burden. The developing countries are thus caught in the dilemma of incurring further debt on conventional terms, which in most cases would be imprudent in the light of their over-all debt servicing capacity, or of curtailing sharply the inflow of external resources, which may slow down or even reverse the forward motion of their development, with dangerous political and social consequences, as well as adverse repercussions on the stability of the international monetary system.

IDA was established three years ago as one way of mobilizing the resources of the economically advanced countries

to alleviate this dangerous situation. Many of the developed countries recognize the seriousness of the problem of accumulation of short-term, high-interest debt by the developing countries. They are - increasingly - providing funds to finance development at a cost the developing countries can afford. This is the solution we have adopted in our own aid program, and it is important that we continue to be able to do this. One of the most effective ways we can get other countries to share in this effort is by this proposed increase in IDA resources, although IDA can only meet a portion of the demand for development funds on appropriate terms.

Details of the Proposal

In brief outline, the proposal recommended to the IDA Governors by the Executive Directors in their report of September 9, 1963, is for an increase of $750 million in the hard currency resources of the Association, such increase to be entirely paid in by seventeen Part I countries over a three-year period commencing in FY 1966. The Part II countries will have no part in this increase in capital. Compared with the initial subscriptions to the Association, which are being paid over a five-year period, the new resources represent

a two-thirds increase in the annual volume of funds being made available.

Except in the case of Belgium and Luxembourg, the new resources take the form of additional contributions to IDA, without voting rights, rather than subscriptions which would carry voting rights. The U. S. already enjoys over a quarter of the total voting power, and this favorable position will not be significantly changed. Belgium and Luxembourg, which have not previously joined IDA, are now doing so, and half of their participation in the new resources will be considered as their initial subscriptions with voting rights and the other half will be on the same non-voting basis as the remaining participants.

The share of the United States in the new resources is $312 million, or 41.6% of the $750 million total. This represents a slight reduction from our 43% share in the initial subscriptions to the Association. There has been a significant increase in the shares pledged by Canada, France, Germany, Italy, Japan, and Sweden, while at the same time there were significant reductions in the shares of the United Kingdom and the Netherlands. These changes are a reflection

of changed conditions in the countries concerned since the initial subscriptions were agreed upon and provide a sounder basis for the future. South Africa also reduced its share significantly. Kuwait, which was not initially a member of IDA, joined as a Part I country on September 13, 1962, but is not participating in the new contributions. The shares of the other Part I countries show only minor variations from their initial subscriptions. The attached table shows amounts and shares of each Part I country's initial subscription and their participation in the proposed new resources.

The understanding among the participating countries provides that no country's commitment will become effective unless twelve of the seventeen contributors, representing $600 million of the $750 million total, agree by March 1, 1964, to make their contributions on the proposed terms. By the terms of the resolution, however, the Governors of IDA must vote by December 31 of this year to authorize the Association to accept the resources to be provided by the Part I members. Although the Executive Directors may extend either of the above dates if necessary, the urgent need of IDA for an early assurance of additional funds argues strongly for prompt action within the specified deadlines, in order to avoid an interruption in the smooth flow of IDA's credit activities.

The Proposed Legislation

The bill before you would amend the International Development Association Act in order to provide for three things. First, it

would authorize me, as U. S. Governor of IDA, to vote in favor of an increase in the resources of the Association. This is the vote that is required by December 31. Second, it would authorize me to agree, on behalf of the United States, to contribute $312 million to the Association as the U. S. share of the increase in resources, and would authorize the appropriation of that sum, without fiscal year limitation. Finally, it would eliminate existing language which limits the issuance of non-interest bearing notes to the amount of the initial subscription of the United States. This is necessary to permit the United States to substitute non-interest bearing notes for the new resources until IDA actually requires cash for disbursement, and thereby to minimize the cost to the Treasury of this contribution.

I wish to re-emphasize that the authority being requested today for IDA does not carry with it any requirement for an immediate appropriation, and will not impose any budgetary burden during the next fiscal year. No payment is required until fiscal 1966; an appropriation request will be presented in January 1965 as part of the 1966 Budget Message.

Advantage of IDA to the United States

No discussion of IDA can be complete if it omits reference to a fundamental fact: IDA, like no other multilateral institution, mobilizes substantial amounts of development funds from the other advanced countries for lending on terms that are fully adapted to the needs of the developing countries. For every dollar the United States has put up of the initial subscriptions, other Part I countries have put up \$1.32. For every dollar the United States will put up in additional resources, other Part I participants will put up \$1.40 and the funds of others will be provided on the same terms as the U.S. funds. For some of the smaller countries, IDA is the only mechanism through which they provide foreign development assistance, and therefore IDA is the only technique we have available for getting these countries to share the aid burden with us.

Mr. Chairman, much of the impetus for the establishment of IDA originally came from the Congress itself and the Congress has reaffirmed its confidence in the institution through annual appropriations for our initial subscription. The United States has in the past assumed a position of leadership regarding IDA, and has done so

again in playing the major role in obtaining the agreement of others to this substantial augmentation of the Association's resources. Our national interest here coincides with our international responsibilities, for the nations today assisted by IDA are building the foundations for a fuller participation in tomorrow's expanding world of international trade. I therefore urge that you act favorably on this bill.

Thank you, Mr. Chairman.

[In millions of U.S. dollars and percentages]

Country	Initial resources		Proposed amount of new resources		Percent share of initial resources	Percent share of new resources
	Total	Annual rate	Total	Annual rate		
Australia	20.18	4.04	19.80	6.60	2.72	2.64
Austria	5.04	1.01	5.04	1.68	0.67	.67
Belgium	--	--	16.50	5.50	--	2.20
Canada	37.83	7.57	41.70	13.90	5.09	5.56
Denmark	8.74	1.75	7.50	2.50	1.18	1.00
Finland	3.83	.766	2.298	.766	0.52	.31
France	52.96	10.59	61.872	20.624	7.13	8.25
Germany	52.96	10.59	72.60	24.20	7.13	9.68
Italy	18.16	3.63	30.00	10.00	2.45	4.00
Japan	33.59	6.72	41.25	13.75	4.52	5.50
Kuwait	3.36	.67	--	--	0.45	--
Luxembourg	--	--	.75	.25	--	.10
Netherlands	27.74	5.55	16.50	5.50	3.73	2.20
Norway	6.72	1.34	6.60	2.20	0.90	.88
South Africa	10.09	2.02	3.99	1.33	1.36	.53
Sweden	10.09	2.02	15.00	5.00	1.36	2.00
United Kingdom	131.14	26.23	96.00	32.20	17.66	12.88
United States	320.29	64.06	312.00	104.00	43.12	41.60
Total	742.72	148.56	750.00	250.00	100.00	100.00

Note: Detail may not add to totals due to rounding.

and the Office of Domestic Gold and Silver operations.

Prior to joining the Treasury in 1962, Mr. Volcker was associated with the Chase Manhattan Bank of New York, directing research on domestic financial markets, and banking and financial institutions. Before that, he had held a number of positions with the Federal Reserve Bank of New York. His work there included analyses of the Government securities market, ~~execution of Open Market Committee~~ transactions, ~~and the~~ prepar~~ation of~~ reports and memoranda on ~~Treasury financing~~.

Born in 1927 in Cape May, New Jersey, Mr. Volcker is a graduate of Princeton, and has studied at Harvard University, obtaining his Master's degree there in Political Economy and Government. He has also studied at the London School of Economics.

During his service with the ~~Federal~~ Reserve Bank ~~of New York~~, Mr. Volcker taught Money and Banking at the New York Institute of Finance.

DRAFT:-- 11/14/63
FOR RELEASE A.M. NEWSPAPERS
Monday, November 18, 1963

FOR IMMEDIATE RELEASE

November 14, 1963

PAUL VOLCKER NAMED DEPUTY UNDER SECRETARY
FOR MONETARY AFFAIRS

Treasury Secretary Douglas Dillon today announced the appointment of Paul A. Volcker as Deputy Under Secretary of the Treasury for Monetary Affairs. Mr. Volcker has been Director of the Treasury's Office of Financial Analysis since January, 1962.

Mr. Volcker will succeed J. Dewey Daane, who was recently appointed by President Kennedy to the Board of Governors of the Federal Reserve System. Mr. Daane will assume his new duties near the end of the month at which time Mr. Volcker's appointment as Deputy Under Secretary will become effective.

In his new capacity Mr. Volcker will act as a general deputy to the Under Secretary for Monetary Affairs in all aspects of the latter's responsibility for foreign and national financial problems, but with particular emphasis on the work of the Office of Financial Analysis, the Office of Debt Analysis,

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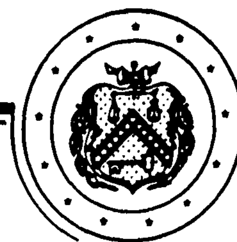
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 15, 1963

FOR RELEASE A.M. NEWSPAPERS,
MONDAY, NOVEMBER 18, 1963

PAUL VOLCKER NAMED DEPUTY UNDER SECRETARY
FOR MONETARY AFFAIRS

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Prior to joining the Treasury in 1962, Mr. Volcker was associated with the Chase Manhattan Bank of New York, directing research on domestic financial markets, and banking and financial institutions. Before that, he had held a number of positions with the Federal Reserve Bank of New York. His work there included analyses of the Government securities market aswell as two years as a trader handling transactions for Federal Reserve and Treasury accounts. He also for several years was a member of the Bank's research department, preparing reports and memoranda on foreign and domestic financial problems.

Born in 1927 in Cape May, New Jersey, Mr. Volcker is a graduate of Princeton, and has studied at Harvard University, obtaining his Master's degree there in Political Economy and Government. He has also studied at the London School of Economics.

Mr. Volcker is married to the former Barbara Marie Bahnson. 'hey nave two children and make their home at 4621 Chevy Chase ioulevard, Chevy Chase, Maryland.

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, November 19, 1963.

November 18, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated August 22, 1963, and the other series to be dated November 21, 1963, which were offered on November 13, were opened at the Federal Reserve Banks on November 18. Tenders were invited for $1,200,000,000, 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 February 20, 1964		182-day Treasury bills maturing May 21, 1964	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.111	3.517%	98.156	3.647%
Low	99.108	3.529%	98.146	3.667%
Average	99.109	3.524% 1/	98.150	3.660% 1/

79% of the amount of 91-day bills bid for at the low price was accepted
8% 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	$ 41,040,000	$ 15,842,000	$ 12,190,000	$ 5,090,000
New York	1,657,836,000	741,040,000	1,160,696,000	635,936,000
Philadelphia	34,186,000	19,018,000	9,306,000	4,306,000
Cleveland	27,044,000	26,764,000	10,297,000	10,297,000
Richmond	15,519,000	15,023,000	9,365,000	7,425,000
Atlanta	28,358,000	22,303,000	7,151,000	6,751,000
Chicago	267,465,000	171,784,000	110,267,000	50,267,000
St. Louis	43,953,000	37,422,000	13,111,000	11,611,000
Minneapolis	23,759,000	17,734,000	7,591,000	5,691,000
Kansas City	39,255,000	34,612,000	14,084,000	10,984,000
Dallas	40,631,000	26,379,000	18,167,000	9,247,000
San Francisco	101,385,000	73,386,000	59,169,000	42,695,000
TOTALS	$2,320,431,000	$1,201,307,000 a/	$1,431,394,000	$800,300,000 b/

a/ Includes $278,616,000 noncompetitive tenders accepted at the average price of 99.109
b/ Includes $75,968,000 noncompetitive tenders accepted at the average price of 98.150
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.62%, for the 91-day bills, and 3.79%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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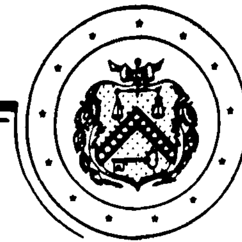
TREASURY DEPARTMENT



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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE SENATE FINANCE COMMITTEE
ON THE DEBT LIMIT
MONDAY, NOVEMBER 18, 1963, 10:00 A.M.

At the end of this month, the second temporary extension in the debt limit since late May of this year will expire. In the absence of new legislation, the ceiling will revert from $309 billion to its permanent level of $285 billion. This would be more than $23 billion below our latest estimates of the actual amount of outstanding debt subject to the limit on November 30.

Consequently, the need to extend the temporary limit promptly is imperative. Moreover, the limit must also be increased to enable us to meet our financial obligations during the remainder of the fiscal year. These obligations will require new debt financing within the first few days of next month -- financing which will have to be announced before the end of this month.

Our projected borrowing needs over the remainder of the fiscal year are illustrated on the attached table. The second column shows the estimated size of the debt at semi-monthly

intervals, assuming at each date a cash balance of only $4.0 billion -- well below the amount we normally maintain, and equivalent to less than half of our average monthly expenditures. Actually, we know that our debt cannot be adjusted abruptly in response to short-lived, but frequently very large, swings in receipts and expenditures from one day to the next, or from week to week, as these estimates assume. Even with the most careful planning, we must frequently carry a substantially larger cash balance. But without any allowance for that contingency, or for other unforeseen developments, our debt will reach successively higher peaks of more than $310 billion in mid-December, nearly $313 billion in March, and more than $314 billion by June 15.

These figures are consistent with our latest review of the outlook for both receipts and expenditures. This review indicates that our deficit for the current fiscal year should approximate $9.0 billion, substantially less than the $11.9 billion estimated last January in the President's budget. That decided improvement reflects both higher receipts and smaller expenditures than originally foreseen.

Our current estimates of fiscal year receipts take into account the impact of the tax program passed by the House of

Representatives in September and now being considered by your Committee. We estimate that this program, with the rate reductions becoming effective on January 1 of next year, would entail a net revenue loss of $1.8 billion during fiscal 1964 after allowing for the stimulus to the economy and the larger base of taxable incomes that would result. That revenue loss from the tax program is $900 million smaller than the $2.7 billion estimated in January, when the program was proposed, because the rate reductions in the House bill are scheduled to take effect six months later than originally anticipated.

I should point out that the tax program, because it affects revenues only with a lag, has very little bearing upon the amount of our cash needs through mid-March, when borrowing needs are seasonally high. It would add approximately $1.6 billion to our needs by June 15, when the debt will reach its peak for the year. The primary effect of the tax bill on fiscal year 1964 revenues would come through the proposed reduction in withholding rates.

The revenue outlook has also been improved because economic activity, profits, and personal income will clearly be significantly higher in calendar 1963 than we anticipated at the time of the President's budget message. These factors

are the principal determinants of fiscal 1964 revenues, and we expect the result will be an additional $1 billion in receipts. Consequently, total receipts are now projected at $88.8 billion -- $1.9 billion higher than estimated in January.

Meanwhile, the reductions in appropriations by the Congress, together with the continuing, intense efforts of the Administration to achieve every practicable economy within the framework of Congressional authorizations, are being reflected in a significantly lower rate of spending than originally estimated. Sizable savings are spread through a number of programs. These savings will more than offset increased costs in two areas -- for interest on the public debt, and for farm price support programs -- which are expected to exceed earlier estimates. As the Director of the Budget will outline in greater detail, our expenditure estimates in some respects must still be considered tantative, largely because the Congress has not yet taken final action on some appropriation bills. But, there is a clear prospect that total spending in fiscal 1964 can be held to $97.8 billion, or approximately $1 billion below the figure estimated in January.

The resulting budgetary deficit of $9.0 billion would actually be less than the $9.2 billion estimated last January in the absence of any tax reduction.

The debt limit legislation passed by the House on November 7 and now before your Committee provides for an increase in the temporary ceiling to $315 billion through June 29, 1964. The bill then provides that the limit would return to $309 billion for one day -- June 30 -- before expiring. As indicated by the table, this authorization to issue additional debt will meet our calculated needs through the remainder of the fiscal year only on the assumption that the cash balance can be maintained at $4 billion, and only by cutting deeply into the customary and highly desirable margin for contingencies and flexibility during our period of peak needs in March and June.

I must point out that, over the past 10 years, the final estimates of both revenues and expenditures contained in the January budget document for the fiscal year which is then more than half completed have each had an average error of $1½ billion. The comparable error in the estimates of the net deficit or surplus has averaged $1.3 billion. Therefore, I believe that the $315 billion limit provided by the House bill is the very minimum that can be accepted.

It must be recognized that a ceiling so close to our projected needs entails definite risks, particularly at the time of our peak requirements next June. Those risks can be prudently accepted only because experience during the first quarter of next year -- particularly in connection with the usual heavy March corporate profits tax payments -- will provide a basis for reappraising our needs in ample time to enact appropriate new legislation, if that should become necessary. Of course, if the tax program were not to be enacted by January 1st and its impact on revenues delayed, the allowance for contingencies would then be somewhat larger. However, during the middle of June -- the period of peak need -- the allowance would still be below what has always been considered normal in the past.

I must also point out that, because of the extremely large receipts that flow into the Treasury during the latter half of June, it will be impracticable to reduce the cash balance on June 30 to less than $5 billion, which would be necessary to stay within a $309 billion debt ceiling on that day assuming a budgetary deficit of $9 billion, as presently estimated. Including allowance for the usual retirement of tax anticipation bills during that period, income substantially exceeds current cash needs.

These surplus funds are, however, quickly required to meet our obligations in early July, when receipts are seasonally very low. This recurrent pattern means that the cash balance must temporarily rise over the end of the fiscal year -- to something like $7 billion -- if we are to avoid changes in the outstanding debt so large and abrupt as to be seriously disturbing to the market. Under these circumstances, the debt limit of $309 billion provided in the House bill for June 30 will not be adequate unless the budgetary deficit is reduced substantially below the $9 billion figure now foreseen.

With this caveat, I believe that the House bill provides an acceptable debt ceiling for the remainder of the fiscal year. It is certainly fully expressive of the compelling need and desire, shared by the Congress and the Administration, to maintain restraints on expenditures. In so doing, it does entail risks in impairing the usual margin for unforeseen contingencies and flexibility.

Experience has shown us the extra and highly undesirable costs and difficulties of managing a debt when it is pressing closely against the ceiling. It is essential that we maintain a margin for financing flexibility -- not only to make it possible to take advantage of favorable financing opportunities when they present themselves, but also to permit us to allow for a

normal range of uncertainty in gauging the response of the market to our necessarily huge financing operations. In recent years, the necessity to maintain a reasonable equilibrium between the level of short-term rates in our market and markets abroad to minimize disturbing capital flows between countries has sometimes required a substantial increase in our sales of short-term securities on short notice, adding to the need for operating flexibility. And, whenever the debt rises very close to the ceiling, and our financing flexibility is thus exhausted, the danger arises that planning and executing acquisitions of Treasury debt for the Federal trust funds, as required by our trustee function, will be adversely affected by our inability to issue additional debt to them.

For these reasons, I could not contemplate discharging my responsibilities for managing the finances of our Government prudently and economically within a debt ceiling any lower than that provided in the House bill. With the understanding that present estimates indicate the likelihood that it will be necessary to make the fiscal year 1965 legislation effective next June 30th rather than July 1st, I recommend enactment of this bill in its existing form. You may be assured that the Executive Branch will strive in every practicable way to realize a budgetary outcome that will enable us to maintain our debt within this tight ceiling.

PUBLIC DEBT SUBJECT TO LIMITATION
FISCAL YEAR 1964
(In billions)

Assumes Tax Cut (Effective January 1964 - as passed by House)

	Operating Cash Balance (excluding free gold)	Public Debt Subject to Limitation	Normal Allowance to Provide Flexibility in Financing and for Contingencies	Total Public Debt Limitation Required to Provide Normal Allowance
Actual				
June 12, 1963 (low balance for June)	$4.2	$305.3		
June 30	11.1	306.1		
July 15	7.7	306.0		
July 31	6.2	305.1		
August 15	5.1	305.0		
August 31	6.1	306.8		
September 15	4.4	307.5		
September 30	8.9	307.0		
October 15	5.1	306.8		
October 31	3.7	306.8		
Estimates based on projected actual cash balance				
November 15	3.3	307.9		
November 30	4.2	308.5		
Estimates based on constant minimum operating cash balance of $4.0 billion				
December 15	4.0	310.7	$3.0	$313.7
December 31	4.0	307.6	3.0	310.6
January 15, 1964	4.0	310.4	3.0	313.4
January 31	4.0	309.5	3.0	312.5
February 15	4.0	310.6	3.0	313.6
February 28	4.0	310.1	3.0	313.1
March 15	4.0	312.9	3.0	315.9
March 31	4.0	307.9	3.0	310.9
April 15	4.0	311.5	3.0	314.5
April 30	4.0	310.7	3.0	313.7
May 15	4.0	310.8	3.0	313.8
May 31	4.0	311.4	3.0	314.4
June 15	4.0	314.2	3.0	317.2
June 30	4.0	308.1	3.0	311.1

FOR RELEASE: UPON DELIVERY

STATEMENT OF THE HONORABLE JOHN C. BULLITT
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE FOREIGN OPERATIONS AND GOVERNMENT
INFORMATION SUBCOMMITTEE OF THE COMMITTEE ON
GOVERNMENT OPERATIONS
ON LOCAL CURRENCY HOLDINGS
NOVEMBER 18, 1963, 10:00 A.M. EST

Mr. Chairman and Members of the Committee:

I am happy to appear before this Committee to discuss the operations and the policy of the Treasury Department in dealing with foreign currencies held by the United States and available for United States uses.

The interest of the Treasury Department in this question is twofold:

First, Treasury has responsibility for central accounting, financial reporting and other fiscal operations in connection with all local currencies received by the United States Government.

Second, Treasury is interested in the maximum feasible use of foreign currency receipts to avoid dollar expenditures abroad. This interest is in line with the vigorous efforts which the Administration is making to improve the balance-of-payments position of the United States.

I shall devote part of my statement to the balance-of-payments aspects of the use of our local currency holdings. It will be helpful, however, to describe first the way in which our foreign currency holdings arise, Treasury's specific functions relating to their handling, and the nature of the limitations affecting their use.

The largest single source of foreign currencies currently being received for U. S. uses is the sale of agricultural commodities under Public Law 480, Title I. "U. S. uses" include ordinary government operating expenditures; special programs such as agricultural market development, educational exchange and scientific research; and sales to American tourists. FY 1963 receipts from P.L. 480, Title I, amounted to $213 million out of a total of $484 million generated during that year for U.S. uses from all sources. Of the balance, $163 million represented receipt of principal payments and interest on economic development loans, repayable in local currencies, and $108 million represented interest on deposits held abroad, proceeds from the sale of surplus property and other receipts. Table A (attached) provides a more detailed breakdown of FY 1963 receipts of local currencies by source.

Under present regulations, the Treasury initially takes custody of practically all foreign currency receipts. It

issues transfer authorizations to move foreign currencies from holding accounts to operating accounts in accord with relevant legislation and, where appropriate, the terms of country agreements. If a problem should arise about the priority of assignment of local currency receipts to various U. S. uses, the problem would be resolved by the Bureau of the Budget in consultation with the agencies concerned.

The Treasury Department consolidates agency estimates of local currency requirements. On the basis of these estimates and supplementary information about possible changes in requirements and availabilities, the Treasury annually prepares a list of the countries in which U. S. holdings are in excess.

For most of the 60 or so currencies held by the U. S. Government, holdings are much smaller than estimated requirements for a reasonable period in the future. But in the case of some countries--between seven and nine in recent years--Treasury has found that holdings exceed two years' prospective requirements. In such a case, the currency is likely to be designated by Treasury as an excess currency unless prospective changes in U. S. receipts of the currency or the trend of

U. S. requirements or a rise in prices in the countries involved suggest that a somewhat larger number of years' requirements should be allowed for before the currency is considered "excess".

This determination of excess currencies is made by the Treasury in cooperation with other agencies, particularly with the Bureau of the Budget. Once the list of countries in which excess currencies are held has been established, it is used by the Director of the Bureau of the Budget as a guide for inviting agencies to request special foreign currency program appropriations. Such appropriations, when approved by the Congress, are for expenditures that can be financed only out of U. S. Government holding of excess currencies.

The exchange rates at which U. S. holdings of local currencies are sold to government agencies, personnel, or other authorized purchasers are specified by the Treasury Department. This involves no problem in a country with a unitary exchange rate. In some countries, however, multiple exchange rate systems exist, and in these cases the general policy has been to use the rate at which the currency could be acquired in the market for the purpose involved.

The Treasury Department designates the depositories abroad for U. S. Government-owned local currencies and makes it a practice to utilize branches or subsidiaries of American banks wherever possible. It is the policy of the Treasury to obtain the maximum amount of interest possible on such deposits consistent with their safety. The protection of U.S.-owned foreign currencies is a prime concern of the Treasury. The risks that would be involved in some countries in depositing funds with foreign commercial banks would more than outweigh any interest that might be collected on the funds. In these cases we have followed the practice of depositing the funds with foreign central banks which we feel provides the maximum security for the funds since by doing so we are creating what is tantamount to a Government-to-Government claim.

In some foreign countries the payment of interest by banks on demand deposit balances is prohibited and, therefore, unless a portion of the funds can be placed on a time basis it is not possible to collect interest. If the Government agency for which the funds are being held expects to disburse them within a short period of time, the placing of such funds on a time deposit would not be practicable.

Some foreign governments take the position in negotiating P.L. 480, Title I, sales agreements that the proceeds shall be deposited with their central banks even though the majority of the central banks do not pay interest on deposits. In such cases, a decision must be made as to how much it is worth to us to resist this position in view of other objectives we are seeking in the sales agreements.

We are constantly reviewing the arrangements under which balances are maintained with banks abroad with a view to increasing the amount of interest earned.

U. S. disbursing officers of the State Department are authorized by the Treasury to operate the local accounts in which the bulk of our local currency is held, and are under the technical supervision of the Treasury Department. They disburse under delegation of authority from the Chief Disbursing Officer of the Treasury Department. Central summary accounts of our local currency holdings are maintained by Treasury, and periodic financial reports are prepared. The latest of these is the "Preliminary Report on Foreign Currencies in the Custody of the United States, Fiscal Year 1963", a copy of which has been provided to the Committee.

Finally, I should mention that Treasury participates with other agencies in the inter-agency committee which formulates U. S. negotiating positions for prospective Title I sales agreement with foreign countries.

With this brief survey of Treasury's functions completed, I should like to turn our balance-of-payments position and the way in which our local currency operations help that position. The United States has experienced substantial balance-of-payments deficits in each of the past five years. From a peak of $3.9 billion in 1960, the over-all deficit, measured by our gold sales plus the increase in short-term liquid liabilities to foreigners, fell to $2.4 billion in 1961 and to $2.2 billion in 1962. While the commercial trade balance and government expenditures abroad showed modest improvement, a significant portion of the progress has been due to special receipts from inter-governmental transactions, including receipts from the sale of non-marketable medium-term securities, from advance payments for military equipment and from debt prepayments. Moreover, capital outflows remained large.

In the first half of this year, the balance-of-payments deficit showed a tendency to expand once again, a deterioration

attributable in large part to an increase in long-term capital outflows from the United States. Specifically, new issues of foreign securities in the United States, which had averaged less than $600 million per year in the period 1959-61, rose to an annual rate of nearly $2 billion in the first six months of this year. On July 18, the President, in a special message to the Congress, reviewed the Administration's program for improving the balance-of-payments position and announced several new measures for this purpose -- including an Interest Equalization Tax, designed to increase the cost to foreigners of obtaining capital in the U. S. market.

Our balance-of-payments position showed a marked improvement in the third quarter of this year, reflecting the measures announced by the President. Particularly sharp was the decline in the outflow of long-term private portfolio capital as a result of the Interest Equalization Tax proposal. Purchases of new foreign issues in the third quarter amounted to about $175 million as compared with over $500 million in each of the first two quarters of this year. Net purchases of outstanding foreign securities from foreigners declined almost to zero in the third quarter compared to about $50 million in each of the first two quarters. There was also a substantial

reduction in recorded net short-term capital outflow at least in part attributable to the rise in the Federal Reserve discount rate in July. The rise in the maximum rate which banks may pay on time deposits of under one year was also a factor.

Primarily as a result of these improvement, our deficit on regular transactions -- that is, excluding debt prepayments, sales of special government securities, and other special transactions, fell from a seasonally adjusted rate of $1.3 billion in the second quarter to somewhat less than $400 million in the third quarter. Despite the improvement in the third quarter, the rate of the deficit for the first three quarters of the year on an annual basis remained at about the level for all of last year.

In view of this situation, the need to press ahead in our efforts to correct our deficit situation is evident. We are doing this over a broad field.

Our efforts include the maintenance of domestic price stability and passage of the pending tax bill.

They include export expansion

through negotiation of tariff reductions;

through broad facilities for export credit financing;

through greater promotion of American products abroad and active probing for new markets;

through active stimulation of present and potential American exporters, most recently by the White House Conference on Export Expansion;

through increased sale abroad of Government commodity stocks; and

through remedying a situation of ocean freight rate discrimination against U. S. exports.

They include improving our balance on tourism

through continuing to limit the duty-free Customs exemption to $100 per person;

through a strengthened program by the United States Travel Service to increase foreign travel here; and

through a "See America Now" program.

They include a reduction of Federal expenditures of dollars abroad, recently strengthened through a procedure for special review and control by the Bureau of the Budget.

For example, net military expenditures of dollars abroad, which had already declined from $2.7 billion in 1960 to $1.9 billion in 1962, will be reduced further by

more than $300 million by actions to be put into effect before the end of calendar year 1964. In addition, the Defense Department will continue arranging offsets through military procurement by allies in the United States. Also, programs for acquisition of strategic materials from foreign sources will be reduced by over $200 million from the 1962 level within the next two years. The total planned reduction of military dollar expenditures is well over $500 million.

As for the Agency for International Development, a continuation of tying more than 80 per cent of all commitments to U. S. goods and services will reduce dollar outflows in fiscal year 1965 to not over $500 million. This represents a reduction of $300 million from the level achieved in fiscal year 1963.

Other departments' and agencies' overseas expenditures will be reduced within the next year by at least $100 million.

As steps for improving our balance on capital account, I have already mentioned the Federal Reserve increase in the

rediscount rate from 3 to 3-1/2 per cent, the higher ceiling for interest rates payable on time deposits of short maturities and the proposed Interest Equalization Tax. The pending tax reduction bill will increase the attractiveness of direct investment in the U. S. for both domestic and foreign firms. A joint program by the Government and financial community is under way for promoting increased foreign purchases of U. S. securities and increased borrowing facilities for U. S. companies abroad.

Prepayments of debt by foreign countries, advance payments on military purchases here, and the issuance by the Treasury of medium-term securities to foreign holders of dollars will continue to give support to our balance-of-payments position.

Finally, the $500 million stand-by credit with the International Monetary Fund, the access to supplementary credits from other industrial countries via the Fund, the reciprocal credit arrangements with foreign central banks, and the informal but effective joint action with regard to the London gold market, have helped to eliminate speculative factors that might disturb the dollar and stimulate gold outflows.

The program, which I have summarized, has been effective in improving our balance-of-payments position, and it has not interfered with other important policy objectives of the U. S. The use of our local currency holdings to help our balance of payments should follow the same pattern. Such use can be effective when it reduces the level of our dollar expenditures abroad below what they would otherwise have been. It cannot be expanded indiscriminately, however, without adversely affecting other of our objectives abroad.

Insofar as our holdings of non-excess local currencies are authorized for special U. S. programs abroad that would not be undertaken if we had to finance them with dollars, their availability for financing normal and essential U. S. operating expenditures abroad is reduced. Hence, the potential balance-of-payments benefit is lost. This situation can be aggravated by the procedure of segregating local currencies for the financing of special programs abroad. As a result of such funding, the U. S. Government sometimes finds itself in a position of buying currencies abroad with dollars in order to meet regular operating expenditures when it holds the same currencies in reserve accounts in anticipation of special program expenditures some time in the future.

An Administration proposal is now under consideration by the Congress to correct this situation. It would provide that any foreign currencies reserved for specified programs may be carried by the Treasury in unfunded accounts. Passage of this bill will mean that at least $75 million of local currencies now held in reserved accounts in non-excess currency countries will become available for meeting current U. S. Government requirements and will thus postpone, or even avoid, our need for buying these currencies with dollars in foreign countries.

The governments of developing countries are generally interested in restricting the loss of real resources which is involved when we use our local currencies to acquire goods and services from them. Their efforts in this regard reduce the potential balance-of-payments benefit which we might otherwise achieve in the short run; but there may be a compensating balance-of-payments advantage for us over a longer period. If the retention of a larger amount of real resources for their economic development enables them to achieve a faster rate of growth, they may sooner become viable economies which can purchase from us on a fully commercial basis.

We continually review the possibilities of increasing the balance-of-payments advantage from the use of our local currency holdings. Agencies with personnel overseas endeavor to assure that personnel requirements for local currencies are met out of U. S. Government holdings in cases where we have more than enough to cover agency operating requirements.

We have transferred from a dollar to a local currency basis the payment of many U. S. Government beneficiaries living abroad. This has been the case with beneficiaries living in India, for example, where our payments amount to $100,000 annually. Annual savings in various countries from this source amount to about $1.2 million.

Increased sales to American tourists seem feasible in certain countries and we have been increasing our efforts in this direction. Unfortunately, the countries in which we hold excess currencies are not those which attract a large amount of American tourist dollars--under $50 million in 1962. Sales to tourists benefit our balance of payments, of course, only insofar as they are made from holdings above those needed for our regular government operating expenditures abroad. It would obviously not benefit the U. S. balance of payments if we were to sell to American tourists local currencies

which we need for current operations of our embassies and military bases abroad because we would then have to use dollars to buy these same currencies in foreign countries to cover our regular government operating needs.

We have explored the legal possibilities of selling local currencies to private non-profit organizations such as the Ford Foundation for its program in India. We do not believe such sales are authorized under present legislation, but we would certainly take advantage of any opportunity to sell local currencies in excess of our regular operating needs for this purpose if we had the legal authority.

In these and other ways, which the representatives of other agencies appearing before you will discuss, we can and will continue to obtain benefit for the U. S. balance of payments from use of our local currency holdings.

Finally, Mr. Chairman, I would like to provide for the record certain information which your Committee requested, namely:

Table B, attached, which shows as of June 30 (and as of September 30, on a preliminary basis) the total of Indian rupees held by the U. S. Government for U. S. use.

A note in the table indicates the estimated number of years' requirements represented by this balance.

Table C, attached, which lists the purposes for which U. S.-owned rupees may be used under the P. L. 480 agreements with India.

Thank you, Mr. Chairman.

TABLE A

RECEIPTS OF FOREIGN CURRENCIES FOR U. S. USE
BY MAJOR SOURCES, FISCAL YEAR 1963

(Millions of dollar equivalents)

		PRELIMINARY DATA	
	Total	Total Currencies in Countries Declared "Excess"	Total Currencies in Countries Not Declared "Excess"
Sale of agricultural commodities under Title I of P.L.480	$ 213	$ 136	$ 77
Principal repayments on loans	51	33	18
Interest on loans	112	73	39
Interest on bank deposits	25	18	7
Recoveries, government operations in occupied areas	25	-	25
Lend-lease and surplus property, drawdowns	14	-	14
U.S. portion of counterpart deposits	18	3	15
Recoveries, military assistance to foreign nations	10	3	7
Informational media guaranties	3	2	1
Other	13	-	13
TOTAL	$484	$ 268	$216

TABLE B

U. S.-OWNED INDIAN RUPEES
AVAILABLE FOR U. S. USE
AS OF JUNE 30, 1963*

(Millions of dollars equivalent)

Unrestricted use	227
Restricted use	63
TOTAL	290

* Preliminary figures for September 30, 1963 show a total of $309 million.

NOTE: The balance of $227 million (rupee equivalent) as of June 30, 1963, represented approximately 28 years' estimated requirements for unrestricted uses. (In addition to the $227 million, there are $15 million which could be transferred from Cooley loan use to unrestricted U. S. use because of not being utilized within the three-year period stipulated in the P.L. 480 sales agreement with India.)

The balance of $63 million for restricted use as of June 30, 1963, represented an estimated six years' requirements. In addition, $15 million was held in AID accounts to help finance the U. S. AID program in Nepal.

TABLE C

INDIA

P. L. 480, TITLE I, UNITED STATES PROGRAM USES

SECTION 104	PROGRAM TITLE	ADMINISTERING AGENCY
(a)	Agricultural Market Development	Agriculture
(d)	For AID Program in Nepal	A.I.D.
(f)	Payment of U. S. Obligations Abroad	Various
(h)	International Educational Exchange	State
(i)	Translation of Books and Periodicals	U.S.I.A.
(j)	American-Sponsored Schools and Centers	U.S.I.A.
(k)	Scientific, Medical, Cultural and Educational Activities	Various
(l)	Buildings for U. S. Government Use	State
(m)	Trade	Commerce
(n)	Acquisition, Indexing and Dissemination of Foreign Publications	Library of Congress
(o)	Assistance to Foreign Countries of Established Schools, Colleges, and Universities	No active programs in India
(p)	Supporting Workshops & Chairs in American Studies	No active programs in India
(q)	Assistance to meet Emergency Relief Requirements	No active programs in India
(r)	Financing of Audio-Visual Informational and Education Materials	No active programs in India

DATA - MODIFIED

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 August 29, 1963, (90 days remaining until maturity date on February 27, 1964) and noncompetitive tenders for $100,000 or less for the 181 -day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on November 29, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 29, 1963. Cash

EXHIBIT XXA

XXXXXXXXXXX

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

November 20, 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 $2,000,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing November 29, 1963, in the amount of $2,101,476,000, as follows:

90 -day bills (to maturity date) to be issued November 29, 1963, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated August 29, 1963, and to mature February 27, 1964, originally issued in the amount of $800,493,000 (an additional $100,092,000 was issued October 28, 1963), the additional and original bills to be freely interchangeable.

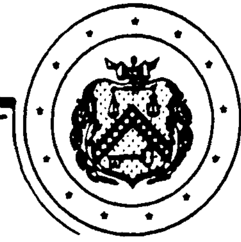
181 -day bills, for $800,000,000, or thereabouts, to be dated November 29, 1963, and to mature May 28, 1964.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 25, 1963. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

D-1052

TREASURY DEPARTMENT



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

D-1052

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Departmment of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated August 29, 1963, (90 days remaining until maturity date on February 27, 1964) and noncompetitive tenders for $ 100,000 or less for the 181 -day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on November 29, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 29, 1963. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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should be our formula for maximum progress in the future.

We have come to the conclusion -- in business, in finance, in labor, in academic circles and in government -- that our present tax system is holding back that private economy from its best performance. We know that the alternative to a changed tax system is a massive increase in the role of the national government and its expenditures.

We have overcome the biggest obstacle to changing that system -- the lack of any agreement on just how to change it.

The American people and the members of the U. S. Senate will not pass up this rare opportunity, provided by the President and the House of Representatives, to move forcefully to solutions of long standing national problems in a manner consonant with our great and true tradition.

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No one could hope to draw a tax bill that would satisfy everyone. The fact that the present bill has gained such broad public support from so many different areas makes me very optimistic that sound, effective tax legislation very much along the lines of the House bill will shortly become the law of the land, despite the existence of determined but limited opposition and some lingering doubts.

There is insistent and ever mounting support from many diverse sources for this legislation. Why? Even outstanding opponents or skeptics of last spring have become advocates this fall because favorable business expectations are now based, in part, on its passage. Why?

The answer is simple and has been from the beginning. We, as a nation, prefer to rely primarily on a more prosperous and efficient private economy, initiating a larger and larger volume of economic activity in a free market. That is the formula that has made us the strongest and most productive nation on earth and that

basic support for the bill despite individual differences came from such varied groups as The Chamber of Commerce of the United States; The National Farmers Union; The AFL-CIO; The American Life Convention and Life Insurance Association of America; The American Textile Manufacturers Institute; Henry Ford, II and Stuart Saunders for The Business Committee for Tax Reduction in 1963; The Illinois Manufacturers Association; and The National Small Business Association.

These are only a few of the groups which indicated that, even if the bill did not include the changes they considered most essential, they would still support its passage. This reflects no weakness or vacillation on their part. It does indicate a concern for the national economy and the public welfare which transcends their individual interests -- an attitude which reflects the strong sense of public responsibility of most of those testifying before the Senate Finance Committee.

of Independent Business; The National Association of Home Builders; The National League of Insured Savings Associations; The American Life Convention; The Life Insurance Association of America; The National Association of Retail Grocers; The National Candy Wholesalers Association, Inc.; The National Coal Association; The National Machine Tool Builders' Association; The National Food Brokers Association; The United States Wholesale Grocers Association; The Associated Retail Bakers of America; and The National Association of Real Estate Boards.

Equally impressive has been the consistent pattern of testimony before the Senate Finance Committee of those witnesses who speak in a representative voice for the important economic organizations that make up our private economy. Although these representatives have changes to suggest, most of them make it clear that if their recommendations are not followed, they would support the bill as it passed the House. These statements of

consensus that confirmed the soundness of the President's earlier recommendations.

Seldom in the nation's history have its economic brains and leadership from diverse private sectors developed such a solid accord on a key economic issue as that which has emerged on the proposed Revenue Act of 1963.

Although only a very short time elapsed between the Ways and Means Committee action in reporting the tax bill to the House, and the House passage of that measure by an overwhelming margin, an impressive number of endorsements of the bill and its general principles were made during that period. The endorsements, urging favorable legislative action on the tax bill, were made by organizations representing a broad sampling of the economic, business and financial community, that included such groups as The Business Committee for Tax Reduction in 1963; The Chamber of Commerce of the United States; The AFL-CIO; The National Federatio

submit a budget for fiscal 1965 with a deficit less than the $9.2 billion forecast for fiscal 1964, despite the fact that the second stage of the tax reduction will have gone into effect and that the revenue loss from tax reduction in 1965 -- before feedback -- will be $5 billion greater than in 1964.

Beyond this evidence of a new attitude in the halls of government, there are pragmatic factors that you outside government may take into account. The Business Committee for Tax Reduction in 1963 voiced its conclusion "That a tax cut would exert strong press to achieve better control of government spending . . . a good way to encourage strong spending discipline again next year and the year after is to pass the tax bill." Someone has put it in even terser terms -- the way to cut taxes and government spending is to cut taxes.

Despite all the personalized distortions and criticisms of the make-up of the tax bill and the haunting doubts and fears as to its current economic timeliness, the months since its introduction in the House have witnessed the emergence of a

months of the fiscal year 1964 (July through September) expenditures in the civilian sector of the federal budget were $107 million less than the same quarter last year.

5. This September there were 242 less regular civilian federal employees on the payroll in the Executive branch than in September last year.

6. Chairman Cannon of the House Appropriations Committee has observed that new appropriations may aggregate less than last year' total -- the first time that will have been done in some years.

7. As for the fiscal year 1965 and following years, the President has assured the Congress that he intends to maintain a tight rein on expenditures and that a substantial part of the tax revenues from economic expansion will be used to reduce the budgetary deficit until balance is reached.

8. On this basis -- and barring an unforeseen slowdown of the economy or international contingency -- the President expects to

and will soon taper off on space programs, which together with interest on the debt, have accounted for more than 70 percent of the budgetary increase from fiscal 1961 through fiscal 1964.

2. Since the tax program was proposed last January the fiscal 1963 deficit has declined from an estimated $8.8 billion to an actual $6.2 billion -- and two-thirds of that decline resulted from lower expenditures.

3. In proposing the tax program last January, the President budgeted less for the civilian sector of the 1964 budget (everything except defense, space and interest on the debt) than in the previous year -- only the third time that has been attempted in twelve years, during a period in which state and local government spending has grown at a rate averaging more than 15 percent a year in response to population growth and a demand for increased public services.

4. Fiscal 1964 expenditures are currently estimated at $1 billion below last January's estimate. In the first three

The House of Representatives has emphasized this tie-in between tax reduction, expenditure control, and balanced budgets by specifically including in the tax bill as Section I a declaration of policy which reads as follows:

> "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt."

The President endorsed this statement before the House vote.

In fact, an effective program of expenditure control is well under way as an accompaniment to the tax program and convincing evidence of tangible accomplishment is at hand to give substance to promises of future restraint.

1. According to the Director of the Budget, the need for continuing expenditure increases for defense has just about ended

price worth the long-term growth that would result from reducing the restraints the present tax structure places on our private enterprise system.

They remembered that the last time a tax reduction was passed up/ there was a recession that led to our largest peacetime deficit in 1959 -- in excess of $12 billion. They sought to avoid the massive increases in federal spending which would be required to offset a recession, thereby deepening our budgetary deficit on a downturn far in excess of that contemplated from a tax cut on the upturn.

Moreover, both the President and the House of Representatives have recognized and accepted the responsibility of accompanying tax reduction with a new policy of tighter expenditure control as the surest and quickest way of bringing the nation to balanced budgets and surpluses in a manner consistent with our national needs and responsibilities.

there were seven cash surpluses and four cash deficits for a net cash surplus of $20 billion. Since 1957, the period of economic slack, the federal budget has shown a cash deficit in five of the last six fiscal years -- a cumulative deficit of $26 billion.

Clearly, budget deficits are most likely to be transitional and avoided in the future if there is a rapidly expanding economy.

That is one of the reasons why the President recommended this tax program and members of the House Ways and Means Committee and the full House adopted it. They believed that the high income tax rates set in the inflationary times of war and postwar expansion clearly take too much out of our private economy as it moves toward a balanced budget and full employment.

They believed that the less than $2 billion the tax program would add to the deficit in this fiscal year, and the roughly $3-1/2 billion that would be added in fiscal 1965, after taking in account the "feedback" of revenues from the stimulation of the tax cut, would be a

solution to our balance of payments problem. The enactment of the proposed tax bill is basic to that solution, and each month is important.

Finally, some people see a grave danger in enacting a tax reduction program at a time when there is a sizeable budget deficit, following on other years of deficits.

The Treasury Department does not like federal budget deficits. But the real question is, how do we get rid of them? The present program is to reduce tax rates so as to increase the rate of economic activity, eventually producing higher levels of revenue while controlling increases in federal expenditures to the barest minimum.

Let us look at the United States economic history since the end of World War II. Deficits have been symptoms of economic slack -- not harbingers of prosperity. Over the 11 fiscal years from 1947 to 1957 -- our time of greatest postwar prosperity --

the prompt enactment of the tax program primarily for balance of payments reasons.

The major challenge on the balance of payments front, at least at present, is to be found in net outflows of long-term investment, both direct and portfolio, and the need for increased productivity that will make our costs competitive. The investment lag has played an important part in our balance of payments deficit. For instance, if we compare investment and output from 1956 through last year, we find our total output, apart from price increases, rose by almost 20 percent, while business fixed investment showed no net gain at all over the level at the beginning of the period. This lag has much to do with our problem of excessive capital outflow and with our shrinking share of expanding world markets, as well as with our problem of slow growth at home.

Until we make investment in the United States more attractive for both foreign and domestic capital, we cannot find a lasting

unemployment problems within a context of healthier growth of the private economy. Otherwise we may find that massive government spending or spread-the-work schemes are the only approaches left to us."

That editorial, I believe, clearly points out the fact that the consequences of the tax cut for unemployment epitomize its consequences for our entire domestic economy.

But the economic implications of the tax cut are not limited to the domestic economy. It will have a significant effect on our balance of payments as well. Some are concerned that a tax cut would worsen our position by expanding our imports. They overlook the evidence that passage of the tax bill is the single most important step which can be taken to improve the long-term outlook for our balance of payments -- evidence that has prompted the American Bankers Association and leading financial spokesmen such as Allan Sproul, the distinguished former President of the Federal Reserve Bank of New York, and many others to advocate

This audience need not be told what such a rate would mean in terms of human misery, in terms of the tremendous waste of output and potential in our economy.

No one can tell you exactly when the tax bill, together with other measures, will bring us to our interim goal of reducing unemployment to four percent. But, without the tax cut it is difficult to see any possibility of coming anywhere near that goal for years to come. In fact, without it, the nation is more likely to move in the other direction. That is the choice which has helped to make the tax bill the most important piece of legislation to come before the Congress in many years.

As the lead editorial in the current Business Week put it:

"We cannot know all the answers in advance. We must try to see what we can achieve step by step. It is clear, however, that the tax cut is the first order of business. It is urgent for us to try to solve our

a million more jobs or more each year to provide jobs for those idled by technological advance, and substantially more than a milli jobs each year for the increase in the labor force which we can expect shortly as a result of the population surge following World War II.

Today unemployment is a serious problem. We must make every effort possible to keep it from becoming a critical problem. As President Kennedy pointed out, if our economy in the last two and one-half years had produced jobs at the same rate as it had during the two and one-half years previous, unemployment today would be eight percent instead of five and one-half percent.

Even that five and one-half percent is much too high. W. P. Gullander, President of the National Association of Manufacturers, has estimated that it could go a lot higher than it is now. His estimate was that, if our economy continues to produce jobs at the rate of the years since 1957, by 1970 our unemployment rate could be somewhere between 12 and 13 percent.

achievement of a higher normal level of economic activity than that which has characterized the last six years.

As President Kennedy told the AFL-CIO last Friday, the tax bill is expected to produce between two and three million new jobs in addition to those that the economy would produce on its present growth curve. Some people point to the fact that our economy is already producing almost a million new jobs a year. That is true, but it isn't enough. It isn't enough when you consider that for over seventy months unemployment has exceeded five percent and averaged six percent, being now stalled at five and one-half percent. It isn't enough when you consider that one out of every six workers entering the labor force in the year ended last June 30 also entered the ranks of the unemployed. It isn't enough when you consider that we will need a million jobs or more to get unemployment down to four percent,

believe that the Administration has managed to eliminate the business cycle from the national scene or that the tax bill will do so. That is just one more reason why the tax cut should be passed as soon as possible. It is up to us -- and by us I mean the Congress -- to take this step whether we have a tax cut which picks up this expansion while it is still moving along and carries it higher and farther to a plateau of full employment, full utilization of capacity and further growth, or whether the benefits of the tax program contribute to offsetting the drag of an economy slipping into a downturn.

The national economic problems to which this tax bill is addressed are long range. Much more is at stake than a temporary economic pickup or averting or minimizing an early recession. Our goal must be a sustained economic expansion at a significantly higher level over the long-term future. What is at stake is the

Let me discuss a few of the specific doubts of the tax bill and tell you why the Treasury feels that its prompt enactment is in the national interest.

Some of those with doubts about the tax bill point to the fact that the economy is doing rather well, particularly in recent months. Their attitude seems to be that there is plenty of time to consider a tax cut -- there is no real hurry about it. This attitude, in my opinion, passes up opportunity and dangerously gambles with time. The danger comes a little closer with every passing month.

For with the beginning of April next year we will have passed the point which will make the current economic expansion the longest peacetime recovery in this century, with the sole exception of the long pull out of the depression of the 1930s. I am not suggesting that there is any evidence of a downturn in our present economic picture. But I am not sanguine enough to

at an unacceptable level, under-utilization of industrial capacity, inadequate growth, and continuing deficits both in our international balance of payments and our federal budget.

We are supporting this bill because we believe its end result will be increases in jobs, wages, salaries, profits, consumption, investment in the United States, and federal tax revenues that an invigorated private economy can provide. We are for this bill because we believe it is time to reduce the constraints which the wartime rate schedules in the present federal tax system imposed to hold back excessive demand and inflation. Now they constitute a drag on our private economy. We believe that a top-to-bottom reduction in high income tax rates, both individual and corporate, will release and encourage the inherent expansionary forces in our great private market economy. We believe that is good for the country and will be good for the Treasury.

tax reduction -- almost 20 percent. And to strike a pragmatic note on the feasibility of getting any tax reduction through, let me add that it would be extremely difficult to obtain a national consensus and Congressional enactment of a mixture of investment and consumer demand incentives substantially different from that contained in the bill now before the Senate Finance Committee.

Apart from the criticisms and distortions of the actual incidence of the tax bill on various groups of taxpayers that arise primarily from a highly personalized view, derivative of the natural reactions or self-interest of an individual or group, certain questions are frequently raised concerning the effect of a substantial tax reduction on the general economy and its desirability at this time. Most of these doubts arise from the honest convictions of thoughtful men and women concerning the welfare of the nation. They deserve and should receive a respectful and understanding hearing, and honest and direct

techniques and new products are developed and as new markets are opened up, new demand will be created, new investment will be fostered, and new jobs will be available that would never have been available otherwise.

There will always, of course, be people who will think a greater proportion of the tax cut should be devoted to consumer demand or a greater portion to investment. No one can lay claim to having struck a "magic balance" on this issue. The fact, however, that there seem to be just as many complaining on one side as there are on the other would suggest that the bill now being considered strikes a desirable balance. Furthermore, this balance can be said to reflect the judgment not only of the Administration, but also of the House Ways and Means Committee, which deliberated on the matter for the better part of a year. In quantitative terms, if the tax measures taken last year are combined with those proposed in the present bill, both business and individuals will average just about identical

There is no question then but that more investment is needed. For those who contend that consumer demand stimulus is the way to economic growth, the worrisome question remains whether a tax cut devoted entirely to stimulating consumer demand would create an adequate level of investment by the so-called "demand pull" method. Of course, the sharp rise in consumer demand which we can expect as a result of the tax cut will stimulate greater investment. There is bound to be a significant increase in investment with any sustained increase in demand. But, without a direct stimulus to investment as well as to consumer demand, investment will not be large enough or quick enough to create the jobs we need, to keep pace with the consumer demand rise and so reduce the threat of inflation, and finally and most important, to interact with the increase in consumer demand in such a fashion as to provide maximum long-term benefits to our economy.

1962. That chart shows -- in real terms -- that during those years, while Federal purchases of goods and services went up more than 13 percent, while state and local government purchases went up 28 percent, while consumer expenditures went up more than 17 percent and while total GNP went up more than 16 percent, plant and equipment spending actually declined by more than one percent. Thus, it is not surprising that while after-tax profits have risen in absolute terms about 40 percent during the recovery -- from $19.2 billion to $26.8 billion -- Messrs. Ford and Saunders could rightly comment:

> "As a percent of stockholders' equity, profits of manufacturing corporations are far below the levels of 1955-57 and earlier post-war periods of prosperity. In fact, after-tax profit as a percent of stockholders' equity for the period since 1957 is below the recession level of 1953-54."

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Earlier this month Henry Ford II and Stuart T. Saunders, co-chairmen of the Business Committee for Tax Reduction in 1963, pointed out in their statement before the Senate Finance Committee that: "corporate profits after taxes have gone down, whether measured as a percent of invested capital, of sales or of the corporate portion of gross national product." A comparison of the figures since 1957 on the three major forces in economic growth -- government expenditures, consumer demand, and private investment -- shows clearly that the investment lag has played a major role in the failure of the economy to move closer to full employment.

To highlight this lag Messrs. Ford and Saunders submitted a chart showing the percent change in real GNP and in major categories of expenditures for goods and services from 1957 to

This brings me to a final criticism of the corporate rate reduction that is being heard more frequently now than before: the argument that a corporate cut is not needed at all to spur investment, that the whole tax cut should be put into consumer demand, and that this would be enough to raise investment to desired levels.

There is little difference of opinion in informed circles of the need to increase our level of private investment in plant and equipment. Business fixed investment, which averaged 11 percent of Gross National Product in 1956 and 1957, has since fallen to about nine percent. In fact, since 1957 the rate of increase in our stock of business plant and equipment has risen by less than two percent annually -- only half the rate for the first postwar decade. It is not surprising that accompanying this trend there has been a disturbing rise in the proportion of

the cost of making the payment early.

If the money is on hand, the net loss is the interest that that small portion of the tax bill which represents accelerated payment would have earned in the three months or so that the firm would have otherwise had control of it. In cases where the small portion representing accelerated payment must be borrowed, the interest charged on the loan for those few months, less the amount realized by deducting it for tax purposes, represents the additional cost of acceleration. Any businessman should agree that this is not to be compared to increasing the tax bill by the amount of the accelerated payment. If it were, then it would be accurate to say that corporations would not benefit from the cut for several years. Since, however, it clearly is not, there would seem to be a basis for reasonable objection to this proposal to accelerate corporate payments -- particularly when it is coupled with a proposal to reduce corporate tax rates by well over $2 billion a year.

to those corporations with annual tax bills of $100,000 or more. These are the 15,000 or so largest corporations in the country, and represent less than three percent of all corporations. The acceleration provision brings these companies onto a current payment schedule over a period of seven years, putting them on a parity with individual taxpayers by 1970. It preserves the additional cash flow for the 550,000 smaller corporations whose sources of credit are most likely to be limited and who must depend mainly on internal financing. The acceleration is being carried out in such fashion that no corporation will actually have to pay out more than at present rates. But the tax saving is far greater than this would suggest. That is because the acceleration does not require a new payment, or an additional payment, but merely requires that a payment be made a few months earlier than it would ordinarily be due anyway. The net cost to the corporation is not the size of the payment, since that would have been due in any case. The net cost to the corporation is

proposed bill would reduce corporate taxes by an additional $2.2 billion a year. The total effect of last year's tax changes, together with the corporate rate reduction and the proposed broadening of the seven percent investment tax credit in the proposed bill, would increase the profitability of new investment -- on a 10-year asset, for instance -- by about 35 percent. No one should claim that this $4.5 billion corporate tax cut is an insignificant incentive or that a tax reduction of nearly 18 percent for corporations is to be dismissed lightly.

One of the commonly voiced criticisms of the corporate rate cut is that because of the acceleration of corporate payments for the larger firms, there will be little benefit from the tax cut. The comment usually passes over the fact that the rate reduction fully preserves the principal benefit from corporate tax reduction -- the increase in rate of return on investment after taxes, i.e., profits. The acceleration, of course, applies only

In summary then, those taxpayers earning $10,000 or less now pay only 50 percent of the total tax burden, but they will receive 60 percent of the benefits under the bill. This distribution seems quite proper. There is no question that tax rates have become too high and that middle- and upper-income taxpayers deserve to share fairly in any tax reduction. But there should be no quarrel with the simple fact that the taxpayers at the lower end of the income scale are those most in need of tax relief.

There is also a tendency to resort to tunnel vision in appraisal of the proposed changes in corporate taxation.

There should be no cause for complaint from small business that the tax cut favors the bigger units. Unincorporated businesses, which make up the vast majority of firms in the country, will receive the full benefit of the individual tax reductions. Small corporations will do even better. The so-called

The tax saving, for instance, for a married couple with no dependents, taking typical itemized deductions, would be $242 on a $10,000 income, $828 on a $25,000 income, and $2,303 on a $50,000 income. It is important to remember that the present tax on those three incomes shows an even steeper progression -- from $1,460 to $5,229 to $15,248. These figures clearly reflect the long-existing progressive income tax, and do not indicate that there is any inequity in the present distribution of benefits of tax reduction in the proposed bill. The percentage tax reduction is ~~respectably~~ respectively 17, 16, and 15 percent.

When we compare the over-all rate reduction under the present bill with the way the tax burden is now being distributed, we find that the lowest income group -- $3,000 and under -- gets twice as big a share in the cut as it has in the burden. The top group -- $50,000 and up -- which carries nine percent of the present tax burden, gets less than six percent of the cut.

those in the lowest income groups. The tax cut for those earning $3,000 or less, for instance, averages more than 38 percent; for those earning between $3,000 and $5,000, more than 26 percent; and for those earning $5,000 to $10,000, 20 percent. This compares to an over-all average individual tax cut of 18.8 percent. High-income taxpayers, however, earning $50,000 and up, still receive a substantial tax reduction -- almost 13 percent. This disparity in percentage of reduction is as it should be for both reasons of economic policy and equity. Those taxpayers in the lower brackets are the ones who will be most likely to push into the spending stream the income not taxed away and they are the ones who most need relief.

To those who contend that because of this feature this tax bill favor the low-income groups at the expense of those in the middle and upper brackets, it should be observed that the dollar reduction in taxes increases somewhat disproportionately as one moves up the scale.

Under the bill the first group will average a tax reduction of 16.4 percent and the second group an average of 15.1 percent. Anyone who looks objectively at the figures should conclude that the middle-income taxpayer is far from being the "forgotten man."

This brings me to the final clarification I would like to make in the individual income tax area -- the over-all fairness of the distribution of benefits under the bill. Depending upon who is talking, you will hear that too many of the benefits go to low-income taxpayers, or that too many of the benefits go to high-income taxpayers. It should surprise no one that the stand taken on this issue often closely parallels either the income level of the group which the speaker represents or is identified with in terms of economic, political, or organizational interests.

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group, which would get 12 percent of the benefits under the House bill, contains only two percentof all taxpayers. Thus, if the taxpayers in these groups received their share of the total ~~groups received a share of the total tax cut in proportion to~~ tax cut on a per capita basis, as some seem to urge, ~~the number of taxpayers in each of the groups, the first would get~~ they would receive only a ~~small~~ fraction of the reduction ~~only half as much as it would under the House bill and the second~~ currently proposed for them. ~~group only one-sixth as much.~~ If that were the case, there presumably would be some basis for middle-income taxpayers to complain of the treatment they would receive.

Still another complaint that is sometimes heard is that middle-income taxpayers -- the salaried taxpayer earning $20,000 or so -- is the "forgotten man" in the tax bill. I disagree. First of all, there is no "forgotten man" in the tax bill. Taxpayers earning between $10,000 and $20,000, for instance, carry about 27 percent of the total income tax liability under present law. Correspondingly, they will receive about 24 percent of the over-all individual tax reduction. Those earning between $20,000 and $50,000 a year now carry about 14 percent of the over-all load, and they will receive about 12 percent of the benefits.

Certainly this is equitable enough. If the tax reduction were shared out according to the number of taxpayers in each of these two groups the story would be quite different. That is because the $10,000 to $20,000 income group, which would get 24 percent of the cut under the House bill, contains only 13 percent of all taxpayers, and the $20,000 to $50,000 income

Moreover, the immediate dollar benefit of the tax cut is not the major benefit from the tax program. The true yardstick will be the increase in personal income, the increase in employment opportunity -- not only for new and better jobs, but for advancement on the present job -- which will result from the invigoration of the private economy and the greater economic activity which the tax cut will produce.

Estimates by the staff of the Joint Economic Committee of the Congress, supported by many business and academic economists, indicate that the tax cut will eventually increase total national output by something like $30 billion to $40 billion a year, providing, in the process, an additional two to three million jobs. Furthermore, like the tax cut, this resulting increase in national income will not be temporary but will continue year after year, as an added layer on the economic cake.

for instance, taking the standard deduction on a $5,000 annual income would receive a tax cut of $130. That may not look like much, but when you consider that their tax bill would be reduced from $420 to $290 -- a 31 percent cut -- I think you will agree that this is a significant reduction. Bitter strikes have been waged over far less than is involved in this tax cut.

It is significant to note that the total of tax reform in this sense in all the revenue acts since 1940 was a little more than $600 million. In other words, the total revenue gained from reforms in these two bills alone would be more than three times the gains in revenue from reforms in all the tax legislation of the previous 20 years including the code revision of 1954. I submit -- with the full realization that there is a great deal still to be done in the area of tax reform -- that this is a very respectable achievement.

Another puzzling complaint about the tax bill is that the actual tax reduction would only amount to "cigarette money." Since the total individual income tax burden is being reduced by one-fifth -- by two-fifths on the average, for taxpayers earning $3,000 or less -- I don't see how this can be considered merely "cigarette money." A married couple with two dependents,

a meaningful reduction in income tax rates -- generally agreed to be the single most important tax reform -- which should arrest the erosion of the tax base through special privileges that has characterized tax legislation of the last twenty years. But, it certainly is a fact that the tax bill as passed by the House does not contain as many reforms either in the individual or the corporate area as the President recommended. That is hardly surprising, since it was unlikely that the Congress would repeat its performance in passing the Revenue Act of 1962 by providing significant structural changes in almost every single area in which recommendations were made. But the present bill contains a great many structural reforms -- so many in fact that time permits only generalized comment.

Some are designed to relieve hardships that reasonable rate reductions would not relieve. These reforms lose revenue instead of gaining it. One example is the provision for a minimum standard deduction, a measure designed principally to minimize

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BEFORE THE NATIONAL INDUSTRIAL CONFERENCE BOARD
AT THE DINKLER PLAZA HOTEL, ATLANTA, GEORGIA
THURSDAY, NOVEMBER 21, 1963, 12:30 P.M. EST

The Tax Bill in Perspective

For almost a year now, ever since President Kennedy first presented his tax proposals to the Congress, there has been a national debate on the tax cut. A bill, incorporating the principal features of these proposals and reducing personal and corporate income taxes by a total of $11.1 billion per year, passed the House of Representatives in September by a large majority. Public hearings on the measure before the Senate Finance Committee are now nearing completion. The issue will receive even more attention in the weeks ahead, as befits what may well be the most important domestic economic legislation of this generation.

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If you had been obliged, as I have been, to pay close attention to virtually every responsible statement made on the subject, I am confident you would share my impression that no two people see the tax program the same way. It is only natural that anyone look at the tax bill in the light of how it affects him, his interests, and the particular group or groups to which he belongs. Sometimes, however, this highly personalized view leads to distortions that prevent a sound, balanced evaluation of the program.

In order to help put the tax bill in perspective, let us consider some of the more common distortions or criticisms that are apt to creep into discussions -- on the way the bill affects the taxation of individuals, on the way it affects the taxation of corporations and business, and, finally, on the way it affects our economy.

One comment on the individual area that is frequently heard is that there is not enough "reform" in the tax bill. It includes a basic restructuring of our tax system through a meaningful reduction in income tax rates -- generally agreed to be the single

most important tax reform -- which should arrest the erosion of the tax base through special privileges that has characterized tax legislation of the last twenty years. But, it certainly is a fact that the tax bill as passed by the House does not contain as many reforms either in the individual or the corporate area as the President recommended. That is hardly surprising, since it was unlikely that the Congress would repeat its performance in passing the Revenue Act of 1962 by providing significant structural changes in almost every single area in which recommendations were made. But the present bill contains a great many structural reforms -- so many in fact that time permits only generalized comment.

Some are designed to relieve hardships that reasonable rate reductions would not relieve. These reforms lose revenue instead of gaining it. One example is the provision for a minimum standard deduction, a measure designed principally to minimize the burden of income taxes on families earning less than $3,000 a year. That provision alone would lose $320 million in revenue, and 85 percent of that would go to taxpayers earning under $5,000.

An important test of tax reform is the elimination or reduction of undue tax preferences or special tax privileges. As these are eliminated or reduced, the tax base is broadened and the revenue from the existing rate structure is increased presumably in such a fashion as to make more equitable the distribution of the tax burden. Let us use that yardstick to see how the proposed bill stands in terms of classic tax reform.

When you add up all the revenue-raising reforms in the bill now before the Senate Finance Committee, the total is more than a billion dollars. When you add to this the more than $800 million of revenue-raising reforms in the Revenue Act of 1962, you get the very respectable total of almost $2 billion a year. It is significant to note that the total of tax reform in this sense in all the revenue acts since 1940 was a little more than $600 million. In other words, the total revenue gained from reforms in these two bills alone would be more than three times the gains in revenue from reforms in all the tax legislation of the previous 20 years including the code revision of 1954. I submit -- with the full realization that there is a great deal still to be done in the area of tax reform -- that this is a very respectable achievement.

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Estimates by the staff of the Joint Economic Committee of the Congress, supported by many business and academic economists, indicate that the tax cut will eventually increase total national output by something like $30 billion to $40 billion a year, providing, in the process, an additional two to three million jobs. Furthermore, like the tax cut, this resulting increase in national income will not be temporary but will continue year after year, as an added layer on the economic cake.

Still another complaint that is sometimes heard is that middle-income taxpayers -- the salaried taxpayer earning $20,000 or so -- is the "forgotten man" in the tax bill. I disagree. First of all, there is no "forgotten man" in the tax bill. Taxpayers earning between $10,000 and $20,000, for instance, carry about 27 percent of the total income tax liability under present law. Correspondingly, they will receive about 24 percent of the over-all individual tax reduction. Those earning between $20,000 and $50,000 a year now carry about 14 percent of the over-all load, and they will receive about 12 percent of the benefits.

Certainly this is equitable enough. If the tax reduction were shared out according to the number of taxpayers in each of these two groups the story would be quite different. That is because the $10,000 to $20,000 income group, which would get 24 percent of the cut under the House bill, contains only 13 percent of all taxpayers, and the $20,000 to $50,000 income group, which would get 12 percent of the benefits under the House bill, contains only two percent of all taxpayers. Thus, if the taxpayers in these groups received their share of the total tax cut on a per capita basis, as some seem to urge, they would receive only a fraction of the reduction currently proposed for them. If that were the case, there presumably would be some basis for middle-income taxpayers to complain of the treatment they would receive.

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In summary then, those taxpayers earning $10,000 or less now pay only 50 percent of the total tax burden, but they will receive 60 percent of the benefits under the bill. This distribution seems quite proper. There is no question that tax rates have become too high and that middle- and upper-income taxpayers deserve to share fairly in any tax reduction. But there should be no quarrel with the simple fact that the taxpayers at the lower end of the income scale are those most in need of tax relief.

There is also a tendency to resort to tunnel vision in appraisal of the proposed changes in corporate taxation.

There should be no cause for complaint from small business that the tax cut favors the bigger units. Unincorporated businesses, which make up the vast majority of firms in the country, will receive the full benefit of the individual tax reductions. Small corporations will do even better. The so-called normal tax rate on corporate income below $25,000, which affects small firms, will drop from 30 to 22 percent -- a tax cut of almost 27 percent. Certainly this compares favorably with the tax treatment accorded to larger corporations and to the tax treatment accorded individual taxpayers. Large corporations, of course, will also share in this reduction in the normal tax, although most of their benefits will come from the 4-point drop in the over-all corporate rate from 52 to 48 percent.

This brings me to a second comment that is more frequently heard concerning the corporate cut -- that it isn't big enough to provide direct incentives to business and investment. This comment ignores last year's reduction in business taxes, to which the present bill is complementary. Last year's legislation, which contained the investment credit, coupled with last year's administrative liberalization of the tax treatment of depreciable equipment, reduced business tax payments by about $2.5 billion a year, of which about $2.3 billion goes to corporations. The proposed bill would reduce corporate taxes by an additional $2.2 billion a year. The total effect of last year's tax changes, together with the corporate rate reduction and the proposed broadening of the seven percent investment tax credit in the proposed bill, would increase the profitability of new investment --

on a 10-year asset, for instance -- by about 35 percent. No one should claim that this $4.5 billion corporate tax cut is an insignificant incentive or that a tax reduction of nearly 18 percent for corporations is to be dismissed lightly.

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This brings me to a final criticism of the corporate rate reduction that is being heard more frequently now than before: the argument that a corporate cut is not needed at all to spur investment, that the whole tax cut should be put into consumer demand, and that this would be enough to raise investment to desired levels.

There is little difference of opinion in informed circles of the need to increase our level of private investment in plant and equipment. Business fixed investment, which averaged 11 percent of Gross National Product in 1956 and 1957, has since fallen to about nine percent. In fact, since 1957 the rate of increase in our stock of business plant and equipment has risen by less than two percent annually -- only half the rate for the first postwar decade. It is not surprising that accompanying this trend there has been a disturbing rise in the proportion of our machinery and equipment which is more than ten years old.

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To highlight this lag Messrs. Ford and Saunders submitted a chart showing the percent change in real GNP and in major categories of expenditures for goods and services from 1957 to 1962. That chart shows -- in real terms -- that during those years, while Federal purchases of goods and services went up more than 13 percent, while state and local government purchases went up 28 percent, while consumer expenditures went up more than 17 percent and while total GNP went up more than 16 percent, plant and equipment spending actually declined by more than one percent. Thus, it is not surprising that while after-tax profits have risen in absolute terms about 40 percent during the recovery -- from $19.2 billion to $26.8 billion -- Messrs. Ford and Saunders could rightly comment:

> "As a percent of stockholders' equity, profits of manufacturing corporations are far below the levels of 1955-57 and earlier post-war periods of prosperity. In fact, after-tax profit as a percent of stockholders' equity for the period since 1957 is below the recession level of 1953-54."

There is no question then but that more investment is needed. For those who contend that consumer demand stimulus is the way to economic growth, the worrisome question remains whether a tax cut devoted entirely to stimulating consumer demand would create an adequate level of investment by the so-called "demand pull" method. Of course, the sharp rise in consumer demand which we can expect as a result of the tax cut will stimulate greater investment. There is bound to be a significant increase in investment with any sustained increase in demand. But, without a direct stimulus to investment as well as to consumer demand, investment will not be large enough or quick enough to create the jobs we need, to keep pace with the consumer demand rise and so reduce the threat of inflation, and finally and most important, to interact with the increase in consumer demand in such a fashion as to provide maximum long-term benefits to our economy.

This last is a basic and little-understood aspect of the entire tax program -- that the reaction of consumer demand on investment and investment on consumer demand will give us a greater and more balanced -- hence more sustained -- economic stimulus than would a tax cut entirely devoted either to consumer demand or to investment.

One of the most important aspects of creating a sustained economic expansion is the need to utilize the fruits of new technology in the form of new products or the adaptation of existing products to new markets. Increasing the profitability of new investment is the most effective way to make more attractive the investment decisions which are not being taken today. It is the most effective way to make today's marginal project the acceptable venture of tomorrow. It is the most effective way to maximize the benefits of the tremendous technological, educational, and human resources of the United States. As new techniques and new products are developed and as new markets are opened up, new demand will be created, new investment will be fostered, and new jobs will be available that would never have been available otherwise.

There will always, of course, be people who will think a greater proportion of the tax cut should be devoted to consumer demand or a greater portion to investment. No one can lay claim to having struck a "magic balance"on this issue. The fact, however, that there seem to be just as many complaining on one side as there are on the other would suggest that the bill now being considered strikes a desirable balance. Furthermore, this balance can be said to reflect the judgment not only of the Administration, but also of the House Ways and Means Committee, which deliberated on the matter for the better part of a year. In quantitative terms, if the tax measures taken last year are combined with those proposed in the present bill, both business and individuals will average just about identical tax reduction -- almost 20 percent. And to strike a pragmatic note on the feasibility of getting any tax reduction through, let me add that it would be extremely difficult to obtain a national consensus and Congressional enactment of a mixture of investment and consumer demand incentives substantially different from that contained in the bill now before the Senate Finance Committee.

Apart from the criticisms and distortions of the actual incidence of the tax bill on various groups of taxpayers that arise primarily from a highly personalized view, derivative of the natural reactions or self-interest of an individual or group, certain questions are frequently raised concerning the effect of a substantial tax reduction on the general economy and its desirability at this time. Most of these doubts arise from the honest convictions of thoughtful men and women concerning the welfare of the nation. They deserve and should receive a respectful and understanding hearing, and honest and direct answers. These doubts, by and large, are not prompted by self-interest; indeed, just the reverse. They are held by taxpayers who, like all taxpayers, would be pleased to contribute less of each year's income to the tax collector. But many of these fine people are not willing to seek a tax reduction for their personal benefit unless persuaded that it is not at the cost of weakening the fabric of our national fiscal and financial position.

To these honest doubters let me say that the U. S. Treasury Department would be the last to espouse a program of tax reduction if it did not believe that such a course was fiscally responsible and would result in a sounder financial environment for the decade of the Sixties. We would not advocate tax reduction except as a part of and related to a mosaic of national policies of expenditure control, debt management and monetary action designed to enable the nation to meet what have been the leading economic and financial problems of the last six years: chronic unemployment at an unacceptable level, under-utilization of industrial capacity, inadequate growth, and continuing deficits both in our international balance of payments and our federal budget.

We are supporting this bill because we believe its end result will be increases in jobs, wages, salaries, profits, consumption, investment in the United States, and federal tax revenues that an invigorated private economy can provide. We are for this bill because we believe it is time to reduce the constraints which the wartime rate schedules in the present federal tax system imposed to hold back excessive demand and inflation. Now they constitute a drag on our private economy. We believe that a top-to-bottom reduction in high income tax rates, both individual and corporate, will release and encourage the inherent expansionary forces in our great private market economy. We believe that is good for the country and will be good for the Treasury.

Let me discuss a few of the specific doubts of the tax bill and tell you why the Treasury feels that its prompt enactment is in the national interest.

Some of those with doubts about the tax bill point to the fact that the economy is doing rather well, particularly in recent months. Their attitude seems to be that there is plenty of time to consider a tax cut -- there is no real hurry about it. This attitude, in my opinion, passes up opportunity and dangerously gambles with time. The danger comes a little closer with every passing month.

For with the beginning of April next year we will have passed the point which will make the current economic expansion the longest peacetime recovery in this century, with the sole exception of the long pull out of the depression of the 1930s. I am not suggesting that there is any evidence of a downturn in our present economic picture. But I am not sanguine enough to believe that the Administration has managed to eliminate the business cycle from the national scene or that the tax bill will do so. That is just one more reason why the tax cut should be passed as soon as possible. It is up to us -- and by us I mean the Congress -- to take this step whether we have a tax cut which picks up this expansion while it is still moving along and carries it higher and farther to a plateau of full employment, full utilization of capacity and further growth, or whether the benefits of the tax program contribute to offsetting the drag of an economy slipping into a downturn.

The national economic problems to which this tax bill is addressed are long range. Much more is at stake than a temporary economic pickup or averting or minimizing an early recession. Our goal must be a sustained economic expansion at a significantly higher level over the long-term future. What is at stake is the achievement of a higher normal level of economic activity than that which has characterized the last six years.

As President Kennedy told the AFL-CIO last Friday, the tax bill is expected to produce between two and three million new jobs in addition to those that the economy would produce on its present growth curve. Some people point to the fact that our economy is already producing almost a million new jobs a year. That is true, but it isn't enough. It isn't enough when you consider that for over seventy months unemployment has exceeded five percent and averaged six percent, being now stalled at five and one-half percent. It isn't enough when you consider that one out of every six workers entering the labor force in the year ended last June 30 also entered the ranks of the unemployed. It isn't enough when you consider that we will need a million jobs or more to get unemployment down to four percent, a million more jobs or more each year to provide jobs for those idled by technological advance, and substantially more than a million jobs each year for the increase in the labor force which we can expect shortly as a result of the population surge following World War II.

Today unemployment is a serious problem. We must make every effort possible to keep it from becoming a critical problem. As President Kennedy pointed out, if our economy in the last two and one-half years had produced jobs at the same rate as it had during the two and one-half years previous, unemployment today would be eight percent instead of five and one-half percent.

Even that five and one-half percent is much too high. W. P. Gullander, President of the National Association of Manufacturers, has estimated that it could go a lot higher than it is now. His estimate was that, if our economy continues to produce jobs at the rate of the years since 1957, by 1970 our unemployment rate could be somewhere between 12 and 13 percent. This audience need not be told what such a rate would mean in terms of human misery, in terms of the tremendous waste of output and potential in our economy.

No one can tell you exactly when the tax bill, together with other measures, will bring us to our interim goal of reducing unemployment to four percent. But, without the tax cut it is difficult to see any possibility of coming anywhere near that

goal for years to come. In fact, without it, the nation is more likely to move in the other direction. That is the choice which has helped to make the tax bill the most important piece of legislation to come before the Congress in many years.

As the lead editorial in the current Business Week put it:

> "We cannot know all the answers in advance. We must try to see what we can achieve step by step. It is clear, however, that the tax cut is the first order of business. It is urgent for us to try to solve our unemployment problems within a context of healthier growth of the private economy. Otherwise we may find that massive government spending or spread-the-work schemes are the only approaches left to us."

That editorial, I believe, clearly points out the fact that the consequences of the tax cut for unemployment epitomize its consequences for our entire domestic economy.

But the economic implications of the tax cut are not limited to the domestic economy. It will have a significant effect on our balance of payments as well. Some are concerned that a tax cut would worsen our position by expanding our imports. They overlook the evidence that passage of the tax bill is the single most important step which can be taken to improve the long-term outlook for our balance of payments -- evidence that has prompted the American Bankers Association and leading financial spokesmen such as Allan Sproul, the distinguished former President of the Federal Reserve Bank of New York, and many others to advocate the prompt enactment of the tax program primarily for balance of payments reasons.

The major challenge on the balance of payments front, at least at present, is to be found in net outflows of long-term investment, both direct and portfolio, and the need for increased productivity that will make our costs competitive. The investment lag has played an important part in our balance of payments deficits. For instance, if we compare investment and output from 1956 through last year, we find our total output, apart from price increases, rose by almost 20 percent, while business fixed investment showed no net gain at all over the level at the beginning of the period. This lag has much to do with our problem of excessive capital outflow and with our shrinking share of expanding world markets, as well as with our problem of slow growth at home.

Until we make investment in the United States more attractive for both foreign and domestic capital, we cannot find a lasting solution to our balance of payments problem. The enactment of the proposed tax bill is basic to that solution, and each month is important.

Finally, some people see a grave danger in enacting a tax reduction program at a time when there is a sizable budget deficit, following on other years of deficits.

The Treasury Department does not like federal budget deficits. But the real question is, how do we get rid of them? The present program is to reduce tax rates so as to increase the rate of economic activity, eventually producing higher levels of revenue while controlling increases in federal expenditures to the barest minimum.

Let us look at the United States economic history since the end of World War II. Deficits have been symptoms of economic slack -- not harbingers of prosperity. Over the 11 fiscal years from 1947 to 1957 -- our time of greatest postwar prosperity -- there were seven cash surpluses and four cash deficits for a net cash surplus of $20 billion. Since 1957, the period of economic slack, the federal budget has shown a cash deficit in five of the last six fiscal years -- a cumulative deficit of $26 billion.

Clearly, budget deficits are most likely to be transitional and avoided in the future if there is a rapidly expanding economy.

That is one of the reasons why the President recommended this tax program and members of the House Ways and Means Committee and the full House adopted it. They believed that the high income tax rates set in the inflationary times of war and postwar expansion clearly take too much out of our private economy as it moves toward a balanced budget and full employment.

They believed that the less than $2 billion the tax program would add to the deficit in this fiscal year, and the roughly $3-1/2 billion that would be added in fiscal 1965, after taking into account the "feedback" of revenues from the stimulation of the tax cut, would be a price worth the long-term growth that would result from reducing the restraints the present tax structure places on our private enterprise system.

They remembered that the last time a tax reduction was passed up there was a recession that led to our largest peacetime deficit in 1959 -- in excess of $12 billion. They sought to avoid the massive increases in federal spending which would be required to offset a recession, thereby deepening our budgetary deficit on a downturn far in excess of that contemplated from a tax cut on the upturn.

Moreover, both the President and the House of Representatives have recognized and accepted the responsibility of accompanying tax reduction with a new policy of tighter expenditure control as the surest and quickest way of bringing the nation to balanced budgets and surpluses in a manner consistent with our national needs and responsibilities.

The House of Representatives has emphasized this tie-in between tax reduction, expenditure control, and balanced budgets by specifically including in the tax bill as Section I a declaration of policy which reads as follows:

> "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt."

The President endorsed this statement before the House vote.

In fact, an effective program of expenditure control is well under way as an accompaniment to the tax program and convincing evidence of tangible accomplishment is at hand to give substance to promises of future restraint.

1. According to the Director of the Budget, the need for continuing expenditure increases for defense has just about ended and will soon taper off on space programs, which together with interest on the debt, accounted for more than 70 percent of the budgetary increase from fiscal 1961 through fiscal 1964.

2. Since the tax program was proposed last January the fiscal 1963 deficit has declined from an estimated $8.8 billion to an actual $6.2 billion -- and two-thirds of that decline resulted from lower expenditures.

3. In proposing the tax program last January, the President budgeted less for the civilian sector of the 1964 budget (everything except defense, space and interest on the debt) than in the previous year -- only the third time that has been attempted in twelve years, during a period in which state and local government spending has grown at a rate averaging more than 15 percent a year in response to population growth and a demand for increased public services.

4. Fiscal 1964 expenditures are currently estimated at $1 billion below last January's estimate. In the first three months of the fiscal year 1964 (July through September) expenditures in the civilian sector of the federal budget were $107 million less than the same quarter last year.

5. This September there were 242 less regular civilian federal employees on the payroll in the Executive branch than in September last year.

6. Chairman Cannon of the House Appropriations Committee has observed that new appropriations may aggregate less than last year's total -- the first time that will have been done in some years.

7. As for the fiscal year 1965 and following years, the President has assured the Congress that he intends to maintain a tight rein on expenditures and that a substantial part of the tax revenues from economic expansion will be used to reduce the budgetary deficit until balance is reached.

8. On this basis -- and barring an unforeseen slowdown of the economy or international contingency -- the President expects to submit a budget for fiscal 1965 with a deficit less than the $9.2 billion forecast for fiscal 1964, despite the fact that the second stage of the tax reduction will have gone into effect and that the revenue loss from tax reduction in 1965 -- before feedback -- will be $5 billion greater than in 1964.

Beyond this evidence of a new attitude in the halls of government, there are pragmatic factors that you outside government may take into account. The Business Committee for Tax Reduction in 1963 voiced its conclusion "That a tax cut would exert strong pressure to achieve better control of government spending . . . a good way to encourage strong spending discipline again next year and the year after is to pass the tax bill." Someone has put it in even terser terms -- the way to cut taxes and government spending is to cut taxes.

Despite all the personalized distortions and criticisms of the make-up of the tax bill and the haunting doubts and fears as to its current economic timeliness, the months since its introduction in the House have witnessed the emergence of a consensus that confirmed the soundness of the President's earlier recommendations.

Seldom in the nation's history have its economic brains and leadership from diverse private sectors developed such a solid accord on a key economic issue as that which has emerged on the proposed Revenue Act of 1963.

Although only a very short time elapsed between the Ways and Means Committee action in reporting the tax bill to the House, and the House passage of that measure by an overwhelming margin, an impressive number of endorsements of the bill and its general principles were made during that period. The endorsements, urging favorable legislative action on the tax bill, were made by organizations representing a broad sampling

of the economic, business and financial community, that included such groups as The Business Committee for Tax Reduction in 1963; The Chamber of Commerce of the United States; the AFL-CIO; The National Federation of Independent Business; The National Association of Home Builders; The National League of Insured Savings Associations; The American Life Convention; The Life Insurance Association of America; The National Association of Retail Grocers; The National Candy Wholesalers Association, Inc.;The National Coal Association; The National Machine Tool Builders' Association; The National Food Brokers Association; The United States Wholesale Grocers Association; The Associated Retail Bakers of America; and The National Association of Real Estate Boards.

Equally impressive has been the consistent pattern of testimony before the Senate Finance Committee of those witnesses who speak in a representative voice for the important economic organizations that make up our private economy. Although these representatives have changes to suggest, most of them make it clear that if their recommendations are not followed, they would support the bill as it passed the House. These statements of basic support for the bill despite individual differences came from such varied groups as The Chamber of Commerce of the United States; The National Farmers Union; The AFL-CIO; The American Life Convention and Life Insurance Association of America; The American Textile Manufacturers Institute; Henry Ford, II and Stuart Saunders for The Business Committee for Tax Reduction in 1963; The Illinois Manufacturers Association; and The National Small Business Association.

These are only a few of the groups which indicated that, even if the bill did not include the changes they considered most essential, they would still support its passage. This reflects no weakness or vacillation on their part. It does indicate a concern for the national economy and the public welfare which transcends their individual interests -- an attitude which reflects the strong sense of public responsibility of most of those testifying before the Senate Finance Committee.

No one could hope to draw a tax bill that would satisfy everyone. The fact that the present bill has gained such broad public support from so many different areas makes me very optimistic that sound, effective tax legislation very much along the lines of the House bill will shortly become the law of the land, despite the existence of determined but limited opposition and some lingering doubts.

There is insistent and ever mounting support from many diverse sources for this legislation. Why? Even outstanding opponents or skeptics of last spring have become advocates this fall because favorable business expectations are now based, in part, on its passage. Why?

The answer is simple and has been from the beginning. We, as a nation, prefer to rely primarily on a more prosperous and efficient private economy, initiating a larger and larger volume of economic activity in a free market. That is the formula that has made us the strongest and most productive nation on earth and that should be our formula for maximum progress in the future.

We have come to the conclusion -- in business, in finance, in labor, in academic circles and in government -- that our present tax system is holding back that private economy from its best performance. We know that the alternative to a changed tax system is a massive increase in the role of the national government and its expenditures.

We have overcome the biggest obstacle to changing that system -- the lack of any agreement on just how to change it.

The American people and the members of the U.S. Senate will not pass up this rare opportunity, provided by the President and the House of Representatives, to move forcefully to solutions of long standing national problems in a manner consonant with our great and true tradition.

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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
SENATE BANKING AND CURRENCY COMMITTEE
WEDNESDAY, NOVEMBER 20, 1963, 2:30 P. M.

As the officer of our Government who is most directly concerned with both our foreign and domestic financial situations, I want to make it clear at the outset of my remarks that the proposed grain sales to the Soviet Bloc would, in my considered opinion, be in the best interest of the United States, for three very important reasons:

First, they would improve our balance of international payments by perhaps as much as 300 million dollars.

Second, they would strengthen our gold position.

Third, they would reduce our heavy expenditures at home for storing surplus agricultural commodities.

But we shall not obtain these very practical and hard-headed advantages if the legislation now before you is approved. For the projected sales will, in all probability, not take place unless adequate financing is available to American producers and shippers.

While it is by no means certain that the current negotiations between American grain dealers and the Soviet Union will be successfully concluded, I do not believe that our dealers' hands should be tied by their inability to provide appropriate financing. I therefore

urge rejection of S2310, which would prohibit the Export-Import Bank, or any other agency of the United States Government, from financing commodity sales to the Soviet Bloc, or extending guarantees of private financing. Such a restriction would seriously reduce, if not eliminate entirely, any possibility of concluding the substantial sales of agricultural products to the Bloc that are now being negotiated -- and it would preclude any similar transactions in the future.

As the Committee is aware, serious short-falls in agricultural output in the Soviet Union and the countries of Eastern Europe have prompted them to seek substantial amounts of agricultural commodities, particularly wheat and corn, from the West. As a result, we have an opportunity to sell some 150 million bushels of wheat to the Soviet Union and other Eastern European countries, as well as a number of smaller sales of other agricultural commodities to various members of the Bloc. In my view, we should seize that opportunity because it is to our advantage.

Such sales would directly benefit our balance of payments. As this committee is well aware, our over-all balance of payments deficits amounted to $2.4 billion in 1961, and $2.2 billion in 1962. Although those deficits were substantially below those of previous years, the United States dollar remained under pressure in the exchange markets of the world and the ability of our currency to function fully and

effectively as the monetary cornerstone of the international payments system was impaired.

In the President's message to the Congress of July 18, he spelled out action on a broad front to correct our payments imbalance. The initial results during the third quarter of this year were highly promising. During the July-September quarter, our deficit was slashed far below that of the two previous quarters -- in good measure because of the proposed Interest Euqalization Tax and firmer short-term interest rates. These developments reduced the outflow of United States capital abroad. But our payments problem is not solved by any means. Leaving aside special government transactions such as advance debt payments and the sales of medium term government bonds denominated in foreign currencies, preliminary figures made public by the Department of Commerce show that our deficit on regular transactions seasonally adjusted ran at the annual level of $1.6 billion, during the third quarter. Even though this is the best quarterly result since the fourth quarter of 1957, when the effects of the Suez crisis were still evident, it is still much too high for comfort. Until we can eliminate our balance of payments deficit entirely, we must seek out and take every practical step to defend the dollar by improving our payments position. One such move would be the sale of grain to the Soviet Bloc.

Of directly related interest is the fact that the Soviet Union over the years has run deficits in trading with the Free World. To

settle its accounts, the Soviet Union each year sells some $200 million of gold. Since the Soviet Union is now purchasing unusual amounts of agricultural commodities abroad, adding further to its deficit, those gold sales are rising. As a result, directly or indirectly, our gold stock position is being improved.

Although my principal concern here today is with our Balance of payments and gold position, I ask the Committee not to overlook other benefits to our nation from the proposed sales -- particularly the considerable reduction in budgetary expenditures that would result from receipts from the sale of wheat in C.C.C. inventories, and from reductions in storage and other costs involved in carrying Government inventories. From the sale of four million tons of wheat, budgetary expenditures in fiscal 1964 and fiscal 1965 would be reduced by approximately a quarter of a billion dollars with a corresponding reduction in our expected budgetary deficit. Annual storage and other carrying charges on this amount of wheat run to nearly $40 million. Since the Department of Agriculture estimates that it is now likely to take about five years to roll over C.C.C. stocks, this would mean a $200 million saving over such a period.

I also want to emphasize that the proposed sales would be wholly commercial in nature, with a decided profit incentive to American grain dealers. However, if American dealers are to bid successfully

for this business, they must be able to compete successfully with the grain suppliers of other Free World nations -- for example, Canada, which has made arrangements to sell $500 million worth of wheat and wheat flour to the Soviet Union, as well as Australia, Argentina, and Mexico, which have made smaller sales arrangements with Bloc countries. In comparison, American sales to the Soviet Bloc -- excluding the special cases of Poland and Yugoslavia -- have been made only to Hungary, which has purchased, in three lots, 100,000 tons of corn, valued at $4.5 million covered by an Export-Import Bank guarantee. Sale of 200,000 tons of wheat to Hungary (approximately 7.4 million bushels) has been licensed by the Department of Commerce, and other sales to the Bloc are in the offing, but the major transaction would be the sale of more than 150 million bushels of wheat to the Soviet Union and other Eastern European countries.

If our dealers are to obtain this business, they must be competitive, and one of the most important factors involves the financing terms.

In this regard, the Soviet Union and its satellites generally have received from Canada terms which provide for cash payment of 25 percent prior to shipment of the commodities, with the balance payable in equal semi-annual installments over an 18-month

period. Those are now the customary commercial terms for sales of wheat to Bloc countries -- and have been made available even to Communist China. In some cases -- as for example, a recent Canadian wheat sale to Poland -- three year terms were agreed upon.

I do not view the 18-month terms as unsound or unjustified. In sales to non-communist countries, we have offered government credit of up to three years on tobacco, cotton and feed grains, and 2 years on wheat. If United Sales grain dealers are to compete for the Soviet trade successfully, they will in all likelihood find it necessary to offer reasonably equivalent commercial credit. However, the evidence is conclusive that United States commercial banks are not prepared, solely on their own, to grant commercial credits to the Soviet Bloc covering agricultural commodities in the amount and for the time required. Therefore, if advantageous United States sales to the Soviet Bloc are to be concluded, our financial institutions will need assistance similar to that extended by the Export Credit Insurance Corporation of Canada, a Government-owned corporation, which guaranteed the credits extended by Canadian banks to finance Canadian wheat purchases by the Soviet Union. Sales of commodities by other countries to the Communist Bloc have also involved export credit guarantees by government-owned corporations. Such guarantees have become a normal part of trade financing with the Soviet Bloc, as well as with many non-communist countries.

What is clearly called for is the guarantees by our Export-Import Bank of the commercial credits to be extended to cover purchases of American grain by the Soviet Bloc. The credit would carry an interest rate of five percent a year, of which five-eights percent would go to the Export-Import Bank as a fee. As for the risk involved, the Soviet Union has consistently met all commercial credit obligations it has undertaken fully and promptly. Its reputation in the commercial credit field is such that payment on schedule can be expected. In addition, of course, failure to honor a commercial obligation would seriously impair the ability of the Soviet Union and the countries of Eastern Europe to continue to obtain the commercial financing they regularly require from other Free World countries.

In conclusion, I want to restate my belief that grain sales to the Soviet Union and other members of the bloc are in the interest of the United States. Payment over an 18-month period is now a normal commercial practice in the international wheat markets. Therefore, to make the offers of grain dealers both realistic and competitive, Export-Import Bank guarantees are necessary. Indeed, without Export-Import Bank guarantees, it is very doubtful that the sales can be made. I would, therefore, strongly urge that S2310 be rejected by this Committee -- not alone because of the wheat sales now under consideration, but because the proposed bill could adversely affect

a broad range of commercial sales of other products far into the future. I would hope that the Export-Import Bank, and the Administration generally, will retain the flexibility and authority necessary to facilitate legitimate commercial trade between United States and the Soviet Bloc whenever our national interest will be served by such trade. The proposed wheat sale to the Soviet Bloc is just such a transaction.

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

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

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

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue at a specific rate or price until after one-thirty p.m., Eastern Standard time, Wednesday, November 27, 1963.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 3, 1963, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for not more than 50 percent of the amount of Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

November 21, 1963

TREASURY OFFERS $1 BILLION ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,00 or thereabouts, of 363 -day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated December 3, 1963, and will mature November 30, 1964 when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Wednesday, November 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 (Notwithstanding the fact that these bills will run for 363 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) 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

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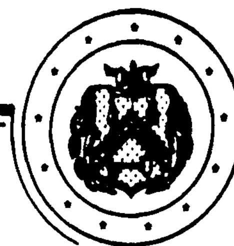
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 21, 1963

FOR IMMEDIATE RELEASE

TREASURY OFFERS $1 BILLION ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 363-day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated December 3, 1963, and will mature November 30, 1964, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Wednesday, November 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.(Notwithstanding the fact that these bills will run for 363 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue at a specific rate or price, until after one-thirty p.m., Eastern Standard time, Wednesday, November 27, 1963.

D-1055

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 3, 1963, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for not more than 50 percent of the amount of Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

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

Treasury Department Circular No. 418 (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

silver certificates will also appear on the new Federal Reserve notes, but the new notes will not contain any reference to silver. Thus, they will not carry the language: "This Certifies That There Is On Deposit In The Treasury Of The United States Of America" (above portrait) and "One Dollar In Silver Payable To The Bearer On Demand" (below the portrait).

Federal Reserve notes have been the basic circulating currency of the United States for many years, comprising over 85 per cent (more than $30 billion) of the face amount of all currency in circulation today. They are backed 100 per cent by collateral in the form of gold certificates, U. S. Government securities, or short-term paper discounted or purchased by the Federal Reserve Banks.

Immediate Release, Monday, November 25, 1963

PROPOSED PRESS RELEASE CONCERNING NEW $1 FEDERAL RESERVE NOTES

The Board of Governors of the Federal Reserve System and the Treasury Department announced today that more than 50 million new $1 Federal Reserve notes are going into circulation. Issuance of the new $1 notes, authorized by Congress last June, began this morning at all 12 Federal Reserve Banks and their 24 Branches to commercial banks in every part of the country. This will make more silver available for coinage purposes and help to meet the increased demand for currency in connection with pre-Christmas business.

To facilitate the widest possible distribution, the initial supply of the new notes is being distributed through normal commercial banking channels; none of the first 50 million notes will be available to the public at any of the Federal Reserve Banks or Branches.

The new $1 Federal Reserve notes closely resemble the present $1 silver certificates, which ultimately they will replace completely. The back of the new notes and the portrait of George Washington on the face will be exactly the same as the silver certificates. The main difference will be the addition of a symbol, appearing to the left of the portrait, identifying the issuing Federal Reserve Bank, and the wording on the face of the bill. The notes bear the signatures of the Secretary of the Treasury and the Treasurer of the United States, as do Federal Reserve Notes of other denominations.

The new notes will read (above the portrait): "The United States of America" and (below the portrait) "One Dollar." The legend stating that the bill "Is Legal Tender For All Debts, Public and Private," appearing on the

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TREASURY DEPARTMENT

WASHINGTON, D.C.
November 26, 1963

FOR IMMEDIATE RELEASE

NEW $1 FEDERAL RESERVE NOTES NOW BEING DISTRIBUTED

The Board of Governors of the Federal Reserve System and the Treasury Department announced today that more than 50 million new $1 Federal Reserve notes are going into circulation. Issuance of the new $1 notes, authorized by Congress last June, has begun at all 12 Federal Reserve Banks and their 24 Branches to commercial banks in every part of the country. This will make more silver available for coinage purposes and help to meet the increased demand for currency in connection with pre-Christmas business.

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D-1056

FOR IMMEDIATE RELEASE

November 26, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated August 29, 1963, and the other series to be dated November 29, 1963, which were offered on November 20, were opened at the Federal Reserve Banks on November 26. Tenders were invited for $1,200,000,000, or thereabouts, of 90-day bills and for $800,000,000, or thereabouts, of 181-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	90-day Treasury bills maturing February 27, 1964		:	181-day Treasury bills maturing May 28, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.134	3.464%	:	98.180	3.620%
Low	99.128	3.488%	:	98.173	3.634%
Average	99.130	3.480% 1/	:	98.175	3.631% 1/

42% of the amount of 90-day bills bid for at the low price was accepted
72% of the amount of 181-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 22,376,000	$ 12,212,000	:	$ 19,302,000	$ 12,302,000
New York	1,458,061,000	800,661,000	:	1,250,477,000	581,657,000
Philadelphia	28,434,000	12,599,000	:	8,738,000	3,378,000
Cleveland	28,570,000	28,570,000	:	9,998,000	9,413,000
Richmond	18,947,000	12,947,000	:	5,823,000	2,823,000
Atlanta	25,092,000	19,674,000	:	8,870,000	6,675,000
Chicago	202,671,000	157,551,000	:	176,839,000	109,979,000
St. Louis	32,624,000	26,108,000	:	11,413,000	9,913,000
Minneapolis	20,687,000	13,940,000	:	7,683,000	3,283,000
Kansas City	56,382,000	54,214,000	:	10,317,000	6,567,000
Dallas	33,324,000	17,164,000	:	9,474,000	4,474,000
San Francisco	59,866,000	45,706,000	:	95,374,000	51,214,000
Totals	$1,987,034,000	$1,201,346,000 a/		$1,614,308,000	$801,678,000 b/

a/ Includes $219,788,000 noncompetitive tenders accepted at the average price of 99.130
b/ Includes $57,428,000 noncompetitive tenders accepted at the average price of 98.175
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.57%, for the 90-day bills, and 3.76%, for the 181-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

November 26, 1963

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated August 29, 1963, and the other series to be dated November 29, 1963, which were offered on November 20, were opened at the Federal Reserve Banks on November 26. Tenders were invited for $1,200,000,000, or thereabouts, of 90-day bills and for $800,000,000, or thereabouts, of 181-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	90-day Treasury bills maturing February 27, 1964		181-day Treasury bills maturing May 28, 1964	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
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Low	99.128	3.488%	98.173	3.634%
Average	99.130	3.480% 1/	98.175	3.631% 1/

42% of the amount of 90-day bills bid for at the low price was accepted
72% of the amount of 181-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 22,376,000	$ 12,212,000	$ 19,302,000	$ 12,302,000
New York	1,458,061,000	800,661,000	1,250,477,000	581,657,000
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Totals	$1,987,034,000	$1,201,346,000 a/	$1,614,308,000	$801,678,000 b/

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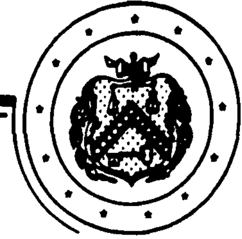
D-1057

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 23, 1963

FOR IMMEDIATE RELEASE

TREASURY POSTPONES CLOSING TIME FOR RECEIPT OF
TENDERS FOR WEEKLY BILL OFFERING

The Treasury Department, by this public notice, postpones the closing hour for the receipt of tenders for the two series of weekly Treasury bills to be issued Friday, November 29, 1963. The new closing hour is 12:30 p.m., EASTERN STANDARD TIME, Tuesday, November 26, 1963. The receipt of tenders had previously been scheduled for 1:30 p.m. on Monday, November 25. No other changes are being made in the terms of the public notice inviting tenders, which was issued on November 20, 1963.

The Treasury Department is making no change in the terms of the public notice issued on November 21, 1963, inviting tenders for the regular monthly offering of 1 billion dollars of one-year bills. These tenders will be received up to 1:30 p.m., EASTERN STANDARD TIME, on Wednesday, November 27.

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

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated September 5, 1963, (91 days remaining until maturity date on March 5, 1964) 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 December 5, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 5, 1963. Cash

XExhibit 2-AX

XBETA - MODIFIEDX

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, November 27, 1963

XXXXXXXXXXXXXXXX(1X)XXXXXXXXXXXXXXXXXXX

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 December 5, 1963, in the amount of $2,101,094,000, as follows:

91 -day bills (to maturity date) to be issued December 5, 1963, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated September 5, 1963, and to mature March 5, 1964, originally issued in the amount of $801,671,000 /, the additional and original bills to be freely interchangeable.

/ an additional $100,092,000 was issued October 28, 1963

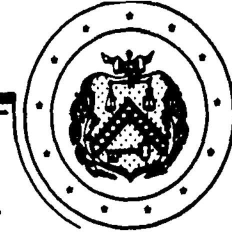
182 -day bills, for $ 800,000,000, or thereabouts, to be dated December 5, 1963, and to mature June 4, 1964.

The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, December 2, 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-1059

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 27, 1963

FOR IMMEDIATE RELEASE

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D-1059

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated September 5,1963, (91 days remaining until maturity date on March 5, 1964) 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 December 5, 1963, in cash or other immediately available funds or in a like face amount of Treasury bills maturing December 5,1963. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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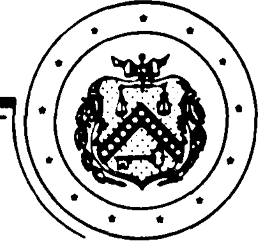
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 27, 1963

FOR IMMEDIATE RELEASE

TREASURY DECISION ON CHROMIC ACID
UNDER THE ANTIDUMPING ACT

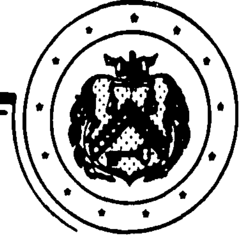
The Treasury Department has determined that chromic acid from Australia is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act.

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

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

The dollar value of imports received during the first 6 months of 1963 was approximately $75,000.

TREASURY DEPARTMENT



WASHINGTON, D.C.

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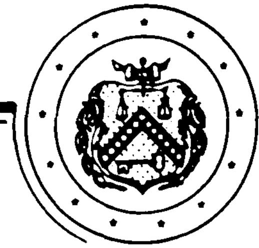
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 27, 1963

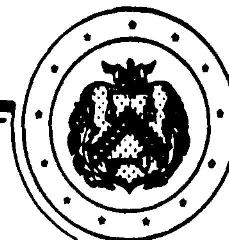
FOR IMMEDIATE RELEASE

TREASURY DECISION ON FIG PASTE
UNDER THE ANTIDUMPING ACT

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

The dollar value of imports of the involved merchandise received during the first 6 months of 1963 was approximately $75,000.

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 27, 1963

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UNDER THE ANTIDUMPING ACT

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The dollar value of imports of the involved merchandise received during the first 6 months of 1963 was approximately $75,000.

FOR RELEASE A. M. NEWSPAPERS,
Thursday, November 28, 1963.

November 27, 1963

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,000,000, or thereabouts, of 363-day Treasury bills to be dated December 3, 1963, and to mature November 30, 1964, which were offered on November 21, were opened at the Federal Reserve Banks on November 27.

The details of this issue are as follows:

Total applied for - $2,790,001,000
Total accepted - $1,000,252,000 (includes $156,356,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting two tenders totaling $3,600,000)

High	- 96.400	Equivalent rate of discount approx.	3.570% per annum
Low	- 96.371	" " " " "	3.599% " "
Average	- 96.380	" " " " "	3.590% " " 1/

(43% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 141,300,000	$ 75,400,000
New York	1,324,814,000	345,524,000
Philadelphia	60,983,000	12,883,000
Cleveland	251,765,000	169,115,000
Richmond	44,856,000	25,021,000
Atlanta	80,350,000	42,650,000
Chicago	269,922,000	110,337,000
St. Louis	70,138,000	35,574,000
Minneapolis	130,565,000	44,285,000
Kansas City	39,603,000	24,403,000
Dallas	165,500,000	78,705,000
San Francisco	210,205,000	36,355,000
TOTAL	$2,790,001,000	$1,000,252,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 3.75%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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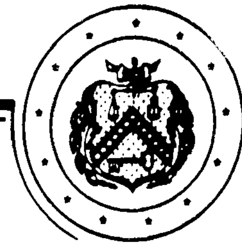
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Thursday, November 28, 1963.

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