U.S. Treasury Dept.
Press Releases

United States Savings Bonds Issued and Redeemed Through March, 1964
(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				
ies A-1935 - D-1941	$ 5,003	$ 4,991	$ 12	.24
ies F & G-1941 - 1951	29,308	29,165	142	.52
URED				
ies E: 3/				
1941	1,833	1,554	278	15.17
1942	8,095	6,885	1,211	14.96
1943	13,034	11,100	1,934	14.84
1944	15,180	12,757	2,423	15.96
1945	11,883	9,783	2,100	17.67
1946	5,344	4,180	1,164	21.78
1947	5,038	3,761	1,277	25.35
1948	5,192	3,771	1,421	27.37
1949	5,109	3,623	1,486	29.09
1950	4,457	3,080	1,377	30.90
1951	3,859	2,656	1,203	31.17
1952	4,041	2,724	1,317	32.59
1953	4,598	2,940	1,658	36.06
1954	4,663	2,791	1,872	40.15
1955	4,814	2,836	1,977	41.07
1956	4,619	2,733	1,886	40.83
1957	4,340	2,493	1,847	42.56
1958	4,198	2,250	1,949	46.43
1959	3,925	2,064	1,861	47.41
1960	3,906	1,902	2,004	51.31
1961	3,918	1,709	2,209	56.38
1962	3,768	1,482	2,285	60.64
1963	4,117	973	3,144	76.37
1964	120	39	120	100.00
classified	702	745	-43	-
tal Series E	130,754	90,793	39,961	30.56
es H (1952 - Jan. 1957) 3/....	3,670	1,459	2,212	60.27
H (Feb. 1957 - 1964)	6,045	770	5,274	87.25
tal Series H	9,715	2,229	7,486	77.06
tal Series E and H	140,469	93,022	47,447	33.78
ies F and G (1952)	213	188	4/ 25	11.74
ies J and K (1952 - 1957)	3,710	2,081	1,629	43.91
tal Series F, G, J and K	3,923	2,269	1,654	42.16
Series: Total matured	34,311	34,156	154	.45
Series: Total unmatured	144,392	95,291	49,101	34.01
Series: Grand Total	178,703	129,447	49,255	27.56

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

BUREAU OF THE PUBLIC DEBT

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE March , 1964

SERIES J AND K SAVINGS BONDS BEGIN TO MATURE MAY 1, 1964, AND DO NOT EARN INTEREST AFTER MATURITY

The Treasury reminded holders of Series J and K Savings Bonds today that the bonds begin to mature on May 1, 1964, and do not earn interest if held after their maturity dates. The bonds should be presented promptly for payment at maturity in order that the redemption proceeds may be reinvested, if desired, in other available Treasury obligations. Reinvestment may be made in Series E and H Savings Bonds without regard to the limitations on the amounts of such bonds that may be purchased and held in any calendar year but this privilege does not apply to bonds registered in the names of commercial banks in their own right. To take advantage of the privilege, the matured J and K bonds must be presented to a Federal Reserve Bank or Branch or the Office of the Treasurer of the United States, Washington, D. C.

Under the law, Series E and H Savings Bonds are the only bonds which may be held at the option of their owners beyond their original maturity dates and continue to earn interest. E bonds with issue dates of May 1, 1941, through May 1, 1949, may be held for two 10-year optional extension periods. All other E bonds may at this time be held for only one 10-year extension period.

At this time only those H bonds with issue dates of June 1, 1952, through January 1, 1957, may be held beyond their original maturity dates for one 10-year optional extension period.

Series A, B, C, D, F and G Savings Bonds, in addition to those of Series J and K, were not accorded the optional extension privilege. Bonds of Series A, B, C and D matured some time ago -- the last issues of Series F and G bonds mature on April 1, 1964. The Treasury suggests that savings bond owners carefully review their holdings to determine whether any bonds of these series are being held. If so, they should be presented promptly for redemption.

Treasury officials said,

TREASURY DEPARTMENT

WASHINGTON, D.C.
April 1, 1964

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D-1182

~~BETA - 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 January 9, 1964, (91 days remaining until maturity date on July 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 April 9, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 9, 1964. Cash

~~EXHIBIT A~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, April 1, 1964

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 $ 2,200,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 9, 1964, in the amount of $2,201,233,000, as follows:

91 -day bills (to maturity date) to be issued April 9, 1964, in the amount of $ 1,300,000,000, or thereabouts, representing an additional amount of bills dated January 9, 1964, and to mature July 9, 1964, originally issued in the amount of $ 800,403,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000, or thereabouts, to be dated April 9, 1964, and to mature October 8, 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, April 6, 1964. 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.

April 1, 1964

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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-1183

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 $ 200,000or less for the additional bills dated January 9, 1964, (91-days remaining until maturity date on July 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 April 9, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 9, 1964. 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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Since these transactions offset one another, the total of medium-term, foreign currency borrowings on April 1 remains unchanged from the amount of $730 million equivalent which appeared on the _Treasury Daily Statement_ at the end of February.

Over recent months, Italy has incurred a balance of payments deficit, a reversal in its position which was reflected in the program of financial assistance by the United States and others announced on March 14. The purchase of lire by the U. S. over the past seven months, preparatory to redemption of the lira bonds, also recognized the change in Italy's position since the bonds were issued. These actions serve to demonstrate the adaptability of the mutual credit arrangements which have been developed over the past three years between the United States and the monetary authorities of the major financial centers abroad.

The Treasury also announced a borrowing on April 1 equivalent to approximately $200 million in German marks through the issuance of four Deutschemark-denominated, medium-term, non-marketable securities for 200 million Deutschemarks each. This borrowing increases the amount of medium-term Deutschemark securities outstanding to the equivalent of approximately $475 million. The investment by Germany in these securities reflects that country's continuing creditor position. ~~Much~~ of the German payments surplus over recent ~~months~~ has been due to movements of funds from Italy to Germany.

FOR RELEASE 5:30 P.M. EST APRIL 1 FOR PUBLICATION MORNING PAPERS APRIL 2

DRAFT PRESS RELEASE

~~SUBJECT:~~ Redemption of ~~Italian~~ Lira-~~Denominated~~ Bonds ~~by Treasury~~ and Issu~~ance of~~ German Mark ~~Bonds~~.

The Treasury announced today the first redemptions of medium-term, non-marketable, foreign currency-denominated securities. The securities redeemed were first issued in Italian lire late in 1962. The issuance of additional medium-term, non-marketable bonds in German marks was also announced. ~~In effect~~, the ~~bonds~~ originally issued to Italy and denominated in lire have now been transferred to Germany, and denominated in marks.

Lira bonds equivalent in value to approximately $200 million have been paid off. One for $50 million equivalent was redeemed at maturity early in March and the remaining $150 million, not scheduled for redemption until various dates in 1965, were redeemed on April 1. Borrowings in Italian lire were first undertaken in January 1962 at short term to provide the Treasury with resources for exchange market operations at a time of substantial surpluses in Italy's balance of payments. In late 1962, as Italian accounts continued in surplus, these borrowings were refunded and enlarged on a medium-term basis.

WEDNESDAY, ~~MA~~APRIL 1, 1964)

Info. Serv. Letterhead

FOR RELEASE A.M. NEWSPAPERS
Thursday, April 2, 1964

ITALIAN LIRA BONDS REDEEMED;
NEW GERMAN MARK BONDS ISSUED

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS
THURSDAY, APRIL 2,1964

April 1, 1964

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Over recent months, Italy has incurred a balance of payments deficit, a reversal in its position which was reflected in the program of financial assistance by the United States and others announced on March 14. The purchase of lire by the U. S. over the past seven months, preparatory to redemption of the lira bonds, also recognized the change in Italy's position since the bonds were issued. These actions serve to demonstrate the adaptability of the mutual credit arrangements which have been developed over the past three years between the United States and the monetary authorities of the major financial centers abroad.

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Since these transactions offset one another, the total of medium-term, foreign currency borrowings on April 1 remains unchanged from the amount of $730 million equivalent which appeared on the Treasury Daily Statement at the end of February.

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D-1184

FOR RELEASE ON DELIVERY

STATEMENT OF THE HONORABLE ROBERT V. ROOSA
ACTING SECRETARY OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON BANKING AND CURRENCY
ON S. 2671
THURSDAY, APRIL 2, 1964, 9:30 A.M.

Mr. Chairman and Gentlemen:

I am happy to appear before your Committee this morning to testify on S. 2671, a bill introduced by Senator Metcalf and others to reduce the silver content of all of our silver coins by reducing the fineness of silver in them from 900 to 800 one-thousandths.

We believe that passage of the legislation before your Committee would in fact raise the monetary value of silver to $1.45. This would in turn soon cause the disappearance from circulation of all presently outstanding silver dollars, would in all probability in the near future lead to the melting-down of our present subsidiary silver coinage, and would lead to an impossible situation for the mints in supplying the coinage needs of our country. Instead, we believe that the best way to meet the present needs of the Western states will be for the Senate to appropriate the funds requested by the Treasury for the minting of additional silver dollars of the present fineness. We recognize, of course, that action on this request is for the Appropriations Committee, not this Committee. I shall set forth our reasons for our views on the effects of S. 2671 at some length further on in my statement.

First, I should like to say that the Treasury recognizes the disappointment of certain of the Western states caused by the exhaustion of the present stock of silver dollars held in the Treasury. As you know, this stock has been reduced to some three million silver dollars which have a considerable numismatic value. Last week Secretary Dillon stopped further distribution of these silver dollars from the Treasury when he found that they could no longer be distributed equitably for their principal use as a circulating medium of exchange. The Treasury realizes that unless additional silver dollars are minted, and made available in the Western states, there will be a strong tendency for the large number of those now in circulation in the West to disappear gradually into the hands of collectors.

Having in mind the rapidly dwindling supply of silver dollars available, the Treasury requested $675,000 in a supplemental appropriation request for 1964 in order to mint 50 million silver dollars during the rest of this fiscal year. In addition, our budget for 1965 included a request for $1,250,000 for the minting of 100 million silver dollars. As you know, the House of Representatives did not include any funds for this purpose in the Treasury, Post Office and Executive Office Appropriation Bill for 1965 which was passed on March 24 of this year. Instead the House allowed $100,000 out of our supplemental appropriation request for 1964 to be used exclusively for making smaller coins and $650,000 of our request for $1,250,000 for the same purpose. Secretary Dillon wrote to you, Mr. Chairman, on March 25 of this year, in your capacity as Chairman of the Treasury-Post Office Subcommittee of the Senate Committee on Appropriations, appealing to that Committee for restoration of certain of the House reductions in the Treasury appropriation request. In that letter he asked the Appropriations Subcommittee to restore $200,000 out of the supplemental request to enable the Mint to produce about 15 million silver dollars in fiscal 1964 and also $600,000 of the request for fiscal 1965 to permit the minting of at least 45 million additional silver dollars in that year.

The House Appropriations Committee and the House of Representatives itself considered the problem of the vanishing supply of silver dollars at length before acting on the 1965 appropriations bill. It was suggested in the hearings of the House Appropriations Subcommittee that legislation reducing the silver content of the silver dollar and the other coins might be effective both to reduce the drain on the Treasury's supply of silver and to produce a silver dollar which would not be worth a dollar in silver bullion value and therefore would stay in circulation more readily than the present silver dollar. Careful consideration was given to this suggestion. The Report of the House Committee on Appropriations contained the following statement:

The Committee has disallowed the request to resume the minting of silver dollars at this time. The Committee held extensive hearings on this subject and carefully considered statements by congressional delegations representing the silver states. This is not a simple problem of authorizing funds for the minting of additional silver dollars. Many other factors are involved, and the Committee carefully considered every alternative. The Committee is fully aware of the importance attached to this issue by the silver states; however, in view of the facts developed during the investigations and hearings, the Committee could support only one conclusion -- that the best interests of all the people require that the total minting capacity of the two existing mints be devoted entirely to meeting the critical shortage in minor coins.

Among the major considerations which support the Committee's position are the following:

(a) The shortage in minor coins at the present time is the most critical in the history of the mint, and the demand is increasing at a rate that has outstripped the capacity of both existing mints, even at three-shift, seven-day operation. Every denomination of coin is now being rationed. There is no currency substitute for minor coins such as there is for silver dollars.

(b) The new mint to be constructed in Philadelphia, for which funds are allowed in this bill, will not be in actual production for several years.

(c) Additional silver dollars can be minted only at the expense of minting minor coins.

(d) At the present rate of usage, the supply of free silver in the Treasury will be exhausted in seven or eight years. At the present time, the United States is using silver annually at a rate approximately equal to the entire world production. Considerable quantities of silver are being consumed in defense activities and cannot be recovered.

(e) The amount of silver in a silver dollar, at current prices, is worth slightly more than a dollar, while the amount of silver in two half-dollars is worth about 92 cents.

> The Committee feels that additional silver dollars should not be minted until the Congress enacts legislation concerning the silver content of the silver dollar. Should the price of silver continue to rise, even just a few cents per ounce, it would be profitable to melt down silver dollars for the silver content. The minting of additional silver dollars, at this time, would only serve to aggravate the problem.

The debate in the House of Representatives revealed clearly that in making the statement in point (e) above, that additional silver dollars should not be minted until the Congress enacts legislation concerning the silver content of the silver dollar, the Committee had in mind that in any case mint capacity should not be used for minting silver dollars until the new mint to be built in Philadelphia was completed and the existing shortage of other coins remedied. As Chairman Gary of the Appropriations Subcommittee said before the House, "We have said then that if you will get this content changed by legislation -- we have no authority over that -- we will go ahead with this mint, and as soon as we possibly can we will recommend the minting of these silver dollars."

In recent months the Treasury has initiated a study of the long-range problem of the silver content of our coinage and the various questions raised by the excess of silver demand over current production. There are many problems involved and the decisions to be made are exceedingly difficult. We have given consideration to some of the possible alternatives to continuing our coinage with the present silver content. Ultimately, of course, unless a radical change in the supply and demand situation should develop -- a change which is not out of the question but which it would not seem prudent to count on -- the Treasury stocks of silver will be exhausted. Alternatives must clearly be planned well in advance. Our studies have not reached a point where any decision has been made as to a recommendation for long-range Government policy in this area. Once the Treasury has arrived at certain recommendations it will, of course, be necessary to circulate the proposals for approval throughout the Executive Branch. Since many agencies have an interest in the field and the matter is a difficult and controversial one, it can be anticipated that decision and clearance will require considerable time. Unquestionably the Congress will wish to consider the matter with great care and deliberation before making any substantial changes in our coinage laws.

In the meanwhile the Treasury believes that it would be in the best interests of the nation if no such legislation as that before your Committee were passed. Our silver stocks, which now amount to approximately one and a half billion ounces, are ample for continuation of the present coinage and for the supplying of silver to meet the industrial gap between supply and demand for a period of years ahead. At the rate of redemption of outstanding silver certificates in 1963, the present supply of silver should last until about 1972. This calculation is based on the assumption of our continuing to mint silver dollars with the present silver content. Thus, while the basic problem cannot be ignored and must be faced promptly, the solution should not be a piecemeal attempt to cope with certain aspects of the larger coinage problem. In our judgment, passage of this proposed legislation, whether as submitted by Senator Metcalf or as proposed by others to reduce the silver content to 50 percent, would be premature and harmful.

The effect of this legislation can be analyzed, first, by ascertaining its effect on the definition of the standard silver dollar and then its effect on the monetary value of silver. Finally, it will be necessary to estimate its effect upon the market price of silver.

The standard silver dollar is defined by statute as containing 412.5 grains of silver nine tenths fine. This standard was originally established in the Act of January 18, 1837 (5 Stat. 137), and was subsequently included again in the Act of February 28, 1878 (20 Stat. 25). These Acts retained the pure silver content of 371.25 grains originally established by the Act of April 2, 1792, but changed the alloy content. Although not codified in the United States Code, these 19th century provisions nevertheless remain in full force and effect. It might be observed, in passing, that if the content of the silver dollar is to be changed effectively by legislation, these old provisions would have to be amended along with the section of the Code which is amended by Senator Metcalf's bill, which is found in the Silver Purchase Act of 1934 (48 Stat. 340), 31 U.S.C. 321. If the weight of the silver dollar is to remain the same as at present, namely, 412.5 grains, but with silver only eight tenths fine, there would be just over 11 percent less silver in the standard silver dollar. This would also be true of the subsidiary silver coins as well.

The monetary value of silver, which is at present $1.2929292, is nowhere defined in law in such mathematical terms. Rather, it is arrived at by dividing the number of grains in an ounce (480) by the number of grains of pure silver in the silver dollar (371.25). Under the formula of this new legislation which reduces the number of silver grains in the silver dollar, the monetary value of silver by the same process of division would become $1.45-plus per ounce.

The market value of silver would not necessarily immediately rise to its new monetary value. Market value is, of course, determined by supply and demand. However, the overwhelming factor in keeping the market price of silver for the last many months at the present monetary value of $1.29-plus has been the right of holders of silver certificates to get silver from the Government stocks at the monetary value. As soon as the monetary value rose to $1.45-plus, the Government would only be able to dispose of silver at that price. With the supply from present Government stocks thus cut off, it is difficult to see how the market price could stay at its present level.

It seems reasonable to estimate that it would promptly rise from the present level and might soon reach or surpass the price of $1.38-plus, which is the value of silver in our present subsidiary coins. Whether or not the market price rose all the way to $1.45-plus per ounce, it would immediately have become profitable to melt down the present silver dollars for their silver content, and very probably soon thereafter would become profitable to melt down all other present silver coins. This would make it impossible to maintain the present silver coins in circulation, even though some brake could perhaps be applied through imposing drastic penalties on melting and exporting.

Even if melting and exporting were prohibited by law with severe criminal sanctions, which would be difficult to enforce, a market price of silver of $1.38 or more would seriously jeopardize all of our present silver coinage, since it would be virtually impossible to control hoarding of coins by individuals, and we would then face an even more acute shortage of change than now exists. The burden on the Mints, which is already so severe, would become even worse.

This preliminary interpretation of the legislation might conceivably be open to challenge on the ground that the holder of an existing silver certificate is entitled to 77/100ths of an ounce of silver, not the lesser amount in the new silver dollar. While we do not now think this is a valid interpretation of the law, it demonstrates the type of difficulty that can be created by hasty adoption of legislation in this exceedingly complicated area.

One of the apparent reasons for the submission of this legislation is the feeling of some people that the drainage of silver dollars from circulation and from the Treasury has been prompted by speculation over a possible rise in the price of silver. It is our view, however, that the main reason for the drainage of these coins has been the constantly increasing interest of coin collectors and dealers who have been hopeful of acquiring some of the rarer silver dollars with numismatic value. Perhaps the factor of speculation has played some part in the picture as well. To the extent that this accounts for the disappearance of silver dollars at the present time, we do not believe the legislation before your Committee will solve the problem. To be sure, if the market value of silver were to remain at its present level, the value of the silver in a new silver dollar of 800 fineness would be about 90 cents, thus reducing the motivation for hoarding. Since, however, as I have indicated earlier, the net effect of the new legislation, in our judgment, would be to raise the market price of silver, the market value of the silver in the new dollar would probably soon rise to very close to $1. It seems doubtful that the new silver dollar would stay in circulation for long any better than the present ones. In fact, the only real assurance against speculation is the knowledge throughout the market that the Treasury's present immense stocks are "on offer" at the present monetary value of $1.29.

Reducing the silver content of coins from 90 percent to 50 percent, as has also been proposed, would, of course, simply aggravate further the problems outlined above. Under such legislation the monetary value of silver would become about $2.32 per ounce for the silver dollar and $2.48 for the subsidiary coins, and the market price would presumably tend to rise toward this monetary value even faster than if it were $1.45 per ounce. It seems clear that it would almost immediately exceed $1.38 per ounce, the point at which it would be profitable to melt down our present subsidiary coins.

These problems which I have outlined are of a magnitude which require the most careful consideration by the Congress as well as by the Executive Branch. They seem to the Treasury to outweigh greatly in significance the providing of silver dollars to the Western states through the means of reducing the silver content of our coinage, even though we recognize the importance which the people in these states attach to silver dollars. We believe that silver dollars should be supplied by restoration of funds for the minting of silver dollars of the present fineness through the regular appropriation procedure. Meanwhile, we will continue the intensive studies already underway, attempting to appraise all of the metallurgical, electronic and other requirements for a satisfactory coinage in future years. We can do this successfully only if the essentials of the present coinage system are not disturbed -- giving us the necessary time to complete recommendations to the Congress, review them with you, await your consideration and legislation, and then proceed to the minting of future requirements with the added facilities which we now expect to have in Denver within one year and in Philadelphia within three years.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE April 2, 1964

RESULTS OF TREASURY'S CURRENT CASH OFFERING

The Treasury today announced a 9 percent allotment on subscriptions in excess of $50,000 for the current cash offering of an additional $1 billion, or thereabouts, of 3-7/8 percent Treasury Notes of Series D-1965 due August 13, 1965. Subscriptions for $50,000 or less will be allotted in full. Subscriptions for more than $50,000 will be allotted not less than $50,000.

Reports received thus far from the Federal Reserve Banks show that subscriptions for the notes total about $10.2 billion, of which about $8.4 billion were received from commercial banks for their own account and $1.8 billion from all others.

To enable holders of 3-7/8% notes of Series D-1965 to readily determine which of them are subject to the provisions of section 1232 of the Internal Revenue Code all notes of this additional issue will be specially marked to show they were issued April 8, 1964, at a price of 99.70%.

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

D-1136

FOR RELEASE A. M. NEWSPAPERS, Saturday, April 4, 1964.

April 3, 1964

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,
or thereabouts, of 357-day Treasury bills to be dated April 8, 1964, and to matu
March 31, 1965, which were offered on March 26 were opened at the Federal Reserv
on April 3.

The details of this issue are as follows:

Total applied for - $2,567,634,000
Total accepted - 1,000,864,000 (includes $117,894,000 entered on a noncompetitive basis and accepted full at the average price shown be

Range of accepted competitive bids:

High	- 96.334	Equivalent rate of discount approx.	3.697% per annum
Low	- 96.306	" " " " "	3.725% " "
Average	- 96.312	" " " " "	3.719% " "

(51% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 119,962,000	$ 53,216,000
New York	1,112,909,000	295,209,000
Philadelphia	55,121,000	33,681,000
Cleveland	205,547,000	81,557,000
Richmond	56,148,000	28,258,000
Atlanta	65,631,000	27,131,000
Chicago	372,851,000	147,473,000
St. Louis	54,542,000	24,344,000
Minneapolis	101,566,000	47,416,000
Kansas City	44,231,000	24,283,000
Dallas	226,481,000	161,101,000
San Francisco	152,645,000	77,195,000
TOTAL	$2,567,634,000	$1,000,864,000

1/ On a coupon issue of the same length and for the same amount invested, the r on these bills would provide a yield of 3.88%. Interest rates on bills a in terms of bank discount with the return related to the face amount of t payable at maturity rather than the amount invested and their length in a number of days related to a 360-day year. In contrast, yields on certific notes, and bonds are computed in terms of interest on the amount invested relate the number of days remaining in an interest payment period to the number of days in the period, with semiannual compounding if more than on period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
ırday, April 4, 1964.

April 3, 1964

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	TOTAL	$2,567,634,000	$1,000,864,000

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1187

TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
ırday, April 4, 1964.

April 3, 1964

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 6, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON CEMENT
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that portland cement, other than white, nonstaining portland cement from Israel 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 1963 was approximately $440,000.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 7, 1964.

April 6, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated January 9, and the other series to be dated April 9, 1964, which were offered on April 1, were opened at the Federal Reserve Banks on April 6. Tenders were invited for $1,[illegible] or thereabouts, of 91-day bills and for $900,000,000, 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 July 9, 1964		:	182-day Treasury bills maturing October 8, 19[illegible]	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. [illegible] Annual [illegible]
High	99.118	3.489%	:	98.132	3.[illegible]
Low	99.113	3.509%	:	98.124	3.[illegible]
Average	99.114	3.503% 1/	:	98.128	3.[illegible]

71% of the amount of 91-day bills bid for at the low price was accepted
33% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 31,495,000	$ 21,390,000	:	$ 10,070,000	$ 10,0[illegible]
New York	1,645,829,000	793,404,000	:	1,211,492,000	654,[illegible]
Philadelphia	27,062,000	12,062,000	:	8,324,000	3,[illegible]
Cleveland	24,829,000	23,518,000	:	21,723,000	11,[illegible]
Richmond	12,346,000	12,271,000	:	2,742,000	2,[illegible]
Atlanta	36,337,000	29,882,000	:	17,252,000	15,[illegible]
Chicago	207,391,000	113,161,000	:	152,583,000	74,[illegible]
St. Louis	41,960,000	34,502,000	:	10,960,000	9,[illegible]
Minneapolis	19,915,000	11,125,000	:	6,249,000	2,[illegible]
Kansas City	33,860,000	30,891,000	:	9,510,000	9,[illegible]
Dallas	27,830,000	17,685,000	:	10,903,000	5,[illegible]
San Francisco	235,873,000	200,908,000	:	112,527,000	10[illegible]
	$2,343,817,000	$1,300,799,000 a/		$1,574,355,000	$900,[illegible]

a/ Includes $250,066,000 noncompetitive tenders accepted at the average price of [illegible]
b/ Includes $63,492,000 noncompetitive tenders accepted at the average price of [illegible]
1/ On a coupon issue of the same length and for the same amount invested, the [illegible] these bills would provide yields of 3.58%, for the 91-day bills, and 3.8[illegible] 182-day bills. Interest rates on bills are quoted in terms of bank discount [illegible] return related to the face amount of the bills payable at maturity rather than [illegible] amount invested and their length in actual number of days related to a 360-day [illegible] In contrast, yields on certificates, notes, and bonds are computed in terms of [illegible] terest on the amount invested, and relate the number of days remaining in an [illegible] payment period to the actual number of days in the period, with semiannual [illegible] if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

ELEASE A. M. NEWSPAPERS,
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April 6, 1964

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OF ACCEPTED TITIVE BIDS:	91-day Treasury bills maturing July 9, 1964		182-day Treasury bills maturing October 8, 1964	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.118	3.489%	98.132	3.695%
Low	99.113	3.509%	98.124	3.711%
Average	99.114	3.503% 1/	98.128	3.703% 1/

71% of the amount of 91-day bills bid for at the low price was accepted
33% of the amount of 182-day bills bid for at the low price was accepted

TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

trict	Applied For	Accepted	Applied For	Accepted
ton	$ 31,495,000	$ 21,390,000	$ 10,070,000	$ 10,070,000
York	1,645,829,000	793,404,000	1,211,492,000	654,667,000
ladelphia	27,062,000	12,062,000	8,324,000	3,274,000
veland	24,829,000	23,518,000	21,723,000	11,288,000
hmond	12,346,000	12,271,000	2,742,000	2,742,000
anta	36,337,000	29,882,000	17,252,000	15,139,000
cago	207,391,000	113,161,000	152,583,000	74,333,000
Louis	41,050,000	34,502,000	10,980,000	9,480,000
neapolis	19,915,000	11,125,000	6,249,000	2,749,000
sas City	33,860,000	30,891,000	9,510,000	9,443,000
las	27,830,000	17,685,000	10,903,000	5,903,000
Francisco	235,873,000	200,908,000	112,527,000	101,020,000
	$2,343,817,000	$1,300,799,000 a/	$1,574,355,000	$900,108,000 b/

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1188

leaving, I shall continue to treasure your friendship. As you go, know that you have an important place in our hearts.

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That accomplishment, by itself, stands as a shining reminder of Joe Fowler's service in the Treasury. But it is only a part of the whole fabric of his dedicated public service. Over the years, Joe Fowler has responded to the call to serve his country under four presidents, in war and in peace. He has done so at great personal sacrifice -- and this has been particularly true during his three years at Treasury, for he has twice postponed his long-anticipated return to private life at considerable personal cost.

Now, I want to end on a personal note: Joe, all of your friends at Treasury and throughout the Administration are going to miss you. But no one will miss you more than I. For three years, I've relied upon your wise counsel, your warm and witty companionship, and above all, your dedication and loyalty. Althou I must reluctantly bow to your compelling personal reasons for of your energy and skill our country today is stronger and better prepared for the future."

That citation, while admittedly inadequate, is particularly appropriate. In fact, the Latin phrase attributed to Alexander Hamilton was cited not long ago by Joe Fowler himself in discussing the importance of the separation of powers in our Government and the skills required for the successful conduct of business between the legislative and executive branches. Let me give you a free translation of that Latin. What it means is that Joe Fowler, like Alexander Hamilton, combined great courtesy of manner with an equally great firmness of purpose. Both of these qualities proved not only valuable, but essential, in accelerating the successful outcome of the tax changes of the last three years. I firmly believe if Joe Fowler had less of either quality, the Revenue Act of 1964 would not be the law that it is today.

The Alexander Hamilton Award I am going to present to him now, and the citation which accompanies it, are inadequate to express the full measure of the appreciation of his country and the respect of his colleagues. I will read that citation now, and then I would like to make one closing remark:

"Your foresight and tireless work during more than three years as Under Secretary have made possible the most important fiscal legislation of our time and a unique departmental record of achievement. By following the precept of Alexander Hamilton of combining suaviter in modo with fortiter in re you have attained results where others had produced empty words. This award recognizes your accomplishments, but as with Hamilton, the true measure of your service is that because

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
IN PRESENTING THE ALEXANDER HAMILTON AWARD TO
UNDER SECRETARY HENRY H. FOWLER
TUESDAY, APRIL 7, 1964, 10:00 A.M., EST

Those of you who worked with Mr. Fowler on the tax bill know that it would be difficult to determine the proper measure of recognition of his Herculean efforts in helping shift the legislative balance in favor of that vitally important measure.

As the tax bill moved slowly through the Congress, Joe Fowler's unrelenting efforts against what appeared sometimes to be overwhelming odds played a crucial role. The fact that the bill emerged in its present form is credit not only to his abilities as a statesman, but also to the courage that is so strong a part of Joe Fowler.

If that were a military instead of a legislative campaign, Joe Fowler would have earned many decorations for valor and for gallantry. He certainly would have earned the Purple Heart.

The Alexander Hamil

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
IN PRESENTING THE ALEXANDER HAMILTON AWARD
TO
UNDER SECRETARY HENRY H. FOWLER
TUESDAY, APRIL 7, 1964, 2:30 P.M., EST

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE April 7, 1964

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 an additional $1 billion, or thereabouts, of 3-7/8% Treasury Notes of Series D-1965, due August 13, 1965.

All notes of this additional issue have been specially marked to show that they were issued April 8, 1964, at a price of 99.70% to enable their holders to readily determine that they are subject to the provision of Section 1232 of the Internal Revenue Code.

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		$ 492,778,000	$ 48,584,000
New York		3,501,776,000	325,086,000
Philadelphia		409,556,000	42,685,000
Cleveland		695,641,000	70,127,000
Richmond		413,294,000	45,196,000
Atlanta		482,280,000	61,479,000
Chicago		1,271,315,000	141,208,000
St. Louis		357,578,000	45,712,000
Minneapolis		238,392,000	36,623,000
Kansas City		350,888,000	52,335,000
Dallas		517,537,000	57,349,000
San Francisco		1,494,942,000	139,745,000
Treasury		210,000	60,000
	Totals	$10,226,187,000	$1,066,189,000

D-1189

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

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

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

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

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

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

~~Exhibit 2-A~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, April 8, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 16, 1964, in the amount of $ 2,101,410,000, as follows:

91 -day bills (to maturity date) to be issued April 16, 1964, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated January 16, 1964, and to mature July 16, 1964, originally issued in the amount of $ 800,444,000, the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000, or thereabouts, to be dated April 16, 1964, and to mature October 15, 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, April 13, 1964. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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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.

April 9, 1964

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
BICYCLES

The Treasury Department is instructing customs field officers to withhold appraisement of bicycles from Hungary, manufactured by Pannonia, Budapest, Hungary, 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 March 6, 1964, and was made by Philip Sherman, Esquire, New York, New York. The dollar value of imports received during 1963 was approximately $215,000.

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In dollar terms, the $38 billion rise in GNP that is expected this year will represent as great a year-to-year increase in total national output as any in our peacetime history.

When this decade began, our GNP just topped the $500 billion mark. In the fourth quarter of last year, as we all know, we reached the $600 billion mark. Since GNP practically stood still in 1960, that represents a growth of $100 billion in some three years. With the tax cut, we can expect to cut that time by about one-third -- and pass the next $100 billion mark at least by the beginning of 1966.

That, therefore, is the prospect that the tax cut holds out before us. That prospect -- and the importance of the tax cut -- become even more impressive when we recall that only a few months ago nearly all the forecasts by leading business economists had us verging upon recession levels by the end of this year -- if we did not have a tax cut.

Thus, we stand at a historic turning point. And the tax cut will spell the difference between making economic history and merely repeating it.

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Yet since 1957 -- while the forces that sustained the expansion of the prior decade began to recede -- Federal tax revenues continued to rise as a percentage of GNP, from 18.5 percent in 1957 to 19.3 percent in the first half of 1963. Had the economy maintained 1957 levels of activity -- or roughly 4 percent unemployment -- tax revenues would have risen to an even higher percentage of GNP, an estimated 20 percent. During this same period, however, government purchases rose only from 11.2 percent to 11.5 percent of GNP, compared with a 7.4 percent to 11.2 percent rise from 1948 through 1957. Yet again, had the economy been operating in 1963 at 1957 levels, actual Federal purchases in 1963 would have dropped instead of risen as a percentage of GNP.

There is little question, therefore, that since 1957 high tax rates have been a significant source of our economic difficulties and have thus helped defeat their own purpose of raising adequate revenues. There is also little question that only an economy operating at reasonably full capacity can produce the government revenues required to bear the costs of the cold war as well as to meet urgent national needs. With the tax cut, we expect that after a brief 2-3 year period, greater Federal revenues will be generated than had there been no tax cut. This means that, with the tax cut and with the kind of expenditure control which the new budget represents, we can reasonably expect to reach the point of balance in our budget within two or at least three years. Without the tax cut, the prospect would have been bleak indeed for a balanced budget within the near future -- except at the cost of essential national needs and, very likely of our continued economic progress. Without it, even our relatively near-term economic future -- in the opinion of most experts -- appeared extremely uncertain.

Thus the tax cut has very great implications, not only over the long-run, for the relatively near future as well.

That coupled with rigorous expenditure control argues well for the economy. Few of us can fail to be impressed with the expenditure control exemplified in President Johnson's new budget, or can deny that it indeed merits the term, "rigorous". The new Johnson budget represents what can only be called the positive approach to expenditure control. It will produce real savings this year and in years to come. Yet it responds in new and forward-looking ways to real and urgent national needs. It is genuinely frugal and prudent, while at the same time refusing to pay homage to the defeatist theory that between expenditure control and national needs -- or between balanced budgets and national needs -- there is some kind of war, that we cannot provide for one without sacrificing the other.

With the new budget, and the new tax law, this nation can look forward in all sober confidence to an economic growth throughout this year and beyond of greater strength and magnitude than that of any comparable period in our history.

We can expect that by the end of fiscal 1965 the current recovery will become the longest and strongest in our peacetime history.

It should also -- and this is one of its most important goals -- put us on the road to balanced budgets.

This is a goal which surely, in the light of our recent economic history, all of us can endorse wholeheartedly-- without, however, endorsing the view that deficits stand always for absolute evil and balanced budgets stand always for absolute good. For whether deficits are good or bad, or whether balanced budgets are good or bad, is a question that depends entirely on the actual economic conditions in which a given deficit or balanced budget occurs.

Surely, however, we can all endorse -- emphatically and without the slightest reservation -- the view that wasteful spending is intolerable, and that in a healthy and vibrant economy the Federal budget ought to be in long-term balance. The trouble with the deficits of recent years is that they are the unwanted, unwelcome children of a delinquent economy -- an economy that has not lived up to its potential.

When we look, for example, at the first postwar decade -- from 1947 through 1957 -- we see an economy nurtured and sustained in prosperity by the enormous unfulfilled demand that built up during the war. Employment was high and growing, incomes and output were rapidly expanding, and investment was running at continually high levels to keep up with the new high tide of demand. And during that same period -- over the 11 fiscal years from 1947 through 1957 -- the Federal budget was in cash surplus 7 times and in cash deficit 4 times, for a net cash surplus of $20 billion.

Then the tide began to fall -- and we are all familiar with the results. We had not yet fully recovered from the 1957 recession, when recession struck again in 1960. And while, against that background, the recovery from the 1960 recession is an impressive accomplishment indeed -- it has not been enough to make up for the ground already lost. In the six fiscal years from 1958 through 1963, the Federal budget has been in cash deficit 5 times and in cash surplus once -- for net cash deficit of nearly $26 billion. More than half of that net deficit occurred in the first three years -- from 1958 through 1960 -- despite the fact that the deficit from 1961 through 1963 reflects large increases in expenditures for national defense and space.

Any objective analysis makes it quite clear, therefore, that our deficits since 1957 have their origin -- not in wasteful or excessive Federal spending-- but in an unsatisfactory economic performance that has failed to produce adequate revenues. Such an analysis also makes it clear that high tax rates have played a primary role in the economic difficulties we have encountered since 1957. These rates, after all, were installed during the war to restrain private demand. During the first decade after the war, their restrictive pressures were not economically damaging because demand built up during the war was so large, because of the pressures of the Korean conflict, and for other reasons. Although Federal tax revenues -- including payroll taxes -- rose from 16.7 to 18.5 percent of GNP between 1948 and 1957, their effect was primarily to restrain runaway inflation.

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As we all know, this lagging investment at home has been matched by a dramatic upsurge in the flow of funds abroad, where economic expansions outpacing our own have given promise of greater returns. For example, in the seven years 1956 - 1962, net long-term portfolio investment abroad averaged one billion dollars per year, or more than five times as much as the $200 million per year average for the 1947 - 1955 period. And average net direct investment abroad during the same recent period was more than double the average amount in the earlier period -- $1.7 billion as against $700 million.

These, and others, are the facts that lead to the inescapable conclusion that on the basis of its long-term performance, our economy needs some kind of large fiscal stimulus.

The only possible question is, what kind of fiscal stimulus? Monetary policy might offer one means of providing some such stimulus, although we are restricted in that direction by our balance of payments situation. A massive increase in Federal expenditures might also provide at least a temporary fiscal boost of the magnitude that we need. But even leaving aside the effect such an approach would have upon our budget, there is grave doubt that it would genuinely answer our long-term economic needs -- when high tax rates would continue to dampen private incentives and initiative and siphon off a disproportionate share of private incomes and capital. Such an approach, unless we were willing to adopt it as a permanent program, would hardly give us the more rapid and sustained normal rates of economic growth that alone would help ease our problems.

We have chosen, therefore, to follow an entirely different course -- one that precludes excessive increases in government spending. It is to enhance and improve the role of the private economy by freeing private incentives and initiative, income and capital from the grip of restrictive tax rates.

I believe that most knowledgable people agree with the choice we have made. For tax reduction is the only course open to us if we are to meet our long-term economic needs in the way most suited to our market economy.

It is anticipated that tax reduction will generate economic growth in such kind and amount that there will be created an estimated two to three million new jobs. It will not of itself abolish unemployment, but it should bring unemployment far closer to its so-called "hard core" level.

By markedly improving private incentives and freeing substantial private capital, tax reduction will result also in sharply expanded domestic investment in modern plant and equipment and new techniques of production. And this is the kind of result that will generate, not only economic progress at home, but the lower costs and greater productivity that will sharpen the competitive edge of American industry in both foreign and domestic fields. In this respect, as well as by making America a far more attractive magnet for foreign and domestic investment, tax reduction presents the basic long-range answer to our balance of payments problem.

This is the conviction that lies behind the new tax law -- that, and the simple fact, that while our economy has done comparatively well for three years, it has not done nearly well enough for some six years.

Not once for 77 consecutive months has unemployment fallen below 5 percent. Over the six-year period from 1957 through 1963, unemployment has averaged 6 percent -- almost 50 percent more than during the 1947-1957 period. Even during the past year -- a year of steady economic upturn -- unemployment averaged 5.7 percent, and now stands at 5.4 percent. Some four million Americans able to work, needing work, and seeking work, are unable to find it. That has been the plight of that many Americans for far too long. Already those millions of young people born in the early post war years have begun to enter the labor force, and will enter it in ever-increasing numbers over the next few years -- at a time when technological change will proceed at even more rapid a pace than today, and render even more jobs obsolete than it does today.

All it takes is a close look at the facts to realize how stubborn this unemployment problem is. In the fourth quarter of 1962, the American economy was turning out on an annual basis $565 billion of GNP, and unemployment ran at an average of a little <u>less</u> than 5.6 percent. During the fourth quarter last year, GNP hit the $600 billion mark -- $35 billion above the year before -- and yet unemployment ran at an average of a little <u>more</u> than 5.6 percent. It took in other words a $35 billion rise in GNP merely to keep an already unacceptably high unemployment rate at about the same level.

Unemployment, therefore, is the most disturbing factor that has marred the past three years of unbroken economic progress and still confronts our continued progress with its most urgent and insistent challenge.

Unemployment, however, is not the only area in which our economy has fallen short -- and will continue to fall short unless it enters a new and sustained period of more rapid growth. The long-run investment picture is also disturbing. For it reveals, on the one hand, persistent inadequate levels of domestic investment and, on the other, too large and sustained an outpouring of investment funds to foreign fields where profits seem more attractive. At home, business fixed investment has fallen from 10-11 percent of GNP in the earlier postwar period to 9 percent in recent years. Mr. Stuart Saunders, Chairman of the Board of the Pennsylvania Railroad, pointed out last year before the Senate Finance Committee that, in constant dollars, GNP rose by 16 percent during the years 1957-1962, while plant and equipment expenditures fell by one percent. One corollary of this dwindling investment in plant and equipment -- in contrast to the sizable growth in total output -- is the increasing obsolescence of existing plant and equipment. The proportion of that plant and equipment 10 years or older has climbed from 43 percent in 1949, to 56 percent in 1953, to 60 percent in 1958, to 64 percent in 1963. And when you contrast that 64 percent with the ratios of other leading countries -- with 50 percent in the Soviet Union, 55 percent in West Germany, 58 percent in France, 59 percent in Great Britain -- the contrast appears all the more serious.

FOR RELEASE A.M. NEWSPAPERS
SATURDAY, APRIL 11, 1964

TREASURY DEPARTMENT
Washington

REMARKS BY THE HONORABLE JAMES A. REED
ASSISTANT SECRETARY OF THE TREASURY
AT THE THIRD ANNUAL BANQUET OF THE
SAVINGS BANK WOMEN OF MASSACHUSETTS
STATLER-HILTON HOTEL, BOSTON, MASSACHUSETTS
FRIDAY EVENING, APRIL 10, 1964

THE IMPACT OF THE TAX CUT ON OUR ECONOMY

For over a month now, the new tax law has been on our books. As a result, the prospect of greater after-tax profits for businessmen, and the reality of greater take-home pay for wage-earners, have begun to generate a more buoyant and rapid economic growth which the tax cut was designed to foster.

It is too early to judge with precision what the full impact of the tax cut will be. Events alone can tell us that. We can, however, consider what in general we expect to happen and why -- in a word, review very briefly the basic economic case for the tax cut.

It has been more than a year now since the tax program was proposed -- it has been even longer than that since tax reduction was proposed. And during that time our economy has been steadily advancing, with scarcely a perceptible pause or lag, passing milestone after milestone -- not merely maintaining on nearly all fronts, but on some fronts even quickening, the unbroken forward stride which began three years ago last month, as the economy emerged from the trough of our fourth recession since the Second World War.

Against that background of four postwar recessions (three striking since the end of the Korean War, and striking with increasing frequency), no one can fail to be impressed with the achievement the present recovery represents -- or fail to recognize the significant gains it has brought us. But the best measure of what we have yet to do lies in what we have not yet succeeded in doing -- not in what we have already accomplished. For if we do nothing but continue past progress -- and ignore the failures that will continue to attend it -- then the goal which we seek will prove to be illusory.

R RELEASE A.M. NEWSPAPERS
TURDAY, APRIL 11, 1964

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Not once for 77 consecutive months has unemployment fallen below 5 percent. Over the six-year period from 1957 through 1963, unemployment has averaged 6 percent -- almost 50 percent more than during the 1947-1957 period. Even during the past year -- a year of steady economic upturn -- unemployment averaged 5.7 percent, and now stands at 5.4 percent. Some four million Americans able to work, needing work, and seeking work, are unable to find it. That has been the plight of that many Americans for far too long. Already those millions of young people born in the early post war years have begun to enter the labor force, and will enter it in ever-increasing numbers over the next few years -- at a time when technological change will proceed at even more rapid a pace than today, and render even more jobs obsolete than it does today.

All it takes is a close look at the facts to realize how stubborn this unemployment problem is. In the fourth quarter of 1962, the American economy was turning out on an annual basis $565 billion of GNP, and unemployment ran at an average of a little <u>less</u> than 5.6 percent. During the fourth quarter last year, GNP hit the $600 billion mark -- $35 billion above the year before -- and yet unemployment ran at an average of a little <u>more</u> than 5.6 percent. It took in other words a $35 billion rise in GNP merely to keep an already unacceptably high unemployment rate at about the same level.

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As we all know, this lagging investment at home has been matched by a dramatic upsurge in the flow of funds abroad, where economic expansions outpacing our own have given promise of greater returns. For example, in the seven years 1956 - 1962, net long-term portfolio investment abroad averaged one billion dollars per year, or more than five times as much as the $200 million per year average for the 1947 - 1955 period. And average net direct investment abroad during the same recent period was more than double the average amount in the earlier period -- $1.7 billion as against $700 million.

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The only possible question is, what kind of fiscal stimulus? Monetary policy might offer one means of providing some such stimulus, although we are restricted in that direction by our balance of payments situation. A massive increase in Federal expenditures might also provide at least a temporary fiscal boost of the magnitude that we need. But even leaving aside the effect such an approach would have upon our budget, there is grave doubt that it would genuinely answer our long-term economic needs -- when high tax rates would continue to dampen private incentives and initiative and siphon off a disproportionate share of private incomes and capital. Such an approach, unless we were willing to adopt it as a permanent program, would hardly give us the more rapid and sustained normal rates of economic growth that alone would help ease our problems.

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When we look, for example, at the first postwar decade -- from 1947 through 1957 -- we see an economy nurtured and sustained in prosperity by the enormous unfulfilled demand that built up during the war. Employment was high and growing, incomes and output were rapidly expanding, and investment was running at continually high levels to keep up with the new high tide of demand. And during that same period -- over the 11 fiscal years from 1947 through 1957 -- the Federal budget was in cash surplus 7 times and in cash deficit 4 times, for a net cash surplus of $20 billion.

Then the tide began to fall -- and we are all familiar with the results. We had not yet fully recovered from the 1957 recession, when recession struck again in 1960. And while, against that background, the recovery from the 1960 recession is an impressive accomplishment indeed -- it has not been enough to make up for the ground already lost. In the six fiscal years from 1958 through 1963, the Federal budget has been in cash deficit 5 times and in cash surplus once -- for net cash deficit of nearly $26 billion. More than half of that net deficit occurred in the first three years -- from 1958 through 1960 -- despite the fact that the deficit from 1961 through 1963 reflected large increases in expenditures for national defense and space.

Any objective analysis makes it quite clear, therefore, that our deficits since 1957 have their origin -- not in wasteful or excessive Federal spending-- but in an unsatisfactory economic performance that has failed to produce adequate revenues. Such an analysis also makes it clear that high tax rates have played a primary role in the economic difficulties we have encountered since 1957. These rates, after all, were installed during the war to restrain private demand. During the first decade after the war, their restrictive pressures were not economically damaging because demand built up during the war was so large, because of the pressures of the Korean conflict, and for other reasons. Although Federal tax revenues -- including payroll taxes -- rose from 16.7 to 18.5 percent of GNP between 1948 and 1957, their effect was primarily to restrain runaway inflation.

Yet since 1957 -- while the forces that sustained the expansion of the prior decade began to recede -- Federal tax revenues continued to rise as a percentage of GNP, from 18.5 percent in 1957 to 19.3 percent in the first half of 1963. Had the economy maintained 1957 levels of activity -- or roughly 4 percent unemployment -- tax revenues would have risen to an even higher percentage of GNP, an estimated 20 percent. During this same period, however, government purchases rose only from 11.2 percent to 11.5 percent of GNP, compared with a 7.4 percent to 11.2 percent rise from 1948 through 1957. Yet again, had the economy been operating in 1963 at 1957 levels, actual Federal purchases in 1963 would have dropped instead of risen as a percentage of GNP.

There is little question, therefore, that since 1957 high tax rates have been a significant source of our economic difficulties and have thus helped defeat their own purpose of raising adequate revenues. There is also little question that only an economy operating at reasonably full capacity can produce the government revenues required to bear the costs of the cold war as well as to meet urgent national needs. With the tax cut, we expect that after a brief 2-3 year period, greater Federal revenues will be generated than had there been no tax cut. This means that, with the tax cut and with the kind of expenditure control which the new budget represents, we can reasonably expect to reach the point of balance in our budget within two or at least three years. Without the tax cut, the prospect would have been bleak indeed for a balanced budget within the near future -- except at the cost of essential national needs and, very likely of our continued economic progress. Without it, even our relatively near-term economic future -- in the opinion of most experts -- appeared extremely uncertain.

Thus the tax cut has very great implications, not only over the long-run, for the relatively near future as well.

That coupled with rigorous expenditure control argues well for the economy. Few of us can fail to be impressed with the expenditure control exemplified in President Johnson's new budget, or can deny that it indeed merits the term, "rigorous". The new Johnson budget represents what can only be called the positive approach to expenditure control. It will produce real savings this year and in years to come. Yet it responds in new and forward-looking ways to real and urgent national needs. It is genuinely frugal and prudent, while at the same time refusing to pay homage to the defeatist theory that between expenditure control and national needs -- or between balanced budgets and national needs -- there is some kind of war, that we cannot provide for one without sacrificing the other.

With the new budget, and the new tax law, this nation can look forward in all sober confidence to an economic growth throughout this year and beyond of greater strength and magnitude than that of any comparable period in our history.

We can expect that by the end of fiscal 1965 the current recovery will become the longest and strongest in our peacetime history.

In dollar terms, the $38 billion rise in GNP that is expected this year will represent as great a year-to-year increase in total national output as any in our peacetime history.

When this decade began, our GNP just topped the $500 billion mark. In the fourth quarter of last year, as we all know, we reached the $600 billion mark. Since GNP practically stood still in 1960, that represents a growth of $100 billion in some three years. With the tax cut, we can expect to cut that time by about one-third -- and pass the next $100 billion mark at least by the beginning of 1966.

That, therefore, is the prospect that the tax cut holds out before us. That prospect -- and the importance of the tax cut -- become even more impressive when we recall that only a few months ago nearly all the forecasts by leading business economists had us verging upon recession levels by the end of this year -- if we did not have a tax cut.

Thus, we stand at a historic turning point. And the tax cut will spell the difference between making economic history and merely repeating it.

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TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE

THURSDAY, APRIL 9, 1964

D-1191

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 March 28, 1964	Established Quota	Imports May 29, 1963, to March 28, 1964
	(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	975
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	-	-	-	-

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

THURSDAY, APRIL 9, 1964

D-1191

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 March 28, 1964	Established Quota	Imports May 29, 1963, to March 28, 1964
	(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	975
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	3,823,379

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 28, 1
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil...........................	Calendar Year	1,200,000	Pound	Quota Fill
Fibers of cotton processed but not spun........................	12 mos. from Sept. 11, 1963	1,000	Pound	53
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)............................	12 mos. from August 1, 1963	1,709,000	Pound	Quota Fill

1/ Imports through April 6, 1964.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, APRIL 9, 1964

D-1192

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through March 28, 1964:

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 28, 1964
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	343,793
Whole Milk, fresh or sour.........	Calendar Year	3,000,000	Gallon	8
Cattle, 700 lbs. or more each (other than dairy cows)........	Jan. 1, 1964- March 31, 1964	120,000	Head	5,987
Cattle less than 200 lbs. each...	12 mos. from April 1, 1963	200,000	Head	60,700-
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.......	Calendar Year	24,861,670	Pound	1/ Quota Filled
Tuna Fish........................	Calendar Year	To be announced	Pound	7,222,255
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	40,274,700
Other..........................	Sept. 15, 1963	45,000,000	Pound	21,141,684
Knives, forks, and spoons with stainless steel handles........	Nov. 1, 1963- Oct. 31, 1964	69,000,000	Pieces	2/ 64,659,341

1/ Imports for consumption at the quota rate are limited to 6,215,417 pounds during the first three months of the calendar year.

2/ Imports through April 3, 1964.

TREASURY DEPARTMENT
Washington

:DIATE RELEASE
IRSDAY, APRIL 9, 1964

D-1192

The Bureau of Customs announced today preliminary figures on imports for con-
tion of the following commodities from the beginning of the respective quota
ods through March 28, 1964:

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 28, 1964
ff-Rate Quotas:				
n, fresh or sour.............	Calendar Year	1,500,000	Gallon	343,793
e Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	8
le, 700 lbs. or more each ther than dairy cows)........	Jan. 1, 1964- March 31, 1964	120,000	Head	5,987
.e less than 200 lbs. each...	12 mos. from April 1, 1963	200,000	Head	60,700
fresh or frozen, filleted, ., cod, haddock, hake, pol- k, cusk, and rosefish.......	Calendar Year	24,861,670	Pound	Quota Filled 1/
Fish........................	Calendar Year	To be announced	Pound	7,222,255
or Irish potatoes:				
tified seed.................	12 mos. from	114,000,000	Pound	40,274,700
er..........................	Sept. 15, 1963	45,000,000	Pound	21,141,684
s, forks, and spoons with inless steel handles........	Nov. 1, 1963- Oct. 31, 1964	69,000,000	Pieces	64,659,341 2/

ports for consumption at the quota rate are limited to 6,215,417 pounds during the three months of the calendar year.

ports through April 3, 1964.

Commodity	Period and Quantity		Unit of Quantity	Imports as of March 28, 1[illegible]
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil...........................	Calendar Year	1,200,000	Pound	Quota Fill[illegible]
Fibers of cotton processed but not spun........................	12 mos. from Sept. 11, 1963	1,000	Pound	5[illegible]
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)............................	12 mos. from August 1, 1963	1,709,000	Pound	Quota Fill[illegible]

1/ Imports through April 6, 1964.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, APRIL 9, 1964

D-1193

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 – April 1 – June 30, 1964

IMPORTS – April 1 – April 3, 1964 (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	7,004,408	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	4,294,491**	-	-	-	-	-	-
Canada	13,440,000	339,290**	15,920,000	1,459,041	66,480,000	66,480,000	37,840,000	1,535,043
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	5,195,221	70,480,000	5,649,465	6,320,000	-
Peru	16,160,000	3,274,420**	12,880,000	-	35,120,000	5,091,700	3,760,000	1,537
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
*Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	2,774**	-	-	-	-
All other countries (total)	6,560,000	1,118,960**	6,080,000	6,080,000	17,840,000	15,008,930**	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Imports as of April 6, 1964.
*Republic of South Africa.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

THURSDAY, APRIL 9, 1964

D-1193

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 - April 1 - June 30, 1964

IMPORTS - April 1 - April 3, 1964 (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	7,004,408	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	4,294,491**	-	-	-	-	-	-
Canada	13,440,000	339,290**	15,920,000	1,459,041	66,480,000	66,480,000	37,840,000	1,535,043
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	5,195,221	70,480,000	5,649,465	6,320,000	-
Peru	16,160,000	3,274,420**	12,880,000	-	35,120,000	5,091,700	3,760,000	1,537
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
***Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	2,774**	-	-	-	-
All other countries (total)	6,560,000	1,118,960**	6,080,000	6,080,000	17,840,000	15,008,930**	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Imports as of April 6, 1964.
***Republic of South Africa.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, APRIL 9, 1964

D-1194

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 - January 1 - March 31, 1964

IMPORTS - January 1 - March 31, 1964

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	11,530,577	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	63,916,153	6,320,000	6,320,000
Peru	16,160,000	16,160,000	12,880,000	12,880,000	35,120,000	35,120,000	3,760,000	3,760,000
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,847
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,760,000	-	-	-	-
All other countries (total)	6,560,000	3,976,119	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.
**Republic of South Africa.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, APRIL 9, 1964

D-1194

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 - January 1 - March 31, 1964

IMPORTS - January 1 - March 31, 1964

Country of Production	ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds)	Imports	ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: 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	11,530,577	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	63,916,153	6,320,000	6,320,000
Peru	16,160,000	16,160,000	12,880,000	12,880,000	35,120,000	35,120,000	3,760,000	3,760,000
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,847
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,760,000	-	-	-	-
All other countries (total)	6,560,000	3,976,119	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.
**Republic of South Africa.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

THURSDAY, APRIL 9, 1964 D-1195

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1964, to March 28, 1964, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of March 28, 1964
Buttons................	680,000	Gross	61,476
Cigars.................	160,000,000	Number	3,395,255
Coconut oil............	358,400,000	Pound	153,189,289
Cordage................	6,000,000	Pound	1,451,512
Tobacco................	5,200,000	Pound	714,076

TREASURY DEPARTMENT
Washington

DIATE RELEASE

RSDAY, APRIL 9, 1964 D-1195

The Bureau of Customs has announced the following preliminary figures showing imports for consumption from January 1, 1964, to March 28, 1964, inclusive, of odities under quotas established pursuant to the Philippine Trade Agreement sion Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of March 28, 1964
ons.................	680,000	Gross	61,476
rs.................	160,000,000	Number	3,395,255
nut oil............	358,400,000	Pound	153,189,289
age................	6,000,000	Pound	1,451,512
cco................	5,200,000	Pound	714,076

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 April 6, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to April 6, 1964
United Kingdom............	4,323,457	919,269	1,441,152	170,476
Canada....................	239,690	239,690	-	-
France....................	227,420	210,516	75,807	55,151
India and Pakistan........	69,627	19,284	-	-
Netherlands...............	68,240	11,249	22,747	-
Switzerland...............	44,388	34,147	14,796	-
Belgium...................	38,559	33,022	12,853	-
Japan.....................	341,535	59,000	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	35,738	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	1,561,915	1,599,886	225,627

1/ Included in total imports, column 2.

The country designations listed in this press release are those specified in Presidential Proclamation No. 2351 of September 5, 1939, as modified by the Tariff Schedules of the United States. Since that date the names of certain countries have been changed. The outmoded names are being retained because

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, APRIL 9, 1964

D-1196

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 - April 6, 1964

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Import
Egypt and Sudan.............	783,816	628,215	Honduras....................	752	-
Peru........................	247,952	11,294	Paraguay....................	871	-
India and Pakistan..........	2,003,483	159,692	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 - April 6, 1964

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
THURSDAY, APRIL 9, 1964

D-1196

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 - April 6, 1964

Country of Origin	Established Quota	Imports
Egypt and Sudan.............	783,816	628,215
Peru.......................	247,952	11,294
India and Pakistan..........	2,003,483	159,692
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	-
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1/British W. Indies...........	21,321	-
Nigeria....................	5,377	-
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Other, including the U.S....	-	-

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COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1963, to April 6, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to April 6, 1964
United Kingdom	4,323,457	919,269	1,441,152	170,476
Canada	239,690	239,690	-	-
France	227,420	210,516	75,807	55,151
India and Pakistan	69,627	19,284	-	-
Netherlands	68,240	11,249	22,747	-
Switzerland	44,388	34,147	14,796	-
Belgium	38,559	33,022	12,853	-
Japan	341,535	59,000	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	35,738	25,443	-
Italy	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	1,561,915	1,599,886	225,627

1/ Included in total imports, column 2.

The country designations listed in this press release are those specified in Presidential Proclamation No. 2351 of September 5, 1939, as modified by the Tariff Schedules of the United States. Since that date the names of certain countries have been changed. The outmoded names are being retained because of their geographical coverage and have no political connotation.

FOR RELEASE: UPON DELIVERY

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS
ON EAST-WEST TRADE
APRIL 9, 1964, 9:00 A.M. EST

Mr. Chairman and Members of the Committee:

I am here to describe the role of the Treasury Department in East-West Trade. Secretary Rusk has already informed you of the foreign policy aspects of East-West Trade and Secretaries Hodges and Freeman and the President of the Export-Import Bank have discussed with you this subject as it relates to the responsibilities of their respective agencies.

In order to inform the Committee of the details of the Treasury Department's role in East-West Trade matters a technical analysis has been prepared and is attached hereto. While I shall summarize the more significant aspects of the Treasury Department's activities in this important area, I would like to submit the technical analysis for the record.

The Treasury Department presently administers three sets of Regulations which have a bearing on East-West Trade.

These are the Foreign Assets Control Regulations, the Cuban Assets Control Regulations, and the Transaction Control Regulations, all of which were issued under the authority of Section 5(b) of the Trading With the Enemy Act.

The first two sets of Regulations affect East-West Trade by prohibiting, except pursuant to license, all commercial and financial transactions with Communist China, North Korea, and Cuba or nationals thereof and with respect to their products no matter where located. The Transaction Control Regulations deal with the purchase and sale by Americans and American-controlled firms of strategic commodities located outside the United States if the intention is ultimate delivery to the European Soviet Bloc or North Vietnam.

The Foreign Assets Control Regulations were issued on December 17, 1950, to implement the United States policy of a total embargo on all financial and commercial dealings with Communist China and North Korea, including both exports and imports, except pursuant to license. The control of exports from the United States to these areas is actually exercised by the Department of Commerce under its export control regulations, since the Treasury Department's Foreign Assets Control Regulations contain a general license permitting any export directly to those areas which are licensed by the Department of Commerce. As a practical matter, under both Treasury and Commerce Department regulations only publications move between this country and Communist China and North Korea.

All imports from Communist China and North Korea are prohibited by the FAC regulations the provisions of which also extend to goods regarded as presumptively Chinese or North Korean. Because of trans-shipment possibilities these restrictions affect imports of certain commodities from the Soviet Bloc such as certain ores and metals, textiles and animal hair.

The FAC regulations also extend to American-controlled firms abroad. It is not the Treasury Department's policy to license exports by such firms to Communist China or North Korea except for overriding foreign policy considerations. Only two exceptions have been made, one for wood pulp and one for second-hand diesel locomotives, and in neither case was the transaction consummated. American-controlled firms abroad equally may not import prohibited merchandise.

The Cuban Assets Control Regulations, issued on July 8, 1963, are essentially parallel to the Foreign Assets Control Regulations. Thus, trade between the United States and Cuba is limited to exports of publications and certain foods and medicines authorized by the Commerce Department and to licensed imports of publications. However, in the case of Cuba most American-controlled subsidiaries abroad have been authorized for foreign policy reasons to engage in trade with Cuba in non-United States origin goods. As a matter of fact such firms, except for exports of foods and medicines, are not known to be trading with Cuba.

The Transaction Control Regulations were issued on June 29, 1953, at the request of the interdepartmental Economic Defense Advisory Committee (commonly referred to as EDAC) as a part of the United States efforts in the internationally agreed control of strategic commodities. These controls are in addition to the controls exercised by the

Commerce Department over direct exports from the United States to the Soviet Bloc and North Vietnam. They prohibit, unless licensed, any person within the United States, and foreign firms controlled by such persons, from purchasing or selling or arranging the purchase or sale of strategic commodities located outside the United States for ultimate delivery to the European Soviet Bloc. The coverage of these Regulations is restricted to those commodities which are listed as strategic by international agreement through the Consultative Group Coordinating Committee (generally known as COCOM). Treasury decisions on requests for licenses are referred to EDAC for advice, which is invariably followed by the Treasury.

In 1954, at EDAC's request, Treasury interpreted its Foreign Assets Control Regulations and Transaction Control Regulations to apply to patent and technical data licensing agreements whereby the foreign licensees agreed not to ship anything produced abroad with the American know-how to Communist China or North Korea in the absence of a Treasury license. Similarly, the foreign licensees agreed not to ship anything on the internationally agreed strategic lists to the European Soviet Bloc or North Vietnam in the absence of a Treasury license. This control was transferred to the Commerce Department on April 1, 1964.

To sum up Mr. Chairman, the Treasury has been given the authority and delegated the function of administering controls over foreign assets and financial transactions where necessary to protect United States national security interests, since such controls can have an important effect on the international financial position and policies of the United States. However, in the administration of these regulations the Treasury acts essentially in an operating role rather than in a policy-making role. Determinations with respect to types and amounts of goods which are strategic and the United States position in international consultations on the administration of international controls of such commodities are made by those members of EDAC who have qualified experts on these subjects. Where questions of foreign policy arise in connection with the administering of these regulations we are largely governed by the views of the Department of State. Of course, if any contemplated measures or actions would be calculated to have a serious adverse effect upon the international financial position of the United States, the Treasury Department would play a major role in the consideration of such a question.

Aside from the Treasury's responsibility in administering foreign assets regulations, as Secretary of the Treasury and from my previous Government service, I am interested in the broader economic implications of trade with the Soviet Bloc. In this area I will only say that non-strategic trade with the Soviet Bloc on normal commercial terms can be fully as beneficial to the United States as to the Bloc. I favored such trade during my four years in the State Department, and I continue to favor it today. It is my opinion that the balance of payments benefits to the United States of the recent wheat sales to the Soviet Union were fully as important to us as any benefit that the acquisition of American wheat may have brought to the Soviet Union. Contrariwise, I do not now and never have favored the grant of long-term credit to the Soviet Union. Any credit of over 5 years, the standard agreed upon by the Berne Union as covering normal commercial practice, would in my view be detrimental to our interests. I will be glad to expand upon these personal views in answer to your questions.

The Role of the Treasury Department in East-West Trade

The Treasury Department presently administers three sets of Regulations which have a bearing on East-West trade. These are (1) The Foreign Assets Control Regulations, 31 CFR, Part 500, (2) The Cuban Assets Control Regulations, 31 CFR, Part 515, (3) The Transaction Control Regulations, 31 CFR, Part 505, all of which were issued under the authority of Section 5(b) of the Trading with the Enemy Act, as amended, (50 U.S.C. App. 5(b)), and Executive Order 9193. Section 5(b) of the Trading with the Enemy Act in effect authorizes the President or his delegate, during time of war or national emergency, to investigate, regulate, or prohibit all commercial and financial transactions by persons subject to the jurisdiction of the United States with foreign countries or the nationals of such countries or with respect to any property subject to the jurisdiction of the United States in which such countries or their nationals have any interest. Executive Order 9193 is the delegation of this authority to the Secretary of the Treasury.

It should be noted that Yugoslavia is not treated under any of the above Regulations as part of the Sino-Soviet Bloc. North Viet-Nam is included within this term but is not subject to the total embargo on Communist China, North Korea, and Cuba.

(1) Foreign Assets Control Regulations

A. General

The Foreign Assets Control Regulations, issued on December 17, 1950, implement the United States policy of total embargo on all financial and commercial dealings by persons subject to the jurisdiction of the United States with Communist China or North Korea.

B. Exports from the United States

There is dual jurisdiction in the Treasury and Commerce Departments over exports from the United States to Communist China or North Korea. To avoid overlapping, the Treasury Department has issued a General License (Section 500.533 of the Regulations) which authorizes all transactions incident to any export directly from the United States to Communist China or North Korea provided that the export has been licensed by the Commerce Department. It is our understanding that the Commerce Department licenses only publications, the personal effects of departing travelers, and dead bodies to be exported to those destinations.

C. Imports into the United States

Section 500.204 of the Regulations prohibits all unlicensed imports into the United States of all Communist Chinese and North Korean merchandise. Processed forms of such merchandise, as distinct from manufactured forms, are also subject to this prohibition, no matter in what country the processing takes place. The import prohibition of the Regulations extends to goods regarded as presumptively Chinese, i.e., goods of traditional Chinese-type and goods which had principally been imported into the United States from mainland China before the effective date of the Regulations, no matter in what country they may be located. It also extends to certain other commodities which have been located in Soviet Bloc countries (and Hong Kong and Macao) since such countries are regarded as likely channels through which the Communist Chinese would try to sell such items to the United States. Goods affected by the above prohibitions are licensed for importation only on presentation of satisfactory evidence that there has been no Communist Chinese or North Korean interest in the goods since December 17, 1950.

Insofar as trade with the European Soviet Bloc is concerned, this prohibition of the Regulations has principally affected textiles, certain metals and minerals and animal hair. Some of these commodities have been susceptible to licensing, e.g., cashmere and camel hair on the basis of physical identification; others, such as antimony, tin, and tungsten, have not.

It should be noted that not only are unlicensed imports into the United States of the above-mentioned types of commodities prohibited, but also all other dealings in any such commodities which are located abroad.

D. Exports and Imports by American-Controlled Firms Abroad

Under the Foreign Assets Control Regulations, foreign firms which are controlled by Americans, e.g., branches, subsidiaries, agents, certain licensees (See #4 below), etc., are prohibited, as are the parent firms, from exporting to Communist China and North Korea, regardless of the origin of the goods involved and whether or not the goods are strategic. It is not the Treasury Department's general policy to license such exports. In two instances licenses have been issued for foreign policy reasons, but in neither instance was the license utilized. These cases involved wood pulp and second-hand diesel locomotives, neither of which is regarded by COCOM as strategic.

The prohibitions on importations of (and other dealings in) Communist Chinese and North Korean merchandise and the other types of merchandise described in C above are applicable to foreign firms which are controlled by Americans.

(2) Cuban Assets Control Regulations

The Cuban Assets Control Regulations, issued on July 8, 1963, replace the previously existing Cuban Import Regulations. (In addition to the authority of Section 5(b) of the Trading with the Enemy Act, these Regulations are also issued under Proclamation 3447, which was issued under Section 620 (a), P. L. 87-195.) The Import Regulations, issued February 7, 1962, prohibited imports into the United States of all goods of Cuban origin and, as amended on March 23, 1962, also prohibited imports of goods (e.g., cigars) made in third countries with Cuban components.

Essentially, the Cuban Assets Control Regulations are parallel to the Foreign Assets Control Regulations in that they prohibit all unlicensed financial and commercial transactions by Americans with Cuba or nationals thereof. Exports to Cuba thus are limited to those authorized by the Commerce Department. It is our understanding that, in addition to publications, the Commerce Department licenses medicines and certain non-subsidized foods to be exported to that destination. With respect to imports, the Cuban Assets Control Regulations differ from the Foreign Assets Control Regulations in that there is no list of "presumptively Cuban" goods as there is in the case of China. This is because the nature of our past trade with Cuba was such that imports of goods of Cuban origin could be controlled without a list of this type. Further, there is no manufacturing/processing distinction in the Cuban Assets Control Regulations. The import prohibitions here extend to all commodities containing Cuban components.

The Cuban Regulations contain a general license (Section 515.541) under which American subsidiaries abroad (other than banks) are authorized to sell non-United States origin goods to Cuba and to buy (or otherwise deal in) goods from Cuba. This general license was issued at the State Department's request for foreign policy reasons and on the understanding that American subsidiaries abroad were on a voluntary basis abstaining from trade with Cuba. (To the best of our knowledge only non-objectionable shipments of foods and medicines have taken place.) The export of strategic goods to Cuba is not excepted from the privileges of the general license because the State Department felt to do so might jeopardize the informal cooperation we were receiving from our allies in controlling shipments of strategic goods to Cuba. (For the same reason, sales to Cuba are not affected by the below-described Transaction Control Regulations.)

(3) Transaction Control Regulations

A. General

The Transaction Control Regulations were issued on June 29, 1953, at the request of the Economic Defense Advisory Committee (EDAC) as a part of the United States efforts in the internationally agreed control of strategic commodities. These Regulations are in addition to the controls exercised by the Commerce Department over direct exports from the United States to the Soviet Bloc. They prohibit, unless licensed, any person within the United States from purchasing or selling or arranging the purchase or sale of strategic commodities located outside the United States for ultimate delivery to the European Soviet Bloc or North Viet-Nam. The prohibitions apply not only to domestic American corporations but also to their foreign subsidiaries and to other foreign firms owned or controlled by persons normally resident in the United States. The Regulations were intended to fill a gap in United States controls under which traders in the United States, without violating any United States regulation, could arrange transactions whereby strategic goods would reach the European Soviet Bloc and North Viet-Nam either in contravention of other countries' security controls, through loopholes in the existing control system, or via countries without adequate controls.

B. Coverage

The coverage of the Transaction Control Regulations is restricted to those commodities which are internationally agreed to be strategic (the COCOM list) and as far as United States strategic lists are concerned, these commodities may be identified as:

(a) those which appear on Commerce Department's Positive List of Controlled Commodities and which are identified on that List by the symbol "A" in the column headed "Commodity Lists" (15 CFR 399);
(b) those commodities which appear on the Munitions List issued by the State Department's Munitions List Board (22 CFR, Part 121-123); and (c) those commodities which appear on the Atomic Energy Commission's List (10 CFR, Part 30, 40, 50 and 70).

On the recommendation of the House Select Committee on Export Control (the Kitchin Committee) in 1962, we conducted a survey to ascertain whether shipments by American subsidiaries abroad to the Soviet Bloc of strategic commodities under United States unilateral control, but not under COCOM embargo and thus not subject to the Transaction Control Regulations, were significant enough to make extension of the Treasury Department Regulations appear desirable. Of the over 1,000 replies we received it was determined that only nine of these firms engaged in such trade. The total of this trade in 1961 and 1962 was about $13 million, of which $12 million was in the form of grain-oriented silicon steel sheets used in electric transformers. In view of this substantial evidence that trade by American subsidiaries abroad with the Soviet Bloc in non-controlled strategic commodities was insignificant, the Transaction Control Regulations were not extended to include such commodities.

C. Statistics

For the period from January 1, 1963 through March 31, 1964, 45 applications for licenses under the Transaction Control Regulations were filed, of which 41 were approved in whole or in part. The principal types of commodities involved were communication and navigation equipment, electronic equipment, and computers.

D. Licensing Procedure

The substance of the application is forwarded to EDAC Working Group I for advice. That committee arranges for a technical evaluation, and then gives the case policy review. The Treasury Department does not attend the technical group's meeting. At the policy review meeting, this Department's role is confined to:

(a) Clarifying any questions the Committee may have as to the precise impact of Treasury Department controls on the proposed transaction;

(b) Providing available information as to the applicant, other parties to the transaction, etc.;

(c) Obtaining from the applicant any further data the Committee may desire;

(d) Otherwise attempting to expedite for the applicant's benefit the Committee's consideration of the case; and

(e) Asking questions to obtain clarification of statements by Committee members concerning the case.

The Treasury Department consistently does not vote on cases before the Committee, and, in fact, is not a member of Working Group I. When the Committee's advice is received, this Department then either approves or denies the application in accordance with the Committee's recommendation.

(4) <u>Patent and Technical Data Controls</u>

In 1955, the Commerce Department relinquished much of its control in the area of technical data and the products thereof, for various reasons. EDAC then asked the Treasury Department to interpret its Transaction Control Regulations as applying to shipments made to the Soviet Bloc of strategic goods produced by foreign firms under license from American firms. We also felt it necessary to interpret similarly the Foreign Assets Control Regulations as applying to shipments of all goods to Communist China and North Korea produced by foreign licensees of American firms. It was understood that the assumption of control in this area by the Treasury Department was to be undertaken on an interim basis, until the Commerce Department was able to reassert its primary jurisdiction in this field.

The Commerce Department has now amended its Export Control Regulations governing the export of patent information and technical data from the United States. Accordingly, licensing agreements executed after April 1, 1964 will be subject to Commerce Department Regulations but not to Treasury Department Regulations. Also, where there is a continuing flow of technical data after April 1, 1964 under pre-existing licensing agreements, the Commerce Department will, in most instances, acquire jurisdiction. As a result, with some minor transitional problems, the Treasury Department's role in this area after April 1, 1964, will be minimal.

One of the major differences that result from this transfer is that under Treasury Department administration of these controls, no products whatsoever produced with the licensed technology could be sent to Communist China or North Korea while under Commerce Department controls only those items on the Positive List and the Polish GRO Exception List are covered. While this is technically a relaxation (and has been so described in some news reports), it should be noted that in fact the only products that will be allowed to be sent to these destinations under Commerce Department Regulations are those which are not considered to contribute to their military or economic potential. Another difference is that the Commerce Department Regulations are applicable to Cuba (to the same extent as to Communist China and North Korea) whereas the Treasury Department's never were (in order to be consistent with the general license issued to American-controlled subsidiaries as described in #2 above). In other respects, the Commerce Department restrictions are basically the same as those the Treasury Department had been applying.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 10, 1964

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MARCH

During March 1964, 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 $111,279,500.00.

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D-1198

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D-1198

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 10, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WHITE PORTLAND CEMENT
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that white portland cement from Japan, manufactured by Nihon Cement Co., Ltd., Tokyo, Japan, 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 of white portland cement from Japan received during the year 1963 was approximately $198,000.

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Indeed, one could scarcely ask for a more convincing example than the Bank of the too often unheralded but sure and steady progress that together we have made under the aegis of the Alliance for Progress. We cannot -- and should not -- be surprised or disappointed that the great goals of the Alliance have not already been reached or surpassed. For as the Bank bears witness, many small steps can move us just as far forward -- and perhaps more securely -- as a few large strides.

I am sure the other Governors of the Bank share my expectation that this meeting will serve as another sound and significant milestone -- not only in the Bank's career -- but in our joint progress toward securing a better life for the countries and people of Latin America.

FOR RELEASE: UPON DELIVERY

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
UPON ARRIVAL AT PANAMA CITY, PANAMA,
FOR THE FIFTH ANNUAL MEETING OF THE BOARD OF GOVERNORS
OF THE INTER-AMERICAN DEVELOPMENT BANK
SUNDAY, APRIL 12, 1964, 7:00 P.M., EST

I am indeed happy to be here in this historic city, for the Fifth Annual Meeting of the Board of Governors, of the Inter-American Development Bank -- which in its relatively short lifetime has proved a potent force in furthering the economic and social progress of Latin America.

During the week ahead, the Governors will carefully review the work of the past year and fashion the policies that will guide the Bank throughout the coming year. I look forward with great eagerness to an intensely productive week of study and discussion whose result, I am confident, will be to advance even farther and faster the fine work of the Bank.

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, April 14, 1964.

April 13, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated January 16, 196[illegible] and the other series to be dated April 16, 1964, which were offered on April 8, were opened at the Federal Reserve Banks on April 13. Tenders were invited for $1,200,000,0[illegible] or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 16, 1964		:	182-day Treasury bills maturing October 15, 196[illegible]	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.125	3.462%	:	98.146	3.667%
Low	99.116	3.497%	:	98.132	3.695%
Average	99.119	3.484% 1/	:	98.136	3.687% 1/

30% of the amount of 91-day bills bid for at the low price was accepted
99% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 31,434,000	$ 21,434,000	:	$ 7,563,000	$ 7,563,000
New York	1,570,252,000	736,532,000	:	1,301,607,000	596,730,000
Philadelphia	31,067,000	16,067,000	:	8,794,000	3,794,000
Cleveland	32,924,000	32,924,000	:	18,108,000	18,108,000
Richmond	18,460,000	18,460,000	:	4,600,000	4,600,000
Atlanta	49,051,000	49,051,000	:	13,750,000	12,650,000
Chicago	192,720,000	131,598,000	:	168,717,000	92,632,000
St. Louis	55,263,000	50,643,000	:	15,982,000	14,422,000
Minneapolis	22,979,000	17,949,000	:	9,871,000	7,771,000
Kansas City	35,762,000	35,762,000	:	17,780,000	17,780,000
Dallas	30,714,000	24,094,000	:	11,837,000	10,827,000
San Francisco	117,167,000	65,867,000	:	168,843,000	113,171,000
TOTALS	$2,187,793,000	$1,200,401,000 a/		$1,747,482,000	$900,050,000 b/

a/ Includes $312,995,000 noncompetitive tenders accepted at the average price of 99.1[illegible]
b/ Includes $93,901,000 noncompetitive tenders accepted at the average price of 98.1[illegible]
1/ On a coupon issue of the same length and for the same amount invested, the return [illegible] these bills would provide yields of 3.56%, for the 91-day bills, and 3.81%, for [illegible] 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 th[illegible] 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.

R RELEASE A. M. NEWSPAPERS,
esday, April 14, 1964.

April 13, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of easury bills, one series to be an additional issue of the bills dated January 16, 1964, d the other series to be dated April 16, 1964, which were offered on April 8, were ened at the Federal Reserve Banks on April 13. Tenders were invited for $1,200,000,000, thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills. e details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing July 16, 1964		:	182-day Treasury bills maturing October 15, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.125	3.462%	:	98.146	3.667%
Low	99.116	3.497%	:	98.132	3.695%
Average	99.119	3.484% 1/	:	98.136	3.687% 1/

38% of the amount of 91-day bills bid for at the low price was accepted
99% of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 31,434,000	$ 21,434,000	:	$ 7,563,000	$ 7,563,000
New York	1,570,252,000	736,532,000	:	1,301,697,000	596,730,000
Philadelphia	31,067,000	16,067,000	:	8,794,000	3,794,000
Cleveland	32,924,000	32,924,000	:	18,108,000	18,108,000
Richmond	18,460,000	18,460,000	:	4,600,000	4,600,000
Atlanta	49,051,000	49,051,000	:	13,750,000	12,650,000
Chicago	192,720,000	131,598,000	:	168,717,000	92,632,000
St. Louis	55,263,000	50,643,000	:	15,922,000	14,422,000
Minneapolis	22,979,000	17,949,000	:	9,871,000	7,771,000
Kansas City	35,762,000	35,762,000	:	17,780,000	17,780,000
Dallas	30,714,000	24,094,000	:	11,837,000	10,827,000
San Francisco	117,167,000	65,887,000	:	168,843,000	113,173,000
TOTALS	$2,187,793,000	$1,200,401,000 a/		$1,747,482,000	$900,050,000 b/

Includes $312,995,000 noncompetitive tenders accepted at the average price of 99.119
Includes $93,901,000 noncompetitive tenders accepted at the average price of 98.136
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.56%, for the 91-day bills, and 3.81%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

199

STATUTORY DEBT LIMITATION

As of March 31, 1964 — Apr. 13. 196[illegible]

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 November 26, 1963 (P.L. 88-187 88th Congress) provides that during the period beginning on December 1, 1963, and ending on June 30, 1964, the above limitation shall be temporarily increased to $309,000,000,000. Because of variations in the timing of revenue receipts, the public debt limit as increased by the preceding sentence is further increased through June 29, 1964, by $6,000,000,000.

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			$315,000,000,000
Outstanding obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$52,548,313,000		
Certificates of indebtedness	4,198,246,000		
Treasury notes	64,478,302,000	$121,224,861,000	
Bonds —			
Treasury	86,998,067,350		
*Savings (Current redemption value)	49,101,442,878		
United States Retirement Plan bonds	5,143,503		
Depositary	97,862,000		
R. E. A. series	24,090,000		
Investment series	3,613,485,000	139,840,090,731	
Certificates of Indebtedness —			
Foreign series	215,000,000		
Foreign Currency series	30,120,482		
Treasury notes —			
Foreign series	158,333,423		
Treasury bonds —			
Foreign Currency series	680,195,004	1,083,648,909	
Treasury certificates	15,197,754	15,197,754	
Treasury bonds	20,000,000	20,000,000	
Special Funds —			
Certificates of Indebtedness	7,036,711,959		
Treasury notes	2,303,591,000		
Treasury bonds	33,880,451,000	43,220,753,959	
Total interest-bearing		305,404,552,352	
Matured, interest-ceased		263,891,900	
Bearing no interest:			
United States Savings Stamps	55,013,104		
Excess profits tax refund bonds	688,284		
Internat'l Monetary Fund notes	3,171,000,000		
Internat'l Develop. Ass'n. notes	164,261,000		
Inter-American Develop. Bank notes	125,000,000		
United Nations bonds - Various programs	42,589,267	3,558,551,655	
Total		309,226,995,907	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A. & DC Stad. Bds.	817,095,350		
Matured, interest-ceased	848,525	817,943,875	
Grand total outstanding			310,044,939,7[illegible]
Balance face amount of obligations issuable under above authority			4,955,060,[illegible]

RECONCILEMENT WITH TABLE III OF THE DAILY STATEMENT OF THE UNITED STATES TREASURY

As of March 31, 1964

Gross public debt this date	309,589,849,[illegible]
Guaranteed obligations not owned by Treasury	817,943,[illegible]
Total gross public debt and guaranteed obligations	310,407,793,[illegible]
Deduct debt not subject to statutory limitation	362,854,[illegible]
Total debt subject to limitation	310,044,939,[illegible]

D-1200

STATUTORY DEBT LIMITATION

As of **March 31, 1964** Washington, **Apr. 13, 1964**

Section 21 of Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of t Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed igations as may be held by the Secretary of the Treasury), "Shall not exceed in the aggregate $285,000,000,000 (Act of June , 1959; U.S.C., title 31, sec. 757b), outstanding at any one time. For purposes of this section the current redemption value of y obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered its face amount." The Act of November 26, 1963 (P.L. 88-187 88th Congress) provides that during the period beginning on cember 1, 1963, and ending on June 30, 1964, the above limitation shall be temporarily increased to $309,000,000,000. Because variations in the timing of revenue receipts, the public debt limit as increased by the preceding sentence is further increased ough June 29, 1964, by $6,000,000,000.

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Depositary	97,862,000		
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Total interest-bearing		305,404,552,352	
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Internat'l Develop. Ass'n. notes	164,261,000		
Inter-American Develop. Bank notes	125,000,000		
United Nations bonds - Various programs	42,589,267	3,558,551,655	
Total		309,226,995,907	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A. & DC Stad. Bds.	817,095,350		
Matured, interest-ceased	848,525	817,943,875	
Grand total outstanding			310,044,939,782
lance face amount of obligations issuable under above authority			4,955,060,218

RECONCILEMENT WITH TABLE III OF THE DAILY STATEMENT OF THE UNITED STATES TREASURY

As of **March 31, 1964**

ss public debt this date	309,589,849,965
ranteed obligations not owned by Treasury	817,943,875
l gross public debt and guaranteed obligations	310,407,793,840
ct debt not subject to statutory limitation	362,854,058
l debt subject to limitation	310,044,939,782

COL 1960 [illegible] 259 675 1963 [illegible] 1962 7.4 [illegible] 675 [illegible] 1.5 6 3 3[illegible] 475

1,675 411.6 75.2 [illegible] [illegible] 1963 1[illegible] 131 3[illegible] 2[illegible] [illegible] 2-1/2 65

MPA129 PSS USI PAGE3--

THE FIELD OF PRIVATE INVESTMENT IS ANOTHER AREA WHERE FLOWS OF EXTERNAL CAPITAL HAVE PROVED DISAPPOINTING. IN THIS CONNECTION, WE MUST CONSTANTLY BEAR IN MIND THE FACT THAT THE FOREIGN INVESTOR ALWAYS HAS ALTERNATIVE POSSIBILITIES FOR INVESTMENT OF HIS CAPITAL. GIVEN THE HIGH LEVELS OF CURRENT ECONOMIC ACTIVITY IN THE UNITED STATES AND EUROPE, THE OPPORTUNITIES FOR PROFITABLE INVESTMENT AT HOME IN BOTH AREAS ARE RELATIVELY GREAT. IN ORDER TO ATTRACT PRIVATE FUNDS FROM THE UNITED STATES OR EUROPE, OR TO INDUCE THE INVESTMENT OF LOCAL PRIVATE CAPITAL, A COUNTRY - WHETHER ALREADY INDUSTRIALIZED OR DEVELOPING - MUST MAINTAIN AN INVESTMENT CLIMATE WHICH OFFERS A REASONABLE PROSPECT THAT A SOUND PROJECT WILL YIELD A RETURN COMMENSURATE WITH THE RISK INVOLVED. THE CHOICE IS FOR EACH COUNTRY TO MAKE. THE RESULTS WILL DEPEND, TO A VERY GREAT EXTENT, UPON THAT CHOICE.

C(NPX127 PSS USI PAGE[illegible]

1 AMONG THE DISAPPOINTMENTS OF THE PAST TWO YEARS, I MIGHT NOTE THAT THE COMMITMENT OF EXTERNAL FUNDS FROM EUROPE HAS THUS FAR BEEN LESS THAN HAD BEEN HOPED. RECENTLY THERE HAS BEEN NEW EVIDENCE OF EUROPEAN INTEREST IN LATIN AMERICA SYMBOLIZED BY THE RECENT VISITS OF PRESIDENT DE GAULLE AND PRESIDENT LUEBKE. THE UNITED STATES WHOLEHEARTEDLY WELCOMES THESE RENEWED SIGNS OF EUROPEAN INTEREST AND HOPES THAT THE INTEREST WILL BE CLEARLY MANIFESTED IN AN INCREASE IN THE KINDS OF LOW-INTEREST, LONG-TERM DEVELOPMENT LOANS SO BADLY NEEDED BY LATIN AMERICA. IN ADDITION TO LIBERAL TERMS, WE WOULD HOPE THAT EUROPEAN ASSISTANCE TO LATIN AMERICA WOULD BE CAREFULLY RELATED TO THE OVERALL PLANNING EFFORT AND TO THE SYSTEM OF PRIORITIES ESTABLISHED WITHIN THE CONTEXT OF THE ALLIANCE FOR PROGRESS. THE PROPOSAL OF THE GOVERNOR FOR ARGENTINA RAISES INTERESTING POSSIBILITIES IN THIS RESPECT, AND I CAN STATE THAT MY DELEGATION IS IN FULL ACCORD WITH THE OBJECTIVES UNDERLYING HIS PROPOSAL.

PSS USI PAGE[illegible]

I SHOULD LIKE ONCE AGAIN TO EMPHASIZE IN THE STRONGEST TERMS THE NEED FOR THE LATIN AMERICAN COUNTRIES THEMSELVES TO BE ON GUARD AGAINST TERMS OF ASSISTANCE FROM ANY SOURCE WHICH WOULD CREATE AN UNACCEPTABLE BURDEN FOR THE FUTURE. THE INDISCRIMINATE AND UNRESTRAINED ACCEPTANCE OF SHORT - AND MEDIUM-TERM SUPPLIERS CREDITS - IN CASES WHERE LONGER-TERM DEVELOPMENT LOANS ARE THE REAL NEED - ALL TOO OFTEN SIMPLY CREATES AN UNWIELDY AND UNMANAGEABLE PROBLEM WHICH CAN VERY QUICKLY ASSUME CRISIS PROPORTIONS, LEADING TO A SLOWDOWN IN THE PACE OF DEVELOPMENT.

~~MEX126 P58 US1 PG21~~ 8)

IN THE CONTEXT OF THESE CONSIDERATIONS, I HOPE THAT WE CAN AGREE AT THIS MEETING TO SEEK THE COMMITMENT OF OUR GOVERNMENTS TO A THREE-YEAR PROGRAM TO ENLARGE THE FUND FOR SPECIAL OPERATIONS BY AN AMOUNT EQUAL TO ~~DOLLARS~~ $300 ~~[illegible]~~ MILLION PER ANNUM, OF WHICH THE UNITED STATES WOULD CONTRIBUTE ~~DOLLARS~~ $250 ~~[illegible]~~ MILLION, AND THE OTHER MEMBERS OF THE BANK, ~~DOLLARS~~ $50 ~~[illegible]~~ MILLION, ALL IN OUR OWN NATIONAL CURRENCIES.

~~MEX126 P58 US1 PG21~~

THIS ENLARGEMENT, WHICH WOULD ENABLE THE FUND TO MAKE LOANS ON SPECIAL TERMS FOR THE PURPOSES CURRENTLY BEING FINANCED BY BOTH THE FUND AND THE SOCIAL PROGRESS TRUST FUND, CAN BE ACCOMPLISHED WITHOUT ANY CHANGE IN THE AGREEMENT ESTABLISHING THE INTER-AMERICAN DEVELOPMENT BANK. THIS WOULD SIMPLIFY THE LEGISLATIVE PROBLEMS OF THE MEMBER GOVERNMENTS. THIS IS PARTICULARLY DESIRABLE AS FAR AS THE UNITED STATES IS CONCERNED. IN VIEW OF OUR FORTHCOMING NATIONAL ELECTION, THE UNITED STATES CONGRESS CAN BE EXPECTED TO ADJOURN SOMEWHAT EARLIER IN THE YEAR THAN HAS RECENTLY BEEN THE CASE. DELAY IN REACHING AGREEMENT ON THIS MATTER OR THE INTRODUCTION OF COMPLEXITIES INVOLVING BASIC CHANGES IN THE BANK'S CHARTER WOULD GREATLY INCREASE OUR DIFFICULTY IN OBTAINING CONGRESSIONAL APPROVAL THIS YEAR - AS CAN BE ATTESTED BY THE MEMBERS OF THE UNITED STATES CONGRESS WHO HAVE COME HERE FROM WASHINGTON TO ATTEND THIS MEETING AS MEMBERS OF OUR DELEGATION.

AS STATED IN THE ANNUAL REPORT, FIVE OF THE BANK'S ORDINARY CAPITAL LOANS LAST YEAR WERE MADE IN ASSOCIATION WITH OTHER EXTERNAL SOURCES OF CAPITAL.

~~MEX129 P59 USI PGE16~~

8)

IN THE CONTEXT OF THESE CONSIDERATIONS, I HOPE THAT WE CAN AGREE AT THIS MEETING TO SEEK THE COMMITMENT OF OUR GOVERNMENTS TO A THREE-YEAR PROGRAM TO ENLARGE THE FUND FOR SPECIAL OPERATIONS BY AN AMOUNT EQUAL TO ~~DOLLARS 300~~ 300 MILLION PER ANNUM, OF WHICH THE UNITED STATES WOULD CONTRIBUTE ~~DOLLARS 250~~ $250 MILLION, AND THE OTHER MEMBERS OF THE BANK, ~~DOLLARS 50~~ $50 MILLION, ALL IN OUR OWN NATIONAL CURRENCIES.

~~MEX125 P56 USI PGE15~~

~~MEX129 P59 USI PGE24~~

WE LOOK FOR THE BANK TO CONTINUE AND EXPAND ITS ROLE AS THE ''BANK OF THE ALLIANCE.'' DURING THE PAST YEAR, THE BANK HAS A[illegible] NEW DUTIES AS FINANCIAL AGENT IN THE MOBILIZATION OF EXTERNAL RESOURCES FOR NATIONAL DEVELOPMENT PROGRAMS, IN FILLING A SPECIAL ADVISORY ROLE WITH VARIOUS ENTITIES CONCERNED WITH THE PROVISION OF EXTERNAL DEVELOPMENT FINANCING AND, FINALLY, AS TECHNICAL ADVISOR TO THE NEWLY ESTABLISHED INTER-AMERICAN ALLIANCE FOR PROGRESS COMMITTEE (KNOWN AS CIAP). IN CONNECTION ESPECIALLY WITH THE LATTER BODY, IT SEEMS APPROPRIATE FOR THE BANK TO ASSUME A MORE ACTIVE ROLE IN THE PROGRAMING OF DEVELOPMENT ASSISTANCE AND IN DIRECTING ITS ACTIVITIES TOWARD THE SUPPORT OF WELL-DESIGNED NATIONAL AND REGIONAL PROGRAMS.

GREAT MILESTONE OF HEMISPHERIC DEDICATION AND COOPERATION, THE CHARTER OF PUNTA DEL ESTE. THAT CHARTER GAVE FORMAL RECOGNITION

THE BANK HAS ALSO CONTINUED ITS EFFORTS TO MOBILIZE PRIVATE CAPITAL FOR LATIN AMERICAN DEVELOPMENT IN THE HIGHLY INDUSTRIALIZED FREE COUNTRIES. LAST YEAR THE BANK WAS ABLE TO SELL A TOTAL OF ~~DOLLARS~~ $ 7.4 MILLION IN ADDITIONAL PARTICIPATION - WITHOUT ANY GUARANTEE - IN THE UNITED STATES, CANADA, AND WESTERN EUROPE. AS YOU KNOW, THE BANK HAS JUST FLOATED ITS THIRD SUCCESSFUL BOND ISSUE - THE SECOND IN THE UNITED STATES - IN THE AMOUNT OF ~~DOLLARS~~ $50 MILLION. IN ADDITIONA, THE BANK IS ACTIVELY NEGOTIATING FOR FURTHER FLOTATIONS IN VARIOUS WESTERN EUROPEAN COUNTRIES. I AM CONFIDENT THAT THESE EFFORTS WILL SOON BEAR FRUIT.

ADDITIONAL EXTERNAL CAPITAL HAS ALSO BEEN MOBILIZED BY THE BANK THROUGH ARRANGEMENTS FOR THE JOINT FINANCING OF PROJECTS. AS STATED IN THE ANNUAL REPORT, FIVE OF THE BANK'S ORDINARY CAPITAL LOANS LAST YEAR WERE MADE IN ASSOCIATION WITH OTHER EXTERNAL SOURCES OF CAPITAL.

~~P85 US1 PGE14~~

AT OUR LAST MEETING IN CARACAS, AND AGAIN IN THE REPORT ON THIS MATTER WHICH IS NOW BEFORE YOU, MY GOVERNMENT HAS EXPRESSED ITS VIEW THAT THE BANK WOULD BE STRENGTHENED IF AT THIS POINT IN ITS LIFE - AND AT THIS JUNCTURE OF THE ALLIANCE FOR PROGRESS - THE LENDING WINDOWS TO WHICH THE UNITED STATES AND OTHER MEMBER COUNTRIES PROVIDE FUNDS WERE REDUCED FROM THE EXISTING THREE TO TWO. WE HAVE, THEREFORE, PROPOSED THAT THERE BE NO FURTHER REPLENISHMENT OF THE SOCIAL PROGRESS TRUST FUND AND THAT, INSTEAD, THERE BE A SUBSTANTIAL ENLARGEMENT OF THE FUND FOR SPECIAL OPERATIONS.

~~NPX169 PSS US1 15PGE~~

THE SOCIAL PROGRESS TRUST FUND, AS YOU KNOW, GREW DIRECTLY FROM THE ACT OF BOGOTA AND THE EMPHASIS WHICH AT THAT TIME WE ALL AGREED TO PLACE ON SOCIAL DEVELOPMENT IN LATIN AMERICA. IT WAS UNFORTUNATELY ALL TOO TRUE THAT SOCIAL PROGRESS IN THE HEMISPHERE HAD BEEN SADLY NEGLECTED, AND THEREFORE IT WAS BOTH ESSENTIAL AND PROPER THAT THE ACT OF BOGOTA CALL ATTENTION TO THE PRIORITY NEEDS OF THE SOCIAL SECTOR.

~~NPX129 PSS US1 PGE16~~

THE ACT OF BOGOTA, AS WE ALL KNOW, WAS SOON SUCCEEDED BY THE

NAV

MEM PROGRAMS.

~~MPX1..5 PSS US1 PAGE11~~

THE PACE OF THE BANK'S ACTIVITIES REQUIRED SOME TIME AGO THAT THE GOVERNORS CONSIDER AN INCREASE IN THE BANK'S LENDABLE RESOURCES. THE PROCESS BEGUN TWO YEARS AGO IN BUENOS AIRES HAS NOW BEEN COMPLETED AND THE AUTHORIZED ORDINARY CAPITAL OF THE BANK NOW STANDS AT THE EQUIVALENT OF AN IMPOSING ~~DOLLARS~~ $ 2.15 MILLION, OF WHICH ~~DOLLARS~~ $ 475 MILLION IS THE AUTHORIZED PAID-IN CAPITAL STOCK AND ~~DOLLARS~~ $ 1,675 MILLION IS CALLABLE CAPITAL. OUR CONGRESS IN JANUARY AUTHORIZED UNITED STATES PARTICIPATION IN THIS INCEASE TO THE EXTENT OF ~~DOLLARS~~ $ 411.8 MILLION IN CALLABLE CAPITAL, WHICH WILL BE SUBSCRIBED IN TWO INSTALLMENTS - THIS YEAR AND NEXT ~~- ALONG WITH THE SUBSCRIBED IN TWO INSTALLMENTS - THIS YEAR AND NEXT~~ - ALONG WITH THE SUBSCRIPTION OF THE BANK'S OTHER MEMBERS. WITH THE BANK'S DEMONSTRATED SUCCESS IN RAISING FUNDS IN PRIVATE CAPITAL MARKETS, THE INCREASED AUTHORIZED CAPITAL PROVIDES AMPLE ASSURANCE OF ADEQUATE RESOURCES FOR PROJECTS ON STANDARD '' BANKABLE'' TERMS FOR SEVERAL YEARS TO COME.

~~MPX1..9 PSS US1~~ PAGE12

WE HAVE AT THE MOMENT NO SUCH ASSURANCE ON THE AVAILABILITY OF BANK FUNDS FOR SO-CALLED ''SOFT'' LOANS - LOANS DESIGNED TO SUPPLEMENT THOSE MADE ON ORDINARY BANKING TERMS. AGREEMENT WAS REACHED EARLIER THIS YEAR ON AN INCREASE OF ~~DOLLARS~~ 73.2 MILLION IN THE FUND FOR SPECIAL OPERATIONS, OF WHICH ~~DOLLARS~~ $ ~~50~~ 50 MILLION WILL BE PAID IN BY MY GOVERNMENT ON APRIL 28. THIS WILL BRING THE TOTAL CAPITAL OF ~~THE FUND FOR SPECIAL OPERATIONS TO THE EQUIVALENT OF DOLLARS~~

~~NPX125 PSS USI PAGE11~~

P THE PACE OF THE BANK'S ACTIVITIES REQUIRED SOME TIME AGO THAT THE GOVERNORS CONSIDER AN INCREASE IN THE BANK'S LENDABLE RESOURCES. THE PROCESS BEGUN TWO YEARS AGO IN BUENOS AIRES HAS NOW BEEN COMPLETED AND THE AUTHORIZED ORDINARY CAPITAL OF THE BANK NOW STANDS AT THE EQUIVALENT OF AN IMPOSING $ ~~DOLLARS~~ 2.15 MILLION, OF WHICH $ ~~DOLLARS~~ 475 MILLION IS THE AUTHORIZED PAID-IN CAPITAL STOCK AND $ ~~DOLLARS~~ 1,675 MILLION IS CALLABLE CAPITAL. OUR CONGRESS IN JANUARY AUTHORIZED UNITED STATES PARTICIPATION IN THIS INCEASE TO THE EXTENT OF $ ~~DOLLARS~~ 411.8 MILLION IN CALLABLE CAPITAL, WHICH WILL BE SUBSCRIBED IN TWO INSTALLMENTS - THIS YEAR AND NEXT ~~- ALONG WITH~~ ~~THE SUBSCRIBED IN TWO INSTALLMENTS - THIS YEAR AND NEXT -~~ ALONG WITH THE SUBSCRIPTION OF THE BANK'S OTHER MEMBERS. WITH THE BANK'S DEMONSTRATED SUCCESS IN RAISING FUNDS IN PRIVATE

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NPX125 PSS USI PGE13

IN ADDITION, OUR CONGRESS LAST YEAR APPROPRIATED AN ADDITIONAL

MK $ ~~DOLLARS~~ 131 MILLION TO INCREASE THE SOCIAL PROGRESS TRUST FUND

WI P ADMINISTERED BY THE BANK. THESE ADDITIONAL FUNDS FOR LOANS

OF ON EASY REPAYMENT TERMS WILL SUFFICE FOR LESS THAN ONE YEAR OF

T LENDING OPERATIONS AT AN ADEQUATE RATE. IT IS URGENT, THEREFORE,

W THAT THE GOVERNORS ADDRESS TEMSELVES ONCE AGAIN TO THE FUTURE

7. OF THE BANK'S LENDING ACTIVITIES ON SOFT TERMS AND BEGIN

D ACTION TO OBTAIN THE REQUISITE FUNDS.

A

~~4441.. PSS USI PGE.~~

EQUALLY IMPORTANT - ALTHOUGH PERHAPS LESS IMMEDIATELY EVIDENT IN OUR USUAL REVIEW OF THE BANK'S ACTIVITIES - IS THE FACT THAT THE BANK'S LENDING POLICIES HAVE STIMULATED THE MOBILIZATION OF VERY LARGE AMOUNTS OF DOMESTIC CAPITAL IN ITS MEMBER COUNTRIES. THE TOTAL COST OF PROJECTS FINANCED BY THE ~~DOLLARS~~ 875 MILLION OF THE BANK'S LOANS AMOUNTS TO NEARLY ~~DOLLARS~~ 2.5 BILLION MOST OF THE ADDITIONAL COST - ~~SOMDOLLARS~~ 1.5 BILLION OF IT - REPRESENTS THE DIRECT PARTICIPATION OF LOCAL INTERESTS - GOVERNMENTS, FIRMS, AND INDIVIDUALS - AND THEIR PROVISION OF THE DOMESTIC CAPITAL REQURED.

MPX1?? PSS USI PGE?

IN DIRECTING THE BANK'S LENDING POLICIES, PRESIDENT HERRERA HAS INCREASINGLY EMPHASIZED THE ENCOURAGEMENT OF REGIONAL INTEGRATION. IT SEEMS TO ME ALL TO THE GOOD THAT THE BANK SHOULD GIVE PRIORITY TO LOANS HAVING A '' REGIONAL INTEGRATION COMPONENT'' - FOR REGIONAL INTEGRATION IS ESSENTIAL IF AN ADEQUATE RATE OF ECONOMIC GROWTH IS TO BE ACHIEVED IN LATIN AMERICA. I NOTE THAT IN THE PURSUIT OF THESE POLICIES THE BANK HAS EXTENDED A ~~DOLLARS~~ 6 MILLION LINE OF CREDIT TO THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION AND HAS MADE A ~~DOLLARS~~ 5 MILLION LOAN TO THE NATIONAL UNIVERSITIES OF THE FIVE CENTRAL AMERICAN COUNTRIES IN ORDER TO INSURE TECHNICAL PROGRESS WITHIN THE FRAMEWORK OF THAT AREA'S ~~VIGOROUS~~ MOVEMENT TOWARDS REGIONAL INTEGRATION.

~~ADD1 PSS 051 PG6~~

EQUALLY IMPORTANT - ALTHOUGH PERHAPS LESS IMMEDIATELY EVIDENT IN OUR USUAL REVIEW OF THE BANK'S ACTIVITIES - IS THE FACT THAT THE BANK'S LENDING POLICIES HAVE STIMULATED THE MOBILIZATION OF VERY LARGE AMOUNTS OF DOMESTIC CAPITAL IN ITS MEMBER COUNTRIES. THE TOTAL COST OF PROJECTS FINANCED BY THE ~~DOLLARS~~ $ 875 MILLION OF THE BANK'S LOANS AMOUNTS TO NEARLY ~~DOLLARS~~ $ 2.5 BILLION MOST OF THE ADDITIONAL COST - ~~SOME DOLLARS~~ $ 1.5 BILLION OF IT - REPRESENTS THE DIRECT PARTICIPATION OF LOCAL INTERESTS - GOVERNMENTS, FIRMS, AND INDIVIDUALS - AND [illegible]

~~ADD1 PSS 051 PG21~~

APXI DURING THE PAST YEAR, THE BANK MOVED TO IMPLEMENT THE
IN D EXPORT CREDITS PROGRAM WHICH THE GOVERNORS APPROVED IN
INCRI CARACAS. THE BANK HAS GIVEN SPECIFIC FORM TO THE GENERAL
IT SEI DIRECTIVE LAID DOWN BY THE GOVERNORS AND HAS COMPLETED THE
PRIOI DETAILED REGULATIONS TO GOVERN THIS NEW ACTIVITY. THE ~~DOLLARS~~ $
- FOI 30 MILLION OF ORDINARY CAPITAL RESOURCES ALLOCATED TO THIS
RATE PROGGAM HAS NOW BEEN PUT TO WORK BY THE GRANT OF LINES
I NOI OF CREDIT TO SEVERAL MEMBER COUNTRIES. I AM SURE WE WILL ALL
EXTEN WATCH WITH GREAT INTEREST AND EXPECTATION THE IMPORTANT
AMERI ROLE THIS EXPORT FINANCING PROGRAM CAN PLAY IN THE DEVELOPMENT
5 MII OF CAPITAL GOODS PRODUCTION, EXPORT DIVERSIFICATION, REDUCED
CENTI TRADE BARRIERS, AND REGIONAL INTEGRATION.
PROGI

MOVEMENT TOWARDS REGIONAL INTEGRATION.

RECALLING THE COMPACTS THAT

MPX1.9 PSC USI PGES

IN 1963, THE INTER-AMERICAN DEVELOPMENT BANK COMPLETED ITS THIRD FULL YEAR OF OPERATIONS AND ONCE AGAIN COMPLIED AN IMPRESSIVE RECORD OF ACHIEVEMENTS

RECALLING THE COMPACTS THAT SOLIDIF[illegible] [illegible] [illegible], WILL TOUCH WITH RESPECT THE PROTOCOLS OF THE ISTHMUS. IN THEM WILL BE FOUND THE PLAN OF OUR FIRST ALLAIANCES THAT WILL HAVE MARKED THE BEGINNING OF OUR RELATION WITH THE UNIVERSE. ''

MPK129 PSS USI PGE4

THE BANK, THEN, COULD NOT BE MORE ''AT HOME'' THAN HERE IN PANAMA, WHERE INTER-AMERICAN MEETINGS FIRST WERE LAUNCHED, FOR THE BANK IN THE BEST INTER-AMERICAN TRADITION IS A STRONG AND PROGRESSIVE FORCE IN THE SOCIAL AND ECONOMIC EVELOPMENT OF THE HEMISPHERE. [illegible]-120

USIA V WA 15 APRIL 1964 VIA ALL AMERICAN CABLES

ZCZC AW216 MPX125

PANAMA CTY MM PSS CLCT F1 15 945P

PRESS COLLECT

USINFO WASHINGTONDC

OR IPS/EL ALLEN IBS/RAMENSKI PASS TREASURY ATTN STEVE MANNING FOLLOWING TEXT DILLON AT IADB MTG PANAMA HOLD FOR RELEASE EXPECTED NOON TUESDAY WILL ADVISE RELEASE

~~MPX125 PSS USI 2PGE~~

BEGIN TEXT:

IT IS PARTICULARLY FITTING THAT WE ARE HOLDING OUR FIFTH ANNUAL MEETING OF THE BANK'S GOVERNORS TODAY, WHICH IS BEING OBSERVED IN MY COUNTRY AS PAN AMERICAN DAY. THERE COULD BE NO MORE FITTING PLACE FOR TODAY'S MEETING THAN THIS HONORED AND HISTORIC CITY, WHICH BOLIVAR CHOSE FOR THE FIRST INTER-AMERICAN CONFERENCE, THE CONGRESS OF PANAMA.

~~MPX125 PSS USI PG3~~

THIS IS THE HUNDRED AND FORTIETH YEAR SINCE BOLIVAR PROPHESIED PROUDLY AND BOLDLY THAT " A HUNDRED CENTURIES HENCE, POSTERITY, SEARCHING FOR THE ORIGIN OF OUR PUBLIC LAW AND

R RELEASE: AFTER 1:00 P.M. EST
ESDAY, APRIL 14, 1964

ADDRESS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
AND
UNITED STATES GOVERNOR OF THE INTER-AMERICAN DEVELOPMENT BANK
BEFORE
THE FIFTH ANNUAL MEETING OF THE GOVERNORS OF THE BANK
AT THE LEGISLATIVE PALACE, PANAMA CITY, PANAMA
TUESDAY, APRIL 14, 1964

It is particularly fitting that we are holding our Fifth Annual eting of the Bank's Governors today, which is being observed in my untry as Pan American Day. There could be no more fitting place [illegible] and historic city, which

USIA V WAS 13 APRIL 1964 VIA ALL AMERICAN

ZCZC AW216 MPX129

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PRESS COLLECT

USINFO WASHINGTONDC

~~OR IPS/EL ALLEN IBS~~ KAMENSKE PASS TREASURY ATTN STEVE MANNING FOLLOWING TEXT DILLON AT IADB MTG PANAMA HOLD FOR RELEASE EXPECTED NOON TUESDAY WILL ADVISE RELEASE

IS THE FACT THAT THROUGHOUT THE HEMISPHERE WE HAVE WITNESSED IN THE PAST TWO YEARS THE CREATION OF NEW INSTITUTIONS VITAL TO THE PACE OF FUTURE GROWTH. THE BANK ITSELF HAS PARTICIPATED IN THE ESTABLISHMENT OR REFORM OF A VARIETY OF INTERMEDIATE CREDIT INSTITUTIONS - DEVELOPMENT BANKS, AGRICULTURAL CREDIT BANKS, SAVINGS AND LOAN AND HOUSING FINANCE INSTITUTIONS - ALL CRITICAL IN THE PROCESS OF DOMESTIC RESOURCE MOBILIZATION.

~~MPX129 PSS USI PAGE4~~

INTENSE EFFORTS ARE BEING DEVOTED TO THE REFORM OF TAX STRUCTURES, IMPROVED TAX COLLECTION, A MORE EQUITABLE AND PRODUCTIVE DISTRIBUTION OF LAND, AND IMPROVED FACILITIES IN THE FIELDS OF HEALTH AND EDUCATION.

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This is the 140th year since Bolivar prophesied proudly and oldly that "a hundred centuries hence, posterity, searching for he origin of our public law and recalling the compacts that olidified its destiny, will touch with respect the protocols of he Isthmus. In them will be found the plan of our first alliances hat will have marked the beginning of our relation with the niverse."

The Bank, then, could not be more "at home" than here in 'anama, where Inter-American meetings first were launched, for the Bank in the best Inter-American tradition is a strong and progressive force in the social and economic development of the Hemisphere.

In 1963, the Inter-American Development Bank completed its third full year of operations and once again compiled an impressive record of achievement.

To support the economic and social development of its Latin American members, the Bank last year authorized 56 new loans, for a total of $259 million. Its lifetime loan approvals at the end of the year had reached the impressive figure of $875 million, and activity under these loans is proceeding at a sharply accelerated pace. Total disbursements at the end of 1963 were $206 million -- more than three times larger than disbursements at the end of 1962.

Impressive as they are, these statistics can give us only a limited appreciation of the truly remarkable work which the Bank's dedicated management and staff have accomplished in the past three years. Each loan, for example, reflects weeks and months of careful scrutiny and planning. Behind each loan, moreover, lie several additional applications for projects found wanting or not yet ready for execution, but which nonetheless required -- and merited -- time and effort to review.

The Bank has also continued its efforts to mobilize private capital for Latin American development in the highly industrialized free countries. Last year the Bank was able to sell a total of $7.4 million in additional participation -- without any guarantee -- in the United States, Canada, and Western Europe. As you know, the Bank has just floated its third successful bond issue -- the second in the United States -- in the amount of $50 million. In addition, the Bank is actively negotiating for further flotations in various Western European countries. I am confident that these efforts will soon bear fruit. Additional external capital has also been mobilized by the Bank through arrangements for the joint financing of projects. As stated in the Annual Report, five of the Bank's ordinary capital loans last year were made in association with other external sources of capital.

Equally important -- although perhaps less immediately evident in our usual review of the Bank's activities -- is the fact that the Bank's lending policies have stimulated the mobilization of very large amounts of domestic capital in its member countries. The total cost of projects financed by the $875 million of the Bank's loans amounts to nearly $2.5 billion most of the additional cost -- some $1.5 billion of it -- represents the direct participation of local interests -- governments, firms, and individuals -- and their provision of the domestic capital required.

In directing the Bank's lending policies, President Herrera has increasingly emphasized the encouragement of regional integration. It seems to me all to the good that the Bank should give priority to loans having a "regional integration component" -- for regional integration is essential if an adequate rate of economic growth is to be achieved in Latin America. I note that in the pursuit of these policies the Bank has extended a $6 million line of credit to the Central American Bank For Economic Integration and has made a $3 million loan to the national universities of the five Central American countries in order to insure technical progress within the framework of that area's vigorous movement towards regional integration.

During the past year, the Bank moved to implement the export credits program which the Governors approved in Caracas. The Bank has given specific form to the general directive laid down by the Governors and has completed the detailed regulations to govern this new activity. The $30 million of ordinary capital resources allocated to this program has now been put to work by the grant of lines of credit to several member countries. I am sure we will all watch with great interest and expectation the important role this export financing program can play in the development of capital goods production, export diversification, reduced trade barriers, and regional integration.

The pace of the Bank's activities required some time ago that the Governors consider an increase in the Bank's lendable resources. The process begun two years ago in Buenos Aires has now been completed and the authorized ordinary capital of the Bank now stands at the equivalent of an imposing $2.15 billion, of which $475 million is the authorized paid-in capital stock and $1,675 million is callable capital. Our Congress in January authorized United States participation in this increase to the extent of $411.8 million in callable capital, which will be subscribed in two installments -- this year and next -- along with the subscription of the Bank's other members. With the Bank's demonstrated success in raising funds in private capital markets, the increased authorized capital provides ample assurance of adequate resources for projects on standard "bankable" terms for several years to come.

We have at the moment no such assurance on the availability of Bank funds for so-called "soft" loans -- loans designed to supplement those made on ordinary banking terms. Agreement was reached earlier this year on an increase of $73.2 million in the Fund For Special Operations, of which $50 million will be paid in by my Government on April 28. This will bring the total capital of the Fund For Special Operations to the equivalent of $219.5 million, of which $150 million will have been paid in by the United States. In addition, our Congress last year appropriated an additional $131 million to increase the Social Progress Trust Fund administered by the Bank. These additional funds for loans on easy repayment terms will suffice for less than one year of lending operations at an adequate rate. It is urgent, therefore, that the Governors address themselves once again to the future of the Bank's lending activities on soft terms and begin action to obtain the requisite funds.

At our last meeting in Caracas, and again in the Report on this matter which is now before you, my Government has expressed its view that the Bank would be strengthened if at this point in its life -- and at this juncture of the Alliance For Progress -- the lending windows to which the United States and other member countries provide funds were reduced from the existing three to two. We have, therefore, proposed that there be no further replenishment of the Social Progress Trust Fund and that, instead, there be a substantial enlargement of the Fund for Special Operations.

The Social Progress Trust Fund, as you know, grew directly from the Act of Bogota and the emphasis which at that time we all agreed to place on social development in Latin America. It was unfortunately all too true that social progress in the Hemisphere had been sadly neglected, and therefore it was both essential and proper that the Act of Bogota call attention to the priority needs of the social sector.

The Act of Bogota, as we all know, was soon succeeded by the great milestone of hemispheric dedication and cooperation, the Charter of Punta Del Este. That Charter gave formal recognition to the fact that social and economic progress are mutually-reinforcing objectives. It also called for comprehensive planning of the path to progress -- planning that would make it necessary to reduce or remove any sharp distinction between economic and social projects. The mark of well-prepared plans -- which, happily, are now well-advanced in a number of countries -- is the rational allocation of available resources between the economic and social sectors, taking full account of their interdependence. We can expect, therefore, that the Bank, in deciding upon particular projects for financing, will increasingly take into account both economic and social considerations and not just one or the other. With this approach, only two sources of financing, one hard, one soft, seem necessary -- the choice between them to be determined, not necessarily just by the nature of the project, but also by the situation of the borrower, or other special circumstances.

In the context of these considerations, I hope that we can agree at this meeting to seek the commitment of our governments to a three-year program to enlarge the Funds For Special Operations by an amount equal to $300 million per annum, of which the United States would contribute $250 million, and the other members of the Bank, $50 million, all in our own national currencies.

This enlargement, which would enable the Fund to make loans on special terms for the purposes currently being financed by both the Fund and the Social Progress Trust Fund, can be accomplished without any change in the agreement establishing the Inter-American Development Bank. This would simplify the legislative problems of the member governments. This is particularly desirable as far as the United States is concerned. In view of our forthcoming national election, the United States Congress can be expected to adjourn somewhat earlier in the year than has recently been the case. Delay in reaching agreement on this matter or the introduction of complexities involving basic changes in the Bank's Charter would greatly increase our difficulty in obtaining Congressional approval this year -- as can be attested by the members of the United States Congress who have come here from Washington to attend this meeting as members of our Delegation.

We look for the Bank to continue and expand its role as the "Bank Of The Alliance." During the past year, the Bank has assumed new duties as financial agent in the mobilization of external resources for national development programs, in filling a special advisory role with various entities concerned with the provision of external development financing and, finally, as technical advisor to the newly established Inter-American Alliance For Progress Committee (known as CIAP). In connection especially with the latter body, it seems appropriate for the Bank to assume a more active role in the programing of development assistance and in directing its activities toward the support of well-designed national and regional programs.

Turning to the Alliance For Progress, in which the Bank plays such an important role, I think we must, in honsty, acknowledge that the present moment is one characterized by skepticism and doubt, both in Latin America and in the United States. Unquestionably, we still have a long way to go before we achieve the objectives envisioned in the Charter of Punta Del Este. But while we face that fact, let it not obscure the equally important fact that, by every realistic measure, we have come a long way.

First, in the recent creation of the Inter-American Alliance For Progress Committee, CIAP, we have established a sound mechanism for hemispheric coordination and guidance within the framework of the Alliance. Our appointment of Ambassador Teodoro Moscoso as United States representative has made clear that the United States wishes to play an active role in this Committee, to which President Johnson has pledged "our full support."

Second, we should not lose sight of the fact that eleven of the nineteen Latin American member countries have been achieving the minimum 2-1/2 percent per capita growth target set at Punta Del Este. Equally important, perhaps, is the fact that throughout the Hemisphere we have witnessed in the past two years the creation of new institutions vital to the pace of future growth. The Bank itself has participated in the establishment or reform of a variety of intermediate credit institutions -- development banks, agricultural credit banks, savings and loan and housing finance institutions -- all critical in the process of domestic resource mobilization. Intense efforts are being devoted to the reform of tax structures, improved tax collection, a more equitable and productive distribution of land, and improved facilities in the fields of health and education.

These are the very sinews of growth, and the attention and activity focused in these areas in the past two years has far surpassed anything ever before witnessed in the Hemisphere. The fruits of endeavors such as these will not miraculously ripen overnight -- on the contrary, progress will be difficult and even hazardous. But without these efforts, progress simply will not occur. We therefore have a clear choice before us:

- Shall we hold timorously back, afraid to move because we might stir up waters that could become troubled?

- Or shall we venture forth on new paths -- but always within a framework of free and democratic institutions -- that will offer all of our peoples a fair share in the gradually ripening fruit of our mutual endeavors?

On behalf of my country, I urge that we move without timidity and with confidence.

So far as external funds are concerned, taking into full account the self-help measures of the various countries of Latin America in connection with their commitments under the Charter of Punta Del Este, the United States continues to be prepared to provide public assistance in the order of magnitude suggested by the Charter. As our AID Administrator, Mr. David Bell, emphasized in his address to the Governors last year, the pace at which aid can be provided must depend upon a series of preparatory and correlated actions. Careful advance planning and sound project implementation takes time, and there will be inevitable lags between commitment and disbursement of funds. I have pointed out the close attention the Bank has given to the problem of project execution and loan disbursements during the past year, and wish to assure you that our own financing institutions have also made every effort -- consistent with the overriding requirements of sound project implementation -- to expedite disbursement.

Among the disappointments of the past two years, I might note that the commitment of external funds from Europe has thus far been less than had been hoped. Recently there has been new evidence of European interest in Latin America symbolized by the recent visits of President De Gaulle and President Luebke. The United States wholeheartedly welcomes these renewed signs of European interest and hopes that the interest will be clearly manifested in an increase in the kinds of low-interest, long-term development loans so badly needed by Latin America. In addition to liberal terms, we would hope that European assistance to Latin America would be carefully related to the overall planning effort and to the system of priorities established within the context of the Alliance For Progress. The proposal of the Governor for Argentina raises interesting possibilities in this respect, and I can state that my delegation is in full accord with the objectives underlying his proposal.

I should like once again to emphasize in the strongest terms the need for the Latin American countries themselves to be on guard against terms of assistance from any source which would create an unacceptable burden for the future. The indiscriminate and unrestrained acceptance of short -- and medium-term suppliers credits -- in cases where longer-term development loans are the real need -- all too often simply creates an unwieldly and unmanageable problem which can very quickly assume crisis proportions, leading to a slowdown in the pace of development.

The field of private investment is another area where flows of external capital have proved disappointing. In this connection, we must constantly bear in mind the fact that the foreign investor always has alternative possibilities for investment of his capital. Given the high levels of current economic activity in the United States and Europe, the opportunities for profitable investment at home in both areas are relatively great. In order to attract private funds from the United States or Europe, or to induce the investment of local private capital, a country -- whether already industrialized or developing -- must maintain an investment climate which offers a reasonable prospect that a sound project will yield a return commensurate with the risk involved. The choice is for each country to make. The results will depend, to a very great extent, upon that choice.

In the United States over the past three years we have adopted a series of tax measures to increase the relative attractiveness of investment at home as compared with investment in other free industrialized countries. Countries that deliberately hamper the investment of private capital or fail to provide a hospitable climate, should be aware of the fact that they are foregoing sources of financing and technical knowledge of great importance to their future growth -- and to the strength of their international position -- sources which cannot possibly be replaced by public funds.

An important corollary of a favorable "investment climate" is a country's ability to raise capital abroad. In this connection the recent experience of Mexico comes to mind: Mexico has been able to float two highly successful bond issues in the capital markets of the United States -- one last year, and a second just two weeks ago -- for a total of $65 million. It goes without saying that these Mexican issues were very welcome, and we hope that other Latin American countries will be able to follow this example in mobilizing private external funds for their development. I should mention here that the Interest Equalization Tax on foreign securities which has been proposed to the United States Congress by my Government is not designed to apply to the securities of the Latin American countries.

Finally, I cannot let this occasion pass without mention of the World Trade and Development Conference now under way in Geneva. I am aware of the intense interest which your Governments have in this Conference, and in its purpose of helping to ease the problem facing the developing world. That endeavor is, of course, one in which the United States has long taken the lead, and I would simply like to emphasize my country's determination to continue its efforts, in every feasible way, to serve that purpose.

Mr. Chairman, the tangible evidence of the Bank's progress placed before us at this meeting symbolizes the activity, movement, and forward progress being accomplished throughout Latin America under the guidance of the Charter of Punta Del Este. I am confident that at our meeting next year, and in the years ahead, we will find ourselves increasingly able to meet the needs of Latin America and of Western Hemisphere solidarity.

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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.

[redacted]

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 ~~(16)~~ or less for the additional bills dated January 23, 1964 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on July 23, 1964 ~~(19)~~) and noncompetitive tenders for $100,000 ~~(20)~~ or less for the 182 ~~(21)~~ -day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on April 23, 1964 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 23, 1964 ~~(23)~~. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE April 15, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing April 23, 1964 , in the amount of $2,103,123,000 , as follows:

91 -day bills (to maturity date) to be issued April 23, 1964 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated January 23, 1964 , and to mature July 23, 1964 , originally issued in the amount of $ 800,615,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated April 23, 1964 , and to mature October 22, 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, April 20, 1964 Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

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WASHINGTON, D.C.

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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-1202

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 16, 1964

FOR IMMEDIATE RELEASE

DIRECTOR OF PRACTICE ANNOUNCES
SPECIAL ENROLLMENT EXAMINATION

Thomas J. Reilly, Director of Practice, U. S. Treasury Department, has announced that the Special Enrollment Examination, for those seeking to qualify for enrollment to practice as agents before the Internal Revenue Service, will be held at IRS District Offices September 24 and 25, 1964. The examination will be similar in content to that held in 1963.

The Special Enrollment Examination Program presents an opportunity each year for those who are not attorneys, certified public accountants, nor qualified former Internal Revenue Service employees, to establish the proof of competence which is required of tax practitioners who seek to acquire enrollment status in order to represent their clients at all levels of procedure before the Service. The program is of special interest to the public accountants of the Nation.

Applications, which are to be filed with the Director of Practice, Washington, D. C., and detailed information concerning the examination, may be obtained from Internal Revenue Service District Offices. The examination fee of $25.00, established in 1963, continues to be effective for 1964.

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D-1203

RELEASE A. M. NEWSPAPERS,
Tuesday, April 21, 1964.

April 20, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated January 23, 1964, and the other series to be dated April 23, 1964, which were offered on April 15, were opened at the Federal Reserve Banks on April 20. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 23, 1964		:	182-day Treasury bills maturing October 22, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.128	3.450%	:	98.154	3.651%
Low	99.123	3.469%	:	98.147	3.665%
Average	99.125	3.463% 1/	:	98.149	3.662% 1/

70% of the amount of 91-day bills bid for at the low price was accepted
17% 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	$ 15,581,000	$ 15,581,000	:	$ 2,970,000	$ 2,970,000
New York	1,531,859,000	721,759,000	:	1,351,723,000	627,197,000
Philadelphia	29,898,000	14,897,000	:	9,188,000	3,791,000
Cleveland	23,055,000	23,055,000	:	11,782,000	10,982,000
Richmond	11,468,000	10,868,000	:	2,948,000	2,448,000
Atlanta	31,166,000	27,066,000	:	8,534,000	5,234,000
Chicago	175,069,000	112,269,000	:	181,620,000	82,960,000
St. Louis	38,622,000	32,362,000	:	12,064,000	10,064,000
Minneapolis	19,185,000	12,055,000	:	5,888,000	3,305,000
Kansas City	33,437,000	33,437,000	:	15,441,000	14,775,000
Dallas	31,244,000	22,844,000	:	10,005,000	5,175,000
San Francisco	218,926,000	173,876,000	:	250,059,000	131,939,000
TOTALS	$2,159,510,000	$1,200,069,000 a/		$1,862,222,000	$900,840,000 b/

a/ Includes $235,347,000 noncompetitive tenders accepted at the average price of 99.125
b/ Includes $69,061,000 noncompetitive tenders accepted at the average price of 98.149
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.54%, for the 91-day bills, and 3.78%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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proceedings, and are not designed either to make it more or less likely that particular antidumping proceedings will result in determinations of dumping.

The changes result from an intensive study of the existing regulations conducted by the Treasury, the Bureau of Customs, by academic consultants employed for this purpose, and from the views expressed at a well-attended public hearing held last January 23 which was presided over by Assistant Secretary of the Treasury, James A. Reed

Comments on the proposed amendments will be received during the next 60 days, in the light of which the proposals will again be considered by the Treasury Department.

Treasury is satisfied that the nature of the material requires confidential treatment. At present any evidence submitted in confidence in an antidumping proceeding is treated as confidential.

Other major changes which are proposed are: First, the establishment of standards for determining when differences in the volumes of sales abroad and in the United States provide a basis for making quantity allowances in price comparisons; second, the elimination, in large part, of the retroactive application of dumping duties; and, third, allowing exporters to guarantee importers against the imposition of dumping duties in connection with sales which occur before Customs has issued a public finding that there is reason to believe or suspect that sales are being made at a dumping price.

The changes in the regulations proposed by the Treasury are designed to increase the fairness and openess of the antidumping

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April 21, 1964

For Release A.M. Newspapers
~~of April 21~~, 1964
Wed. 22

TREASURY PROPOSES CHANGES
IN ANTIDUMPING REGULATIONS

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The principal effect of the proposals, if adopted, would be to provide importers, exporters and domestic industry alike with additional information as to evidence produced by interested persons to show either the existence or non-existence of sales at dumping prices.

The new proposals would also allow interested persons to argue their respective positions to the Treasury in each other's presence, rather than separately as has been the ordinary practice up to now. Under the proposals evidentiary material would be accepted by the Treasury on a confidential basis only if the

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 21, 1964

FOR RELEASE: A.M. NEWSPAPERS
~~TUESDAY~~, APRIL 22, 1964
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D-1205

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UNITED STATES TREASURY DEPARTMENT
WASHINGTON, D.C.

April 22, 1964

PROPOSED APRIL, 1964, AMENDMENTS OF THE ANTIDUMPING REGULATIONS

BACKGROUND MEMORANDUM

The changes in the antidumping regulations which are presently proposed are based in large part on the comments received both orally and in writing in connection with the hearing which was held on January 23, 1964. In addition, the proposed amendments reflect the views of the experts brought in by the Treasury Department as consultants with regard to this matter. Finally, they are based in part on suggestions emanating from within the Department.

To some extent, the interests of those concerned with domestic production and those concerned with imports are necessarily inconsistent, and it is impossible to satisfy one without dissatisfying the other. Analysis of the basic problems, however, has disclosed a surprisingly large area in which there is room for improvement which it is believed would be welcomed by domestic producers, importers and exporters alike.

This is the area to which the major part of the proposed revisions is directed. Their adoption would, it is believed, contribute significantly to sound administration of Treasury's antidumping procedures. The proposed amendments are not designed to make the administration of the Antidumping Act either more or less restrictive.

Making Information Available

At present virtually all information in an antidumping proceeding is treated as confidential. Under the proposed regulations all information submitted in connection with an antidumping proceeding would be made available for inspection or copying by any interested person, except that the Treasury could, on the request of the person who submitted the information, conclude, on the basis of standards set forth in the Regulations, that the information should be treated as confidential.

In any case in which information was submitted with the request that it be treated as confidential, and the Treasury Department denied the request, the person submitting the information would have his choice of withdrawing the information or acquiescing in its being treated as non-confidential. Provision would also be made for deleting identifying details, the inclusion of which would be harmful to the person submitting the information.

The proposed amendment also provides that certain information may be disclosed by the Treasury in generalized or summary fashion rather than in detail when this course is deemed appropriate in the interest of maximum disclosure coupled with protection of confidentiality. The standards which would guide the Treasury in determining which classes of information should be or should not be regarded as entitled to confidential treatment are spelled out in considerable detail in the proposed amendment in new section 14.6a(c).

It is believed that the net effect of this proposal would be to open up a large body of information to interested persons without detriment to the persons who supply such information.

Confrontation and Argument

Another proposed amendment would specify that the Treasury, at the request of any interested person, will be prepared to hear the arguments of either side in the presence of the other. This procedure would not raise the problems involved in the procurement of foreign witnesses and foreign records, but it would afford persons holding all points of view an opportunity to argue with respect to conclusions of fact and law and to base those arguments on factual information which for the first time would be largely available.

It had been suggested by some members of the public that antidumping proceedings be determined on the basis of public hearings on the record with full disclosure of all relevant books and records of whatever nature. It is believed that public hearings of this type are not suitable in antidumping proceedings. Hearings of this type would presumably require the exporter to reveal information with regard to his costs, customers, commissions paid, administrative expenses and the like which he would properly be unwilling to reveal to his competitors. Sometimes, perhaps often, it would be necessary for the top executives of a foreign manufacturing corporation, the sales manager, the production manager and perhaps many other technical experts to travel to this country as witnesses. Voluminous corporate records might also have to be brought and translated. Since the exporter is likely to be thousands of miles away, the direct costs of making such an appearance would be large, and it might well be that the indirect cost of having key personnel away from the site of production for a protracted period of time would be even more burdensome. Since these costs would be so high, it might, in many cases, not be worth while to contest an antidumping complaint since the exporter's profit margin might be such that he could not recapture the cost of contesting the complaint even if he were successful. And the alternative to bearing the burden of defending against the complaint would be to have a dumping finding made regardless of whether it was justified on the merits. In any event, such a hearing would impose a costly burden upon exports to the United States and would in most cases delay the outcome substantially.

Quantity Discounts

The proposed amendments would establish a clear standard for determining when and how allowances should be made with respect to sales in different quantities. It would be specified that allowance would be made for a quantity discount only if it was in fact enjoyed with respect to at least 20 percent of the merchandise sold in the home market, or in third-country markets where applicable, or, in the alternative, unless it was cost-justified.

Complaints

Importers and exporters have protested that the Treasury acts on complaints by persons alleging in insufficient detail their belief that there are sales below fair value. Many persons moreover have urged that such complaints should be filed directly with the Commissioner of Customs (rather than with Customs appraisers, which is the current practice) and that they should specify the individual shippers against whom they are directed. All of these desires would be met by the proposed amendments.

Retroactivity

The proposed regulations would eliminate the retroactive application of dumping duties by eliminating withholding of appraisement of goods imported before the date of a withholding order, in all cases except those in which the relationship between the exporter and importer is so close that the importer is defined as having a relationship with the exporter under Section 207 of the Antidumping Act. (The class of cases in which retroactivity would still obtain are those where, for example, the exporter and importer are principal and agent or where there is mutuality of ownership or control between exporter and importer.)

Reimbursement of Dumping Duties by Exporter

The proposed amendments would make it feasible for an exporter to warrant freedom from dumping duties with respect to any merchandise purchased prior to an order withholding appraisement and to compensate the importer for a breach of this warranty. He could not do so with respect to dumping duties on merchandise bought thereafter.

Termination of Proceedings

A change is proposed which will allow termination of the antidumping proceedings in some but not all instances when it is clear that prices have been revised to eliminate any dumping margin, that sales to the United States have been terminated, or that the complaining person has concluded that no further purpose would be served by the continuation of the antidumping proceedings.

Under the proposed amendment, safeguards would be provided by requiring publication of a Federal Register notice of the impending action with an opportunity to object to termination of the proceedings. It is believed that if this proposal is adopted a certain number of cases could be terminated quickly. On the other hand, if it became clear in any case that, notwithstanding the changed circumstances, there was reason to continue the antidumping proceeding, the Treasury would be able to do so.

Offers of Sales

A further proposed amendment would specifically authorize the Treasury to disregard offers of sales whenever it is clear from the circumstances that acceptance of the offer could not reasonably be expected. For example, an offer of sales of heavy winter overcoats for local consumption by a manufacturer in a tropical country would not be regarded as an offer to which any weight should be given.

Adjustment for Differences in Cost of Production

The proposed changes would establish realistic standards for determining what weight should be placed on differences in cost of production in making determinations of the value of merchandise when the merchandise being compared is not identical. One of the proposed amendments would provide that, in general, the differences in cost of production would be taken into account only to the extent that they affect the market value of the merchandise concerned.

Change in Invoice Form

In addition to the changes proposed to be made by regulation, the Special Customs Invoice form will be amended to elicit more information on home market price.

Summary of Proposed Changes

The proposed changes are set forth below, not in the order discussed above, but in the sequence of related provisions in the present regulations. References in parentheses are to sections in the Notice of Rule Making. In order, the proposed amendments would provide as follows:

(1) Require that complaints relating to alleged dumping be filed with the Commissioner of Customs instead of with appraisers. (Section 14.6(b).) Provide for additional information in such complaints. (Section 14.6(b)(1),(2).) Invite suggestions as to specific avenues of investigation. (Section 14.6(b)(4) and 14.6(c).) Require publication in the Federal Register of the nature and date of such complaints. (Section 14.6(d)(1).) Require the Commissioner's notice of withholding to state the date of the commencement of the antidumping investigation and to state whether the basis of comparison for fair value is purchase price or exporter's sales price. (Section 14.6(e).)

(2) State that, in general, all information obtained by the Treasury Department in connection with an antidumping proceeding will be available

for inspection or copying. (Section 14.6a(a).) Provide a method for requesting confidential treatment of information but provide that information will be treated as confidential only if it is determined by the Treasury that such treatment is appropriate. (Section 14.6a(b).) Provide for the summarization and deletion of identifying detail of information to avoid for the necessity of treating information as confidential. (Section 14.6a(c). See also 14.6a(b).) Establish standards to guide the Treasury in determining whether information will be regarded as confidential. (Section 14.6a(c).)

(3) Provide standards for determining when and in what manner it is appropriate to make allowances for price differences based on differences in quantities of merchandise sold. Quantity allowances would be granted only if they were in fact allowed in substantial volume or were cost-justified. (Section 14.7(b)(1).)

(4) Provide that in making fair value comparisons between merchandise sold in the United States and in the home market or third-country markets, differences in the merchandise would ordinarily be considered only to the extent that such differences affect market value. (Section 14.7(b)(3).)

(5) Provide that offers of sales made in circumstances in which acceptance is not reasonably to be expected will not be considered to be bona fide offers. (Section 14.7(b)(4).)

(6) Provide a simple procedure for terminating antidumping procedures in which changed circumstances indicate that there is no likelihood of sales below fair value. (Section 14.7(b)(9)(i) and (ii).)

(7) Provide for publication of a notice in the Federal Register of each tentative determination of whether merchandise is being or is likely to be sold at less than its fair value, and provide for the receipt of oral views and

argument thereon. (Section 14.8(a).)

(8) Provide for the elimination of the retroactive application of dumping duties to merchandise imported by persons who are not acting for or closely related to the exporter. (Section 14.9(a).)

(9) Provide that warranties against dumping duties with respect to merchandise purchased or agreed to be purchased before the date of the filing of a dumping complaint will not be regarded as affecting the question whether such merchandise is sold below fair value. (Section 14.9(f).)

DEPARTMENT OF THE TREASURY
BUREAU OF CUSTOMS

[19 CFR, Part 14]

PROCEDURE UNDER ANTIDUMPING ACT, 1921, AS AMENDED

NOTICE OF PROPOSED RULE MAKING

There was published in the Federal Register of December 24, 1963 (28 F.R. 14245), a notice that the Treasury Department was reviewing its regulations relating to procedures under the Antidumping Act, 1921 (19 CFR 14.6-14.13), and announcing that all interested parties would be afforded an opportunity to file written statements and be heard on January 23, 1964, with regard to these regulations.

After consideration of all the written submissions and oral statements it has been concluded that certain amendments of the regulations should be proposed. Accordingly, notice is hereby given pursuant to section 4 of the Administrative Procedure Act (5 U.S.C. 1003) that it is proposed to amend certain sections of Part 14 of the Customs Regulations (19 CFR Part 14) as indicated in tentative form below:

1. Section 14.6 presently provides that any person outside the Customs Service who has reason to believe or suspect that merchandise is being, or is likely to be, imported under circumstances which bring it within the purview of the Antidumping Act may communicate

such beliefs or suspicions to an appraiser of merchandise. It is proposed to amend this section to provide that (1) information furnished pursuant to this section should be based on belief and not merely grounded on suspicion, (2) communications setting forth such information should be addressed to the Commissioner of Customs, (3) certain additional information will be requested, (4) notice of the receipt of information pursuant to this section and other data relating thereto will be published in the Federal Register, and (5) the Commissioner's notice that there are reasonable grounds to believe or suspect sales at less than foreign market value (or constructed value) will specify whether the proper basis of comparison for fair value purposes is purchase price or exporter's sales price.

Accordingly, it is proposed to amend section 14.6 as follows:

Amend the first sentence of paragraph (b) to read as follows:

> (b) Any person outside the Customs Service who has information that merchandise is being, or is likely to be, imported into the United States under such circumstances as to bring it within the purview of the Antidumping Act, 1921, as amended,[14] may communicate such information in writing to the Commissioner of Customs. * * *

Amend paragraph (b)(1) to read as follows:

> (1) A detailed description or sample of the merchandise; the name of the country from which it is being, or is likely to be, imported; the name of the exporter or exporters if known; and the ports or probable ports of importation into the United States. If no sample is furnished, the Bureau of Customs may call upon the person who furnished the information to furnish samples of the imported and competitive domestic articles, or either.

Amend paragraph (b)(2) to read as follows:

> (2) Such detailed data as are available with respect to values and prices indicating that such merchandise is being or is likely to be, sold in the United States at less than its fair value, within the meaning of the

Antidumping Act, 1921, as amended, including information as to any differences between the foreign market value or constructed value and the purchase price or exporter's sales price which may be accounted for by any difference in taxes, discounts, incidental costs such as those for packing or freight, or other items.

Amend paragraph (b) by adding a subparagraph (4) to read as follows:

(4) Such suggestions as the person furnishing the information may have as to specific avenues of investigation to be pursued or questions to be asked in seeking pertinent information.

Amend paragraph (c) to read as follows:

(c) If any information filed pursuant to paragraph (b), does not conform with the requirements of that paragraph, the Commissioner shall return the communication to the person who submitted it with detailed written advice as to the respects in which it does not conform.

Amend paragraph (d)(1) to read as follows:

(d)(1) Upon receipt pursuant to paragraph (a), (b), or (c) of this section of information in proper form

(i) the Commissioner shall publish notice of that fact in the Federal Register, which notice may be referred to as the "Antidumping Proceeding Notice." The date of such receipt shall be the date on which the question of dumping was raised or presented for purposes of sections 201(b) and 202(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(b) and 161(a)) and that date shall be included in the notice. The notice shall also contain a summary of the information received. If a person outside the Customs Service raised or presented the question of dumping, his name shall be included in the notice unless a determination under section 14.6a of these regulations requires that his name not be disclosed.

(ii) the Commissioner shall thereupon proceed promptly to decide whether or not reasonable grounds exist to believe or suspect that the merchandise is being, or is likely to be, sold at less than its foreign market value (or, in the absence of such value, than its constructed value). To assist him in making such decision the Commissioner, in his discretion, may conduct a brief preliminary investigation into such matters, in addition to the invoice or other papers or information presented to him, as he may deem necessary.

Amend paragraph (e) to read as follows:

(e) If the Commissioner determines pursuant to paragraph (d)(1)(ii) of this section, or in the course of an investigation under paragraph (d)(3)(i) of this section, that there are reasonable grounds to believe or suspect that any merchandise is being, or is likely to be, sold at less than its foreign market value (or, in the absence of such value, than its constructed value) under the Antidumping Act, he shall publish notice of that fact in the Federal Register, furnishing an adequate description of the merchandise, the name of each country of exportation, and the date of the receipt of the information in proper form, and shall advise all appraisers of his action. This notice may be referred to as the "Withholding of Appraisement Notice." If the belief or suspicion relates only to certain shippers, the notice shall also include the names of such shippers. The notice shall also specify whether the appropriate basis of comparison for fair value purposes is purchase price or exporter's sales price if sufficient information is available to so state; otherwise a supplementary notice will be published in the Federal Register as soon as possible which will specify which of such prices is the appropriate basis of comparison for fair value purposes. Upon receipt of such advice, the appraisers shall proceed to withhold appraisement in accordance with the pertinent provisions of section 14.9.

It is proposed to amend Part 14 to change the designation of footnote "14a" to footnote "14."

2. To make available to the fullest extent possible all information received in connection with antidumping proceedings it is proposed to add a new section 14.6a reading as follows:

Section 14.6a Disclosure of information in antidumping proceedings.

(a) Information generally available. In general, all information, but not necessarily all documents, obtained by the Treasury Department, including the Bureau of Customs, in connection with any antidumping proceeding will be available for inspection or copying by any interested person, including any importer, exporter or domestic producer of merchandise similar to that which is the subject of the proceeding. With respect to documents prepared by an officer or employee of the United States factual material, as distinguished from recommendations and evaluations, contained in any such document will be made available by summary or otherwise on the same basis as information contained in other documents. Attention is directed to section 24.12 relating to fees charged for providing copies of documents.

(b) Requests for confidential treatment of information. Any person who submits information in connection with an antidumping proceeding may request that such information, or any specified part thereof, be held confidential. Information covered by such a request shall be set forth on separate pages from other information; and all such pages shall be clearly marked "Confidential Treatment Requested." The Commissioner of Customs or the Secretary of the Treasury or the delegate of either will determine, pursuant to paragraph (c) of this section, whether such information, or any part thereof, shall be treated as confidential. If it is so determined, the information covered by the determination will not be made available for inspection or copying by any person not an officer or employee of the United States Government other than a person who has been specifically authorized to receive it by the person requesting confidential treatment. If it is determined that information submitted with such a request, or any part thereof, should not be treated as confidential, or that summarized or approximated presentations thereof should be made available for disclosure, the person who has requested confidential treatment thereof shall be promptly so advised and, unless he thereafter agrees that the information, or any specified part or summary or approximated presentations thereof, may be disclosed to all interested parties, the information will be disregarded for the purpose of the antidumping proceeding, and no reliance shall be placed thereon in connection with the proceeding.

(c) Standards for determining whether information will be regarded as confidential. (1) Information will ordinarily be considered to be confidential only if its disclosure would have a significantly adverse effect upon a person supplying the information or upon a person from whom he acquired the information. Further, if disclosure of information in specific terms or with identifying details would have a significantly adverse effect upon the person supplying the information or upon any person from whom he acquired the information, the information will ordinarily be considered appropriate for disclosure in generalized, summary or approximated form, without identifying details, if it is determined that this course can be followed without its having the significantly adverse effect which direct disclosure of the information would entail.

(2) Information will ordinarily be regarded as appropriate for disclosure if it

(i) relates to price information;

(ii) relates to claimed freely available price allowances for quantity purchases; or

(iii) relates to claimed differences in circumstances of sale.

(3) Information will ordinarily be regarded as confidential if its disclosure would

(i) disclose business or trade secrets;

(ii) disclose production costs;

(iii) disclose distribution costs, except to the extent that such costs are relied on to justify allowances for quantity or differences of circumstances of sale;

(iv) disclose the names of particular customers or the price or prices at which particular sales were made;

(v) disclose information which would be of significant competitive advantage to a competitor; or

(vi) affect in a significantly adverse way any person who supplied information, including any informer, or any person from whom the supplier of the information acquired it.

3. To provide more definitive standards for determining when and in what manner it is appropriate to make allowances for price differences based on differences in quantities of merchandise sold it is proposed to amend section 14.7(b)(1) to read as follows:

Section 14.7(b)(1) Quantities.--In comparing the purchase price or exporter's sales price, as the case may be, with such applicable criteria as sales or offers, on which a determination of fair value is to be based, reasonable allowances will be made

> for differences in quantities if it is established to the satisfaction of the Secretary that the amount of any price differential is wholly or partly due to such differences. In determining the question of allowances for differences in quantity, consideration will be given, among other things, to the practice of the industry in the country of exportation with respect to affording in the home market (or third country markets, where sales to third countries are the basis for comparison) discounts for quantity sales which are freely available to those who purchase in the ordinary course of trade. Allowances for price discounts based on sales in large quantities ordinarily will not be made unless (i) the exporter during the year prior to the date when the question of dumping was raised or presented had been granting quantity discounts of at least the same magnitude with respect to 20 percent or more of such or similar merchandise which he sold in the home market (or in third country markets when sales to third countries are the basis for comparison) and that such discounts had been freely available to all purchasers, or (ii) the exporter can demonstrate that the discounts are warranted on the basis of savings specifically attributable to the quantities involved.

4. It is proposed to amend section 14.7(b)(3) to provide that in making fair value comparisons between merchandise sold in the United States and similar merchandise sold in either the home market or third country markets differences in the merchandise will ordinarily be considered only to the extent that such differences affect market value. This will make section 14.7(b)(3) more closely parallel to section 14.7(b)(2). As amended, section 14.7(b)(3) would read as follows:

> (3) Similar merchandise.--In comparing the purchase price or exporter's sales price, as the case may be, with the selling price in the home market, or for exportation to countries other than the United States, in the case of similar merchandise described in subdivisions (C), (D), (E), or (F) of section 212(3), Antidumping Act, 1921, as amended (19 U.S.C. 170a(3)), due allowance shall be made for differences in the merchandise. In this regard the Secretary will be guided primarily by the effect of such differences upon the market value of the merchandise but, when appropriate, he may also

consider differences in cost of manufacture if it is established to his satisfaction that the amount of any price differential is wholly or partly due to such differences.

5. To define offering price to exclude non bona fide offers, it is proposed to amend section 14.7(b)(4) to read as follows:

Section 14.7(b)(4) Offering price. In the determination of fair value, offers will be considered in the absence of sales but an offer made in circumstances in which acceptance is not reasonably to be expected will not be deemed to be an offer.

6. To provide a simple procedure for terminating antidumping procedures when changed circumstances indicate that there is no likelihood of sales below fair value it is proposed to amend section 14.7(b) by adding a new subparagraph (9) to read as follows:

Section 14.7(b)(9) Likelihood of sales at less than fair value.

(i) Revision of prices. Whenever the Secretary of the Treasury is satisfied that an exporter, promptly after learning of an antidumping investigation with respect to his shipments, has revised his prices so as to eliminate the likelihood of his sales in the United States being at prices below his comparable sales in the home market (or in third country markets, when sales to third countries are the basis for comparison) or has, without intention to resume them, terminated his sales to the United States, the Secretary shall publish a notice to this effect in the Federal Register. The notice shall also state that the exporter's action is considered to be evidence that he is not selling and is not likely to sell below fair value and that the Secretary will so determine unless evidence or argument to the contrary is presented within thirty days.

(ii) Other changed circumstances. Whenever a person who has filed information pursuant to section 14.6(b), prior to the determination referred to in section 14.8(a), advises the Secretary of the Treasury that he no longer believes it is appropriate to determine that there are, or that there are likely to be, sales below fair value with respect to the merchandise to which his information related, the Secretary may publish a notice of this fact in the Federal Register, together with an invitation to all interested parties to express their views thereon. If, within thirty days after the publication of such notice, comment shall be received indicating that any segment of an industry interested in the antidumping proceeding believes that it is desirable that the determination provided for in section 14.8(a) be made, the Commissioner of Customs and the Secretary of the Treasury shall proceed in accordance with the provisions of that section. Otherwise, the antidumping proceeding may be closed with a determination that this action has been taken pursuant to the procedures herein described.

7. To provide for publication of notice of a tentative determination of whether merchandise is being or is likely to be sold at less than its fair value, and to provide for the receipt of oral views and argument thereon, it is proposed to amend section 14.8(a) to read as follows:

(a) Upon receipt from the Commissioner of Customs of the information referred to in section 14.6(d), the Secretary of the Treasury will proceed as promptly as possible to determine tentatively whether the merchandise in question is in fact being, or is likely to be, sold in the United States or elsewhere at less than its fair value. Notice of the tentative determination, which may be referred to as "Notice of Tentative Determination," will be published in the Federal Register. Interested persons will be given an opportunity to make such written submissions as they desire, within a period which will be specified in the notice, with respect to the contemplated action. Appropriate consideration will be given to any such new or additional information submitted. If any person believes that any information obtained by the Bureau of Customs in the course of an antidumping proceeding is inaccurate he may request in writing that the Secretary of the Treasury afford him an opportunity to present his views in this regard. Upon receipt of such a request the Secretary will notify the person who supplied the information, the accuracy of which is questioned. If the Secretary is satisfied that the circumstances so warrant an opportunity will be afforded by the Secretary or his delegate for both persons to appear, through their counsel or in person, accompanied by counsel if they so desire, to make known their respective points of view and to supply such further information as may be of assistance in leading to a conclusion as to the accuracy of the information in question. The Secretary or his delegate may at any time, upon appropriate notice, request that information or argument be supplied orally to him by any such person or persons as he in his discretion may deem to be appropriate. As soon as possible thereafter, the Secretary will make a final determination. If the determination is affirmative, the Secretary will advise the United States Tariff Commission accordingly.

8. To avoid the retroactive application of dumping duties to merchandise imported by persons whose relationship to the exporter is not such as to justify the use of exporter's sales price as the basis for making the fair value comparison, it is proposed to amend section 14.9(a) to read as follows:

Section 14.9 Action by the appraiser.

(a) Upon receipt of advice from the Commissioner of Customs pursuant to section 14.6(e), if the Commissioner's "Withholding of Appraisement Notice" shall specify that the proper basis of comparison for fair value purposes is exporter's sales price or if that notice does not specify the appropriate basis of comparison for fair value purposes, each appraiser shall withhold appraisement as to such merchandise entered, or withdrawn from warehouse, for consumption, on any date after the 120th day before the question of dumping was raised by or presented to the Secretary of the Treasury or his delegate. If the Commissioner's "Withholding of Appraisement Notice," including any supplementary notice, shall specify that the proper basis of comparison for fair value purposes is purchase price, the appraiser shall withhold appraisement as to such merchandise entered or withdrawn from warehouse for consumption after the date of publication of the "Withholding of Appraisement Notice." Each appraiser shall notify the collector and importer immediately of each lot of merchandise with respect to which appraisement is so withheld. Upon advice of a finding made in accordance with section 14.8(b), the appraiser shall give immediate notice thereof to the collector and the importer when any shipment subject thereto is imported after the date of the finding and information is not on hand for completion of appraisement of such shipment. Customs Form 6459 shall be used to notify the collector and importer whenever appraisement is withheld under this paragraph.

9. To provide that certain warranties will not be regarded as affecting purchase price, it is proposed to amend section 14.9(f) to read as follows:

Section 14.9(f) In calculating purchase price or exporter's sales price, as the case may be, there shall be deducted the amount of any special dumping duties which are, or will be, paid by the manufacturer, producer, seller, or exporter, or which are, or will be, refunded to the importer by the manufacturer, producer, seller, or exporter, either directly or indirectly, but a warranty of nonapplicability of dumping duties granted to an importer with respect to merchandise which is purchased, or agreed to be purchased, before publication of a "Withholding of Appraisement Notice" with respect to such merchandise will not be regarded as affecting purchase price or exporter's sales price.

It is contemplated that if the proposed amendments are adopted they will become effective, but not retroactively, on the date of their adoption. Section 14.6a and the amendments of sections 14.7(b)(1), 14.7(b)(3), and 14.9(a) will not be effective with respect to antidumping proceedings in connection with which the question of dumping was raised or presented for the purposes of section 201(b) and 202(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(b) and 161(a)) before the date of the adoption of the amendments.

Prior to the final adoption of any amendments based on the foregoing, consideration will be given to any relevant data, views, or arguments pertaining thereto which are submitted in writing in duplicate to the Commissioner of Customs, Washington, D. C. 20226, within sixty days from the date of the publication of this notice in the Federal Register. The proposed amendments are to be issued under the authority of R.S. 161, as amended, 251, sec. 407, 42 Stat. 18; 5 U.S.C. 22, 19 U.S.C. 66, 173.

Philip Nichols Jr.
Commissioner of Customs

Approved: APR 15 1964

James A. Reed
James A. Reed
Assistant Secretary of the Treasury

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 21, 1964

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON COLD-ROLLED STEEL SHEETS

The Treasury Department is instructing customs field officers to withhold appraisement of cold-rolled steel sheets, oiled or unoiled, in various sizes and thicknesses, from England, manufactured by John Summers & Sons Ltd., Shotton, Chester, England, 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 allegation in this case was received on January 24, 1964. The dollar value of imports received from September 1963 to February 1964 was approximately $847,000.

TREASURY DEPARTMENT

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FOR RELEASE: A.M. NEWSPAPERS
THURSDAY, APRIL 23, 1964

TREASURY DEPARTMENT
Washington

REMARKS BY THE HONORABLE JAMES A. REED
ASSISTANT SECRETARY OF THE TREASURY
AT THE 175TH ANNIVERSARY BANQUET
OF THE U. S. CUSTOMS EXAMINERS ASSOCIATION
AMERICANA HOTEL, NEW YORK CITY
WEDNESDAY EVENING, APRIL 22, 1964

It is a genuine privilege and pleasure for me to be your principal speaker at this magnificent banquet marking the 175th Anniversary of the U. S. Customs Service. Your presence and your spirit are a fitting tribute to the men and women who have made Customs one of the most widely respected agencies of our Government and it is a matter of great personal pride that I am closely associated with your distinguished Commissioner, Philip Nichols, Jr., in this worthy enterprise. I bring greetings to you from the Secretary of the Treasury, the Honorable Douglas Dillon, who asked me to deliver his felicitations on this anniversary and to wish you well in whatever you undertake. Commissioner Nichols regretted his inability to attend and also sent a congratulatory message from Laredo, Texas, where he is attending a regional conference of principal field officers in the Customs Service.

On December 30 last, the Congress adopted a unanimous resolution calling upon the American people to celebrate the 175th Anniversary of the Customs Service with appropriate ceremonies and activities. President Lyndon Johnson issued a proclamation designating 1964 as U. S. Customs Year and reiterating the intent of Congress that the American people take part in activities which mark the Customs birthday. It is therefore in keeping with the will of the legislators as well as with the desire of the President that we are assembled here today to pay homage to the Customs Service in the City which was its birthplace, the original capital of our country, the City of New York.

What an exciting period were those early days of our infant republic when the people severed their bonds with the mother country, and for the first time exercised their sovereignty by imposing the first American customs duties on imports. By this action, the colonies showed the rest of the world that they wanted to stand on their own two feet, build their own commercial system and thereby establishing their economic independence.

But, interesting as it is to ruminate on the past, I am sure that all of you are familiar with the widely-known and often-told story of our beginnings. What is not so well-known and not so often-told is the unique achievement that has been made to the development of the Customs Service by the appraisers and examiners. I welcome this opportunity to provide a forum for this narrative.

What is the role of the Appraiser? What is the nature of his task? How has this operation changed down through the years?

Let me begin by reading an excerpt from testimony given to a Senate Committee on Finance in 1887, in which there was given a definition of the Appraiser.

> ....There is no office in this government, from the President of the United States down, that requires such varied acquirements as that of an appraiser. He must know the language of every country sufficiently to construe the invoices; he must know the currency of every country -- francs, florins, piastres, rupees ....He must know the weights and measures of every country. He must know the value of every article of merchandise known to commerce, its quality and value in every country of the world, on every day of the week; and he must know human nature perfectly -- the motives and springs of action which govern men in their transactions with the customs, that he may protect the honest importer against the fraudulent one, and keep in legitimate channels of the trade of the country....He must resent no man for malice, hatred, or revenge; nor must he spare him for love, friendship, or regard. There is no office where skill, tact, good judgment, untiring industry and firmness, and decision of character are more demanded; while integrity, fidelity, and discretion are only a few of the requisites to make him an accomplished public officer.

The U. S. Court of Customs and Patent Appeals has gone on record with this statement: "Appraisement lies at the very basis of customs administration." What was true 77 years ago is no less true today. Whether he is a Line Examiner classifying unripened cottage cheese, or appraising industrial diamonds, or identifying Cuban tobacco, the examiner must be a psychologist, a specialist, an "answer-man", an authority who can handle almost any situation arising out of one of the most complex jobs in the Customs Service.

The U. S. Customs Examiner is at the forefront of our economic system, as a devoted, skilled, resourceful agent of Government. In the face of the challenge of the new era in which we live, the Examiner has been assigned new, difficult and highly selective duties which enable him to play a significant role in the realization of the tariff policy of our country.

By far the most important new function is the assignment to the Customs Examiner the task of correctly establishing the <u>nature of</u> imports into the United States.

Some of the significant changes which have been made in his duties are:

1. Interpretation and administration of quotas and embargoes, particularly on cotton textile.

2. Appraisement of merchandise under a dual standard in accordance with the Customs Simplification Act of 1956, effective February 27, 1958.

3. Advising foreign and domestic inquirers of correct rates of duty on actual or contemplated importations under the new tariff schedules.

There are more than 300 land, sea and air ports of entry in our country. Through these points, merchandise is cleared for entry into the commerce of the United States. This merchandise is broken down into tens of thousands of different items which have to be classified separately as to their dutiable and statistical status. The statutory value of each article has to be determined, and the proper duties and taxes have to be assessed and collected.

The Tariff Act of 1930 vests in Customs Appraisers the responsibility for determining and reporting to Collectors of Customs the appraised unit value of imported merchandise, subject to different rates of duties, specific, ad valorem, and compound. The Appraiser is authorized by law to make final value determinations, subject only to judicial review by the U. S. Customs Courts.

However, without taking anything away from the appraisers or their trusted assistants, it has often been said that the real "meat and potatoes" of appraisement is in the work of the Customs Line Examiners throughout the United States. During Fiscal Year 1963, the Customs Line Examiners processed 2-½ million invoices which broke down into slightly over 1,600,000 entries. Since January 1, 1962, Examiners have been deeply involved in compiling import data for the Census Bureau of the United States. In the Fiscal Year 1963, they verified almost 3,000,000 items and made substantial changes in the classification, value, quantity, and country of origin in almost one-fourth of all (22½ percent of) these items. In addition, they contributed significantly to the accuracy and speed of publication by the Census Bureau of editorial-type revisions in more than 60 percent of all items which come before them on import entries.

The Treasury Department relies heavily on the examiner's reports in anti-dumping cases, since it is the examiner's knowledge of home market prices as well as export transactions which provide the major incentive for honest and forthright replies by foreign exporters.

I could go in this vein at considerable length, but I must remember that I am addressing a group which has 175 years of experience in operations in the world's greatest merchandise mart. Hence, time will not permit me to dwell on subjects which I know would be of great interest to all of you. Thus, I will pass over the immensely important work of the Customs Information Exchange which processes mountains of inquiries and requests as to value and classification, and maintains and distributes all customs forms, books and publications.

In addition, I will not be able to dwell upon the work of the Fibers Administrator who coordinates and supervises the work of customs examiners on importations of wool and other fibers at all ports, seeking to obtain uniformity among individuals in different judgment areas. Nor can I dwell upon the Canadian Query Program which for the last seven or eight years has simplified or eliminated many of the problems of Canadian-United States trade and which has been hailed by the Canadian Government as an important contribution to market development in that country. Neither will I have the opportunity to elaborate upon the matter of the embargo on the importation of all goods from Communist Cuba which has enlisted the skill of our Customs Examiners, particularly those at New York and Tampa who in cooperation with the Chief Chemists in Baltimore and New York, have devised a reliable method of identification of the origin of tobacco by gas chromatography.

We are currently working on the revision of the anti-dumping regulations -- a problem in which I am personally much involved -- and we hope that existing procedures in the processing of dumping cases can be improved during the next year.

One phase of your work which I would like to especially single out is the program of Examiner-Verification of import data which, since its beginning in January 1962, has earned high praise from users of these statistics both in and out of Government. The U. S. Tariff Commission has found the Customs Examiners to be an unfailing source of accurate information, and they have received a tremendous amount of "extracurricular" help from the Examiners on many problems. Invaluable comments and suggestions from Line Examiners throughout the Customs Service also helped to make the "Tariff Schedules of the United States" a much more workable document.

It is obvious that the continued effectiveness of our Customs Service depends to a remarkable degree upon the selection, training and promotion of competent, industrious and ambitious Customs Examiners. In common with all other agencies of our Government, Customs has been faced with the problem of securing and retaining competent young personnel with the capacity to grow on the job. This condition requires that our Customs Examiners retain their high morale and pride in their own unit as well as in the Service in which they are employed and transmit this enthusiasm to those who follow. I am happy to be able to pay tribute to the work of the Appraisers and Examiners at this magnificent Anniversary celebration and to say with Secretary Dillon that we are very grateful for your skill and knowledge and dedication to the public service.

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<u>BETA - MODIFIED</u>

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.

~~[illegible]~~

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

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

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

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, April 22, 1964

~~(1)~~

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 ~~(2)~~, or thereabouts, for cash and in exchange for Treasury bills maturing April 30, 1964 ~~(3)~~, in the amount of $ 2,100,788,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued April 30, 1964 ~~(6)~~, in the amount of $ 1,200,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated January 30, 1964 ~~(8)~~, and to mature July 30, 1964 ~~(9)~~, originally issued in the amount of $ 800,267,000 ~~(10)~~, the additional and original bills to be freely interchangeable.

182 ~~(11)~~ -day bills, for $ 900,000,000 ~~(12)~~, or thereabouts, to be dated April 30, 1964 ~~(13)~~, and to mature October 29, 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~~ Daylight Saving time, Monday, April 27, 1964 ~~(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.

April 22, 1964

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91-day bills (to maturity date) to be issued April 30, 1964 in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated January 30, 1964, and to mature July 30, 1964, originally issued in the amount of $800,267,000, the additional and original bills to be freely interchangeable.

182-day bills, for $900,000,000, or thereabouts, to be dated April 30, 1964, and to mature October 29, 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).

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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-1206

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

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 23, 1964

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
SYNTHETIC DIAMOND POWDER OR DUST

The Treasury Department is instructing customs field officers to withhold appraisement of synthetic diamond powder or dust from Ireland, sold by Industrial Grit Distributors (Shannon) Ltd., County Clare, Ireland, 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 allegation in this case was received on January 22, 1964. The dollar value of imports of synthetic diamond powder or dust from Ireland, sold by Industrial Grit Distributors (Shannon) Ltd., County Clare, Ireland, received from June 1963 to March 1964 was approximately $588,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 23, 1964

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The Treasury Department is instructing customs field officers to withhold appraisement of synthetic diamond powder or dust from Ireland, sold by Industrial Grit Distributors (Shannon) Ltd., County Clare, Ireland, 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 allegation in this case was received on January 22, 1964. The dollar value of imports of synthetic diamond powder or dust from Ireland, sold by Industrial Grit Distributors (Shannon) Ltd., County Clare, Ireland, received from June 1963 to March 1964 was approximately $588,000.

Ruth G. informs us

FOR IMMEDIATE RELEASE

April 24, 1964

TREASURY REMOVES RESTRICTIONS ON UNITED STATES
GOLD CERTIFICATES ISSUED BEFORE 1934

The Secretary of the Treasury today issued Regulations removing all restrictions on the acquisition or holding of gold certificates which were issued by the United States Government prior to January 30, 1934. The main effect of this action will be to permit collectors to hold this type of currency.

The restrictions which are being eliminated are considered no longer necessary or desirable. Under the laws enacted in 1934, these pre-1934 gold certificates are not redeemable in gold. They will, of course, continue to be exchangeable at face value for other currency of the United States.

The new Regulation authorizing the holding of gold certificates applies only to United States gold certificates issued prior to January 30, 1934. The holding of any other type of gold certificates, including any issued by foreigners against gold held on deposit abroad, continues to be prohibited. Also, the status of the special series gold certificates issued by the U. S. Treasury only to the Federal Reserve system for reserve purposes is not affected.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

April 24, 1964

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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.

~~ALPHA or SPECIAL~~

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

~~All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue, until after one-thirty p.m., Eastern Standard time,~~ (7)

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 (8) 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 May 6, 1964. (9) ~~provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for 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

Exhibit 1-A

~~ALPHA SPECIAL~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~xxxxxxxxxxxxxxx~~ April 24, 1964
~~Friday, April 24, 1964~~

(1)

TREASURY OFFERS $1 BILLION ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000 (2) or thereabouts, of 359 (3) -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 May 6, 1964 (4), and will mature April 30, 1965 (5) 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 Daylight Saving/~~Standard~~ time, Thursday, April 30, 1964 (6). 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.

April 24,1964

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for

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

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With the United Nations trade conference already underway and with the GATT negotiations starting next week in Geneva, this represents a particularly opportune time to come to Ottawa to exchange views with you on the trade prospects that lie ahead for both countries.

We are looking forward to another series of full and frank discussions within this unique committee that has done so much to further understanding between our two countries.

We await with great interest the interim report from Ambassador Heeney and Ambassador Merchant on their effort to seek some general principles to govern the economic relations between our two countries. Although we probably should not expect to reach final agreement on such principles at this

FOR RELEASE: Upon Delivery

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
IN RESPONSE TO WELCOME BY THE HONORABLE
PAUL MARTIN, CANADIAN SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
AT THE NINTH MEETING OF THE JOINT UNITED STATES-
CANADIAN COMMITTEE ON TRADE AND ECONOMIC AFFAIRS
WEDNESDAY, APRIL 29, 1964, 10:00 A.M., EST

Thank you very much, Secretary Martin, for your warm words of welcome.

On behalf of the American members of the Joint United States-Canadian Committee on Trade and Economic Affairs, I want to say how pleased we are to resume our continuing discussions of common problems, and common objectives. They stand as a tribute to the close working relationships that have long been established between the United States and Canada.

We all recognize we share much more in common than our borders. Each of our countries has made economic progress since our last meetings, and there is every indication this sound

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FOR RELEASE: UPON DELIVERY

TOAST BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
AT DINNER WEDNESDAY, APRIL 29, 8:30 P.M.
AT THE NINTH MEETING OF THE JOINT UNITED STATES-
CANADIAN COMMITTEE ON TRADE AND
ECONOMIC AFFAIRS

Honorable Ministers and Distinguished Guests:

These meetings represent the ninth gathering of the Joint United States-Canadian Committee on Trade and Economic Affairs. Thanks to this unique working group we've each learned a great deal about our common problems, and common aspirations in world trade.

Our mutual interest is in the expansion of international commerce through a reduction of trading barriers. We are convening here now on the eve of a new round of GATT tariff negotiations -- negotiations that can materially advance our common objectives.

It is our hope that the spirit which prevails here will also prevail in Geneva so that free nations everywhere may share in the benefits of increased economic activity through increased trade.

And now, I should like to propose a toast:

Gentlemen, the Queen!

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, April 28, 1964.

April 27, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated January 30, 19 and the other series to be dated April 30, 1964, which were offered on April 22, were opened at the Federal Reserve Banks on April 27. Tenders were invited for $1,200,000 or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 30, 1964		:	182-day Treasury bills maturing October 29, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.132	3.434%	:	98.176	3.608%
Low	99.126	3.458%	:	98.170	3.620%
Average	99.129	3.446% 1/	:	98.172	3.616% 1/

28% of the amount of 91-day bills bid for at the low price was accepted
48% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 22,221,000	$ 12,221,000	:	$ 3,831,000	$ 3,331,000
New York	1,377,253,000	823,013,000	:	1,337,185,000	695,060,000
Philadelphia	28,595,000	13,595,000	:	9,097,000	4,097,000
Cleveland	20,000,000	20,000,000	:	8,231,000	6,583,000
Richmond	10,562,000	10,562,000	:	3,314,000	3,206,000
Atlanta	25,212,000	22,828,000	:	13,966,000	6,071,000
Chicago	156,520,000	128,520,000	:	113,622,000	68,747,000
St. Louis	28,239,000	21,951,000	:	8,996,000	6,161,000
Minneapolis	18,579,000	15,499,000	:	7,815,000	3,215,000
Kansas City	26,068,000	26,068,000	:	7,394,000	6,684,000
Dallas	21,640,000	13,920,000	:	10,578,000	5,538,000
San Francisco	119,389,000	92,069,000	:	163,659,000	91,464,000
TOTALS	$1,854,278,000	$1,200,246,000 a/		$1,687,688,000	$900,157,000

a/ Includes $210,311,000 noncompetitive tenders accepted at the average price of 99.1
b/ Includes $62,979,000 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 3.52%, for the 91-day bills, and 3.73%, 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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hmond	10,562,000	10,562,000	3,314,000	3,206,000
lanta	25,212,000	22,828,000	13,966,000	6,071,000
cago	156,520,000	128,520,000	113,622,000	68,747,000
Louis	28,239,000	21,951,000	8,996,000	6,161,000
neapolis	18,579,000	15,499,000	7,815,000	3,215,000
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Conclusion

Our recent efforts have been directed to the early correction of our own balance of payments deficit and to exploratory discussions with other countries as to the appropriate lines along which the future evolution of international financial arrangements might proceed. Along with the development of better balance in the long-term capital markets of the world, the achievement of these objectives should help to establish an environment within which international flows of long-term capital, including a continuing large flow of investment to and from the United States, can raise productivity and assist development on an ever-enlarging scale.

Beyond the transition period in which we now find ourselves, there will be a continuing opportunity for this country to demonstrate internationally the capacities and benefits of individual enterprise working through free markets. Private foreign investment, joined in close association with a realistic foreign aid program, can insure that this country's unrivalled productive efficiency will make its maximum contribution to [redacted] international economic development.

Whatever the eventual complete record may show, we do know that some of the recent gains were temporary. There can be no relaxation of effort on any front until the balance of payments deficit is entirely removed, gold losses are stopped, and our external accounts are securely in equilibrium.

The proposal for an interest equalization tax continues to play a temporary but crucial role in our over-all balance of payments program. Private foreign investment -- the long-term capital account -- was the last major sector of our balance of payments to be subjected to special governmental influence in the effort to achieve balance of payments savings. Even then, the necessary step was taken with reluctance. But once we had found a way to treat the problem that would not constitute exchange control, we had to act. For inaction would only have led to far more serious consequences for capital markets here and abroad. That fact has been recognized, and our proposal of the tax accepted with understanding and support, by every leading government in Europe. The need for this action, though sometimes with reservations as to its applicability to themselves, has been affirmed by every leading country in the Free World.

Since the proposal for the tax was announced last July, there has been an encouraging expansion of foreign lending activity in European capital markets; an expansion which, if securely based upon the growing savings of Europe, could help to lessen the potential pressure on our own markets when the tax does expire. In the interim period, American underwriters are broadening their activities by participating in the sale of foreign dollar bond issues in European markets.

held in this country, and American owners can also sell any foreign securities they hold to foreigners free of tax. It is only when Americans buy from foreigners that the tax becomes applicable.

The effects of the proposal of the tax have been decisive in producing a dramatic turnaround in our balance of payments position since last June. During the second half of last year, purchases by Americans of new foreign security issues dropped by an annual rate of $1.3 billion. Having been at a rate of $2 billion in the first half year, they were at a rate of about $700 million in the second half. In addition there was a further gain to the United States of some $1/2 billion, at an annual rate, due to trading in outstanding foreign stocks and bonds. The latter saving, ~~was in clear contradiction of the claim (which some had made) that nothing would be~~ indicates the gains from ~~gained by~~ applying the tax to outstanding securities.

Total balance of payments savings between the first and second half of the year on new issues and outstanding securities ~~reasonably attributable to the proposals for the tax~~ were at an annual rate of $1.8 billion. Along with the strengthening of our trade balance, further economies in Government spending abroad, and the effects of last year's increases by the Federal Reserve in discount rates and time deposit rates, the combined result was a drop in our balance of payments deficit to less than ~~well below~~ $2 billion (at an annual rate) for the second half of 1963 -- much less than half the runaway rate that was mounting upward during the first half.

That improvement has continued further during the first quarter of this year. But our ~~only~~ data are still preliminary and incomplete and are being revised as each new report comes in, so that any detailed analysis would be premature.

The [illegible] exemptions have [illegible] used to offset these balance of payments gains in other directions -- with the possible exception [illegible] commercial banks [illegible] most have abused [illegible] rather the intent of [illegible] the ~~[illegible]~~ the effect [illegible] could [illegible], while assuring adequate [illegible] security issue -- in fact, ultimately, to choosing among particular borrowers and among the various developed countries. A Capital Issues Committee becomes, necessarily, a government control whenever the volume of issues to be turned down becomes very large in relation to the total volume of issues to be screened or reviewed.

Any such course in this country would intrude government into individual decision-making in a way we have never found tolerable except in situations of wartime emergency. It is an overwhelming advantage of this proposed tax, in my opinion, that it does leave the market mechanism intact. Prices alone, and the readiness of competing borrowers to pay the price, will remain the important ~~freely register~~ considerations and experience [illegible] ~~the strength of competing demands~~. Rejection will be by the decision of the borrower himself, not by the decision of any remote Treasury official.

The legislative proposal contains a carefully stated set of exemptions designed to insure that the tax will only reduce the outflow of long-term portfolio capital to other developed countries; it is expected that Canada, because of her unique [illegible] ~~inter-relations with~~ our markets, will receive a partial exemption. Under the House Bill the proposed tax would become effective as of last July 19th -- August 17th in the case of transactions on the stock exchanges -- and it will expire December 31, 1965. Because the proposed tax has been provisionally effective in this sense for almost a full year, it has been possible to observe the nature of its operation and to assess the effects of the proposal. Security markets have continued to function smoothly. Americans trade with each other on a tax-free basis for the more than $12 billion of foreign securities

During a transitional period, while the proposed tax remains in effect, all other efforts must be pushed even more vigorously to bring our external accounts closer and closer toward balance.

The proposed tax is intended as a substitute for an increase in our entire structure of long-term interest rates -- a substitute which brings into play, insofar as borrowing here by the developed countries is concerned, exactly the same forces as would prevail through the marketplace if we could in fact raise all of our long-term rates of interest. In the face of our large flow of savings, such an actual increase in interest rates could only be brought about by drastic monetary [illegible] ~~intervention~~. The steps required to force rates upward suddenly and decisively here would also disrupt the expansion in business investment that increases our competitiveness, at home and abroad. Because the proposed tax does substitute for the external effects of an increase in our long-term interest rates, it logically applies to foreign stocks and to foreign bonds, to new issues and to outstanding securities. Any attempt artificially to limit this coverage -- for example, to apply the tax only to new security issues -- would lead to market distortions and a significant reduction in the effectiveness of the tax.

Alternative proposals have been made to achieve the necessary temporary reduction in capital outflow by resort to outright controls, or the halfway house of a Capital Issues Committee. The latter technique, on the basis of all previous experience everywhere, would inevitably, and quickly, end up in Government-made decisions as to permissible amounts, types, and conditions of achieving in other sectors of our international accounts, and at mid-1963 the prospect was for an even greater scale of new foreign security sales. In such a situation, there was no prudent alternative to some action to moderate the growing scale of capital outflow. As one part of the intensified action program described in his Special Message on the Balance of Payments of July 18, 1963, President Kennedy proposed the interest equalization tax on purchases of foreign securities.

The Interest Equalization Tax

That proposed tax has been approved by the House of Representatives and now awaits consideration by the Senate Finance Committee. I want to discuss with you briefly some aspects of this ~~the interest equalization tax~~ proposal, ~~not~~ without ~~in~~ a partisan ~~spirit of~~ advocacy and without dwelling on technical details, but as one convinced, as I feel sure ~~know~~ you are, of the efficiency of market processes and the undesirability of controls.

The proposal is for a temporary excise tax on American purchases from foreigners of the securities of other developed countries. Securities with a remaining period to maturity of less than three years are exempted altogether from tax, as are loans of full maturity by commercial banks, in order to avoid any interference with ~~so as not to impede~~ ordinary trade ~~export~~ financing; above three years the rate of tax on debt obligations is graduated according to maturity so as to be equivalent to approximately one percent per year in ~~annual~~ interest cost. The tax also applies to purchases of stocks as well as bonds. When passed on to foreigners, the applicable rates ~~this~~ will bring the cost of borrowing in our markets more nearly into correspondence with similar costs abroad. As a consequence, it is expected that many borrowers will be diverted to other markets.

great momentum that had been developed toward freedom in the international trade and payments system.

The danger had become real by 1962, when the volume of new foreign security issues sold to U. S. residents suddenly doubled over the 1961 level and exceeded $1 billion for the year. Our interest rates were comparatively low by worldwide standards -- reflecting our high volume of liquid savings, our friction-free markets, and the very small part that foreign borrowing could play in the over-all balance between the total demand and total supply of funds in this country. Even with foreign borrowing amounting to less than one-fiftieth of our domestic markets, however, further increases in these outflows could, as some repeatedly warned, overrun the limits on the amounts of long-term capital we could safely send abroad while our own balance of payments remained in deficit. But warnings were futile; the rate of foreign borrowing accelerated ~~intensified~~ even further in early 1963. In the first ~~short space of~~ six months of 1963 ~~another $1 billion of~~ foreign securities were ~~was~~ sold to American residents (at an annual rate of $2 billion), and during the second quarter of 1963 our seasonally adjusted annual rate of deficit on "regular transactions" in the balance of payments exceeded $5 billion -- a rate which, if continued, would unquestionably have undermined the stability of the dollar and the entire international financial system.

There were no signs that foreign borrowing would fall back to more normal levels. On the contrary there were clear indications that it would ~~was to~~ increase even further, with foreign municipalities and corporations -- particularly from Japan and Europe -- becoming heavier and heavier borrowers. Already, the sharply increasing outflow of portfolio capital had eroded all of the steady improvement that our over-all balance of payments program had been

The Growing Demands on the New York Capital Market

The vigorous revival in U. S. long-term lending abroad that commenced in the mid-1950's was accompanied by a growing interest of American investors in foreign portfolio securities and by the rapid development of the New York market both as financial entrepot and net capital exporter. With the return of currency convertibility in Western Europe by the end of the decade, the opportunity presented itself for a parallel expansion of European capital markets and their active contribution in international lending. However, expansion on the needed scale did not develop, and by the early 1960's there was in effect only one market where foreign borrowers could be sure of ready accommodation -- that in New York. A more inappropriate time for the appearance of such a pronounced imbalance between the capacities of our own and foreign capital markets is difficult to imagine.

In the three-year period, 1958-1960, our balance of payments deficits had increased steadily and averaged $3.7 billion per year. The decline in our gold ~~Gold losses~~ Stocks averaged more than $1.6 billion per year, and reached almost $1 billion in the last quarter of 1960 alone, when the price of gold temporarily rose to ~~broke loose and reached~~ $40 an ounce in London. While it was possible in early 1961, in view of the real and fundamental strength of the dollar, to restore confidence and to proceed to set in motion longer run correctives to remove the imbalance, the danger was all too apparent even at that time that overuse of New York capital market facilities by foreign borrowers could imperil the transition to equilibrium -- a transition that had necessarily to be slow if we were not to cause irreparable damage to others on the way, and perhaps reverse ~~[illegible]~~ the

the suggestion that as publicly supplied capital meets the most urgent needs of developing countries, their capacity to absorb and to service private capital inflows is enhanced. In a roughly comparable way we can certainly hope that the ~~sequence~~ from public aid to private investment may ~~be run~~ in many less developed countries and eventually, perhaps, even in areas which are now as yet quite literally undeveloped.

There is no precise analogy, of course, between the postwar reconstruction of Europe where goals were immediate and realizable, and the long, slow task of assisting the world's capital-scarce regions to self-sustaining growth. Certainly private foreign investment cannot be expected to replace the systematic effort of the multilateral international agencies whose contribution is critical and which as they prosper may, in time, provide the organizational nucleus for a truly comprehensive international attack upon poverty. The increasing reliance of such agencies upon the private capital markets, not only here but abroad, is also a most encouraging sign. it also does seem to me that ~~successively~~ over time -- even though the time horizons may be distant ones -- private foreign investment should and will play a steadily enlarging role in meeting the capital requirements of most of the developing countries.

promoting increased foreign investment in American securities, and for increasing the foreign financing of American corporations operating abroad. That task force met yesterday with President Johnson to present its impressive report. I commend it for close study to all of you, and can assure you that its various recommendations are going to be given active and sympathetic study by the Administration.

THE BALANCE BETWEEN AID AND INVESTMENT

A question closely related to the amount of foreign investment we can afford is that of foreign aid -- for we also have to find a balance between what we can afford for aid and the urgent needs of countries whose more rapid development is essential for future peace and prosperity, both their own and ours. This is another baffling calculus; but it is certainly clear that when this country is in balance of payments deficit, and the deficit has continued large for several years, we cannot afford very much that does not come from our production. ~~with that largely from surplus output or capacity in our own economy.~~ That is why more than four-fifths of all our aid is now "tied", in a present-day form of "lend-lease."

Granting that necessity, ~~Given that performance,~~ I see no reason to believe that our present balance of effort between foreign aid and foreign investment is seriously misplaced. However, as one looks to the future, the possibility of a gradual shift away from aid programs toward private foreign investment does not seem unrealistic. We all have been impressed with the way in which the massive flow of reconstruction aid to Europe was gradually phased out, to be succeeded by continuing amounts of U. S. private investment in Europe. There is in that experience can afford currently.

The balance of payments impact of an increase in foreign lending is immediate. The benefits are only realized gradually. When the balance of payments is already weak, there are limits to the extent to which a current outlay can be justified by the promise of future returns. In this respect, the nation is subject to the same constraints that every business concern itself experiences from time to time. To take advantage of more and more opportunities for profit tomorrow, the temptation is to borrow more and more today. But too much debt today can mean bankruptcy before the future profit is realized.

There is no possible value we might assign to future income that could compensate for undermining the stability of the dollar today. This side of our situation does not always seem to have received enough emphasis, even from those who have, at least in principle, recognized the need to remove the balance of payments deficit and halt gold losses. [redacted] t seems particularly surprising to find this form of myopia, as we sometimes do, among bankers who are themselves so often impelled to hold the financial commitments of their own clients within limits of expansion that can be sustained.

One of the important determinants of our capacity to lend abroad over the years ahead will be our ability as a nation to attract funds from some to offset a part of what we lend to others. That is one of the reasons why, when he was intensifying our national balance of payments effort last year, President Kennedy appointed a special task force of thirteen distinguished governmental, business and financial leaders to develop new methods for services does not automatically flow from the act of investment itself.

If it did, we might not have had our sustained deficits. To be sure, in the case of some foreign investment transactions, the connection between the financial flow and the corresponding flow of goods is close -- the investment is, in effect, tied to the export, which would not otherwise have taken place. But, in other cases, particularly where portfolio investment is involved, the connection between the investor's decision to purchase foreign securities and our own export sales is anything but close ~~remote~~ -- often it is at best roundabout and delayed, and more often, totally unrelated. Even this would not necessarily be of great concern to a nation such as the United States with a large trade surplus. We should expect, in a flourishing world, to see dollars flow out to finance purchases and sales among other countries. Trouble arises, however, when our purchases of foreign securities increase very rapidly and the balance of payments is already under pressure. As we know from recent experience, the effects of excessive lending abroad can then be extremely disruptive.

But, it will be argued, even if there are no exports to match the outflow of funds, every foreign investment is an asset; it will yield a return that will help our balance of payments in the future. That fact is incontrovertible, long as the investments are soundly conceived. And it is another part of our growing economic strength as a nation that American holdings of earning assets abroad have risen by more, much more, than our total balance of payments deficit during these recent years of grave concern over our international financial position. Yet, the fact that foreign investment leads ultimately to a return flow of earnings does not alter the necessity of holding the current export of capital to amounts that the nation the further acceleration of outflows in the early Sixties came at a time when, as a nation, we were also realizing that we had to grapple with a difficult balance of payments adjustment, an adjustment which, in the short run, was greatly complicated by the outpouring of capital. The need has consequently been forced upon us to re-examine in a searching and dispassionate way the complex of relationships between foreign investment, the balance of payments, and our international economic objectives.

While the urgency of that re-examination has certainly been increased by our balance of payments situation, the relevant questions will endure beyond the time, hopefully not now too far distant, when our deficit is removed. It is appropriate then, before discussing some of the interim measures that we have taken since 1960 in the foreign investment area, to look ahead to questions, as yet unanswered, that seem sure to require our collective attention in the future.

HOW MUCH FOREIGN INVESTMENT CAN WE AFFORD?

The first of these questions is simply: How much foreign investment can we afford? Such a question has inevitably been faced in some form by every capital-exporting nation, although only recently have events forced us to think it through again as it applies to our own situation.

From a national point of view, net capital exports over any substantial period of time have to be matched by an export surplus of goods and services. The real counterpart to the financial flow of capital is ordinarily a transfer of goods and services, otherwise available for use at home, to the use of recipient countries. But problems arise because this transfer of goods and direct investment by U. S. concerns actually operating abroad, the revival of U. S. private long-term capital outflows was gradual. Direct investment reached substantial proportions by 1947 but U. S. purchases of new portfolio security issues -- stocks, bonds, mortages and the like -- did not even begin consistently to exceed the return flow from redemptions until after 1950. But, once underway, the recovery of our foreign investment was vigorous. In the latter half of the 1950's there was a large and continuing outflow of U.S. capital, responsive in composition and destination to changing economic conditions here and abroad, but remarkably stable in its overall amount.

~~The revival of U. S. investment in the ten years from 1951-1960 proceeded in two stages. A rather level plateau in the early part of the period was followed by a rising trend of long-term outflows from 1956 to 1960. The annual average over these later five years was about $2.5 billion. Direct investment was the single most important component, although there was also a steady flow of portfolio capital to Canada and, by the end of the period, Western European securities began again to be sold in our markets, although not yet in great volume.~~

By the beginning of the 1960's, and indeed well before, it was apparent that the recovery of U. S. long-term private foreign investment was far-reaching in significance. No longer constrained by the speculative excesses of the 1920's nor the financial paralysis of the 1930's, the outflow of U. S. capital was becoming an integral part of a growing and spontaneous internationalization of U. S. business, reflecting at the same time the developing ascendancy of New York as an international financial center.

These were developments growing out of the basic strength of the American economy and reflecting the urgent demand for capital in the rest of the world. Unquestionably the implications were beneficial in the long run, both for the United States and for the countries toward which our investment flowed. However remind us that careful investors examine closely the uses to which their funds are to be put, and are not attracted by the extravagant claim or the high pressure marketing technique. Finally, they should remind us that no amount of individual discretion can protect against the consequences of a collapse in international payments arrangements, and that private foreign investment will flourish only so long as our international financial system is secure.

The autarkic decade of the 1930's also stands as an object lesson we are determined not to repeat. The progressive strangulation of trade was accompanied by short-term international capital movements that were frequently perverse in direction and upsetting in effect, while the flow of long-term foreign investment from capital-abundant to capital-scarce regions practically disappeared. Indeed, after 1930, there was a steady net inflow of U. S. long-term private capital and this repatriation was supplemented late in the decade by massive inflows of foreign short-term capital and gold, as coming events cast their ominous shadow over the continent of Europe.

THE POSTWAR REVIVAL OF U.S. PRIVATE FOREIGN INVESTMENT

With the over-exuberant foreign lending of the 1920's and the financial dislocations of the 1930's as a background, there was, understandably, widespread doubt in the period immediately following World War II as to whether there would be any substantial revival of private long-term capital flows from this country.

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FOREIGN INVESTMENT AND THE BALANCE OF PAYMENTS

When Mr. Neilan asked me to talk tonight I responded with ~~[illegible]~~ alacrity that may have surprised him. For I found irresistible the opportunity to compare views with you on at least some aspects of what seems to me to be one of the most stirring challenges of our time: the challenge to business and government to find ways of assuring that our own free enterprise capitalism will provide a badly needed flow of capital funds throughout a developing world, while maintaining, at the same time, our own stability and solvency. In order to meet that challenge we must be able to learn from the past, and yet to recognize that our own past history in international lending is short, and that its lessons may not always be applicable without modification in a rapidly changing world.

INVESTMENT EXPERIENCE IN THE INTER-WAR PERIOD

Emerging as an international creditor only at the close of World War I, our national experience in net foreign lending has been relatively brief but it has been intense. Much has been compressed within those years. They began with a burst of U. S. foreign lending in the post-Versailles decade which culminated in default and disillusionment by the early 1930's. The excesses of that period are still within memory, and perhaps it is well that they are.

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TREASURY DEPARTMENT
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The immediate problems of postwar reconstruction did in fact require large outflows of public funds which substituted for a time for many of the traditional functions of private capital movements. Aside from direct investment by U. S. concerns actually operating abroad, the revival of U. S. private long-term capital outflows was gradual. Direct investment reached substantial proportions by 1947 but U. S. purchases of new portfolio security issues -- stocks, bonds, mortgages and the like -- did not even begin consistently to exceed the return flow from redemptions until after 1950.

But, once underway, the recovery of our foreign investment was vigorous. In the last half of the 1950's there was a large and continuing outflow of U. S. long-term private capital, responsive in composition and destination to changing economic conditions here and abroad, but remarkably stable in its overall amounts. By the beginning of the 1960's, and indeed well before, it was apparent that the recovery of U. S. long-term private foreign investment was far-reaching in significance. No longer constrained by the speculative excesses of the 1920's nor the financial paralysis of the 1930's, the outflow of U. S. capital was becoming an integral part of a growing and spontaneous internationalization of U. S. business, reflecting at the same time the developing ascendancy of New York as an international financial center.

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If it did, we might not have had our sustained deficits. To be sure, in the case of some foreign investment transactions, the connection between the financial flow and the corresponding flow of goods is close -- the investment is, in effect, tied to the export, which would not otherwise have taken place.

But, in other cases, particularly where portfolio investment is involved, the connection between the investor's decision to purchase foreign securities and our own export sales is anything but close -- often it is at best roundabout and delayed, and more often, totally unrelated. Even this would not necessarily be of great concern to a nation such as the United States with a large trade surplus. We should expect, in a flourishing world, to see dollars flow out to finance purchases and sales among other countries. Trouble arises, however, when our purchases of foreign securities increase very rapidly and the balance of payments is already under pressure. As we know from recent experience, the effects of excessive lending abroad can then be extremely disruptive.

But, it will be argued, even if there are no exports to match the outflow of funds, every foreign investment is an asset; it will yield a return that will help our balance of payments in the future. That fact is incontrovertible, so long as the investments are soundly conceived. And it is another part of our growing economic strength as a nation that American holdings of earning assets abroad have risen by more, much more, than our total balance of payments deficit during these recent years of grave concern over our international financial position. Yet, the fact that foreign investment leads ultimately to a return flow of earnings does not alter the necessity of holding the current export of capital to amounts that the nation can afford currently.

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Granting that necessity, I see no reason to believe that our present balance of effort between foreign aid and foreign investment is seriously misplaced. However, as one looks to the future, the possibility of a gradual shift away from aid programs toward private foreign investment does not seem unrealistic. We all have been impressed with the way in which the massive flow of reconstruction aid to Europe was gradually phased out, to be succeeded by continuing amounts of U. S. private investment in Europe. There is in that experience the suggestion that as publicly supplied capital meets the most urgent needs of developing countries, their capacity to absorb and to service private capital inflows is enhanced. In a roughly comparable way we can certainly hope that the transaction from public aid to private investment may also occur in many less developed countries and eventually, perhaps, even in areas which are now as yet quite literally undeveloped.

There is no precise analogy, of course, between the postwar reconstruction of Europe where goals were immediate and realizable, and the long, slow task of assisting the world's capital-scarce regions to self-sustaining growth. Certainly private foreign investment cannot be expected to replace the systematic effort of the multilateral international agencies whose contribution is critical and which as they prosper may, in time, provide the organizational nucleus for a truly comprehensive international attack upon poverty. The increasing reliance of such agencies upon the private capital markets, not only here but abroad, is also a most encouraging sign. It also does seem to me that progressively over time -- even though the time horizons may be distant ones -- private foreign investment should and will play a steadily enlarging role in meeting the capital requirements of most of the developing countries.

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In the three-year period, 1958-1960, our balance of payments deficits had increased steadily and averaged $3.7 billion per year. The decline in our gold stocks averaged more than $1.6 billion per year, and reached almost $1 billion in the last quarter of 1960 alone, when the price of gold temporarily rose to $40 an ounce in London. While it was possible in early 1961, in view of the real and fundamental strength of the dollar, to restore confidence and to proceed to set in motion longer run correctives to remove the imbalance, the danger was all too apparent even at that time that overuse of New York capital market facilities by foreign borrowers could imperil the transition to equilibrium -- a transition that had necessarily to be slow if we were not to cause irreparable damage to others on the way, and perhaps reverse the great momentum that had been developed toward freedom in the international trade and payments system.

The danger had become real by 1962, when the volume of new foreign security issues sold to U. S. residents suddenly doubled over the 1961 level and exceeded $1 billion for the year. Our interest rates were comparatively low by worldwide standards -- reflecting our high volume of liquid savings, our friction-free markets, and the very small part that foreign borrowing could play in the over-all balance between the total demand and total supply of funds in this country. Even with foreign borrowing amounting to less than one-fiftieth of our domestic markets, however, further increases in these outflows could, as some repeatedly warned, overrun the limits on the amounts of long-term capital we could safely send abroad while our own balance of payments remained in deficit. But warnings were futile; the rate of foreign borrowing accelerated even further in early 1963. In the first six months of 1963, foreign securities were sold to American residents at an annual rate of $2 billion, and during the second quarter of 1963 our seasonally adjusted annual rate of deficit on "regular transactions" in the balance of payments exceeded $5 billion -- a rate which, if continued, would unquestionably have undermined the stability of the dollar and the entire international financial system.

There were no signs that foreign borrowing would fall back to more normal levels. On the contrary there were clear indications that it would increase even further, with foreign municipalities and corporations -- particularly from Japan and Europe -- becoming heavier and heavier borrowers. Already, the sharply increasing outflow of portfolio capital had eroded all of the steady improvement that our over-all balance of payments program had been achieving in other sectors of our international accounts, and at mid-1963 the prospect was for an even greater scale of new foreign security sales. In such a situation, there was no prudent alternative to some action to moderate the growing volume of capital outflow. As one part of the intensified action program described in his Special Message on the Balance of Payments of July 18, 1963, President Kennedy proposed the interest equalization tax on purchases of foreign securities.

THE INTEREST EQUALIZATION TAX

That proposed tax has been approved by the House of Representatives and now awaits consideration by the Senate Finance Committee. I want to discuss with you briefly some aspects of this proposal, without being a partisan advocate and without dwelling on technical details, but as one convinced, as I feel sure you are, of the efficiency of market processes and the undesirability of controls.

The proposal is for a temporary excise tax on American purchases from foreigners of the securities of other developed countries. Securities with a remaining period to maturity of less than three years are exempted altogether from tax, as are loans of all maturity by commercial banks, in order to avoid any interference with ordinary trade financing; above three years the rate of tax on debt obligations is graduated according to maturity so as to be equivalent to approximately one percent per year in interest cost. The tax also applies to purchases of stocks as well as bonds. When passed on to foreigners, the appreciable rates will bring the cost of borrowing in our markets more nearly into correspondence with similar costs abroad. As a consequence, it is expected that many borrowers will be diverted to other markets. During a transitional period, while the proposed tax remains in effect, all other efforts must be pushed even more vigorously to bring our external accounts closer and closer toward balance.

The proposed tax is intended as a substitute for an increase in our entire structure of long-term interest rates -- a substitute which brings into play, insofar as borrowing here by the developed countries is concerned, exactly the same forces as would prevail through the marketplace if we could in fact raise all of our long-term rates of interest. In the face of our large flow of savings, such an actual increase in interest rates could only be brought about by drastic monetary restriction. The steps required to force rates upward suddenly and decisively here would also disrupt the expansion in business investment that increases our competitiveness, at home and abroad. Because the proposed tax does substitute for the external effects of an increase in our long-term interest rates, it logically applies to foreign stocks and to foreign bonds, to new issues and to outstanding securities. Any attempt artificially to limit this coverage -- for example, to apply the tax only to new security issues -- would lead to market distortions and a significant reduction in the effectiveness of the tax.

Alternative proposals have been made to achieve the necessary temporary reduction in capital outflow by resort to outright controls, or the halfway house of a Capital Issues Committee. The latter technique, on the basis of all previous experience everywhere, would inevitably, and quickly, end up in Government-made decisions as to permissible amounts, types, and conditions of security issue -- in fact, ultimately, to choosing among particular borrowers and among the various developed countries. A Capital Issues Committee becomes, necessarily, a government control whenever the volume of issues to be turned down becomes very large in relation to the total volume if issues to be screened or reviewed.

Any such course in this country would intrude government into individual decision-making in a way we have never found tolerable except in situations of wartime emergency. It is an overwhelming advantage of this proposed tax, in my opinion, that it does leave the market mechanism intact. Prices alone, and the readiness of competing borrowers to pay the price, will remain the important consideration and exercise the decisive influence. Rejection will be by the decision of the borrower himself, not by the decision of any remote Treasury official.

The legislative proposal contains a carefully stated set of exemptions designed to insure that the tax will only reduce the outflow of long-term portfolio capital to other developed countries; it is expected that Canada, because of her unique and historically close ties to our markets, will receive a partial exemption. Under the House Bill the proposed tax would become effective as of last July 19th -- August 17th in the case of transactions on the stock exchanges -- and it will expire December 31, 1965. Because the proposed tax has been provisionally effective in this sense for almost a full year, it has been possible to observe the nature of its operation and to assess the effects of the proposal. Security markets have continued to function smoothly. Americans trade with each other on a tax-free basis for the more than $12 billion of foreign securities held in this country, and American owners can also sell any foreign securities they hold to foreigners free of tax. It is only when Americans buy from foreigners that the tax becomes applicable.

The effects of the proposal of the tax have been decisive in producing a dramatic turnaround in our balance of payments position since last June. During the second half of last year, purchases by Americans of new foreign security issues dropped by an annual rate of $1.3 billion. Having been at a rate of $2 billion in the first half year, they were at a rate of about $700 million in the second half. In addition there was a further gain to the United States of some $1/2 billion, at an annual rate, due to trading in outstanding foreign stocks and bonds. The latter saving indicates the gains from applying the tax to outstanding securities.

Total balance of payments savings between the first and second half of the year on new issues and outstanding securities were at an annual rate of $1.8 billion. The various exemptions have not been used to offset these balance of payments gains in other directions -- with the possible exception of a few commercial banks which may have abused their unique responsibility and opportunity by looking to legalisms rather than the intent of the national interest. Broadly speaking, however, the self-enforcing nature of the effort to reduce capital outflows to a scale we could afford, while assuring adequate finance for all our trade, seems to have worked well. Along with the strengthening of our trade balance, further economies in Government spending abroad, and the effects of last year's increases by the

Federal Reserve in discount rates and time deposit rates, the combined result was a drop in our balance of payments deficit to less than $2 billion (at an annual rate) for the second half of 1963 -- much less than half the runaway rate that was mounting upward during the first half.

That improvement has continued further during the first quarter of this year. But our data are still preliminary and incomplete and are being revised as each new report comes in, so that any detailed analysis would be premature. Whatever the eventual complete record may show, we do know that some of the recent gains were temporary. There can be no relaxation of effort on any front until the balance of payments deficit is entirely removed, gold losses are stopped, and our external accounts are securely in equilibrium.

The proposal for an interest equalization tax continues to play a temporary but crucial role in our over-all balance of payments program. Private foreign investment -- the long-term capital account -- was the last major sector of our balance of payments to be subjected to special governmental influence in the effort to achieve balance of payments savings. Even then, the necessary step was taken with reluctance. But once we had found a way to treat the problem that would not constitute exchange control, we had to act. For inaction would only have led to far more serious consequences for capital markets here and abroad.

That fact has been recognized, and our proposal of the tax accepted with understanding and support, by every leading government in Europe. The need for this action, though sometimes with reservations as to its applicability to themselves, has been affirmed by every leading country in the Free World.

Since the proposal for the tax was announced last July, there has been an encouraging expansion of foreign lending activity in European capital markets; an expansion which, if securely based upon the growing savings of Europe, could help to lessen the potential pressure on our own markets when the tax does expire. In the interim period, American underwriters are broadening their activities by participating in the sale of foreign dollar bond issues in European markets.

CONCLUSION

Our recent efforts have been directed to the early correction of our own balance of payments deficit and to exploratory discussions with other countries as to the appropriate lines along which the future evolution of international financial arrangements might proceed. Along with the development of better balance in the long-term capital markets of the world, the achievement of these objectives should help to establish an environment within which international flows of long-term capital, including a continuing large flow of investment to and from the United States, can raise productivity and assist development on an ever-enlarging scale.

Beyond the transition period in which we now find ourselves, there will be a continuing opportunity for this country to demonstrate internationally the capacities and benefits of individual enterprise working through free markets. Private foreign investment, joined in close association with a realistic foreign aid program, can insure that this country's unrivalled productive efficiency will make its maximum contribution to international economic development.

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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.

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

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

Immediately after the closing hour, tenders will be opened at the Federal eserve Banks and Branches, following which public announcement will be made by he Treasury Department of the amount and price range of accepted bids. Those ubmitting tenders will be advised of the acceptance or rejection thereof. The ecretary of the Treasury expressly reserves the right to accept or reject any r all tenders, in whole or in part, and his action in any such respect shall be inal. Subject to these reservations, noncompetitive tenders for $ 200,000 or ess for the additional bills dated February 6, 1964 , (91 days remaining until maturity date on August 6, 1964) and noncompetitive tenders for 100,000 or less for the 182 -day bills without stated price from any one idder 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 anks on May 7, 1964 , in cash or other immediately available funds or a like face amount of Treasury bills maturing May 7, 1964 . Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

April 29, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing May 7, 1964 , in the amount of $2,100,427,000 , as follows:

91 -day bills (to maturity date) to be issued May 7, 1964 , in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated February 6, 1964 , and to mature August 6, 1964 , originally issued in the amount of $ 900,431,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated May 7, 1964 , and to mature November 5, 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 ~~Standard~~ time, Monday, May 4, 1964. 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.

April 29, 1964

FOR IMMEDIATE RELEASE

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91-day bills (to maturity date) to be issued May 7, 1964, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated February 6, 1964, and to mature August 6, 1964, originally issued in the amount of $900,431,000, the additional and original bills to be freely interchangeable.

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The bills of both series will be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $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 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 ithout deposit from incorporated banks and trust companies and from esponsible and recognized dealers in investment securities. Tenders rom others must be accompanied by payment of 2 percent of the face mount of Treasury bills applied for, unless the tenders are ccompanied by an express guaranty of payment by an incorporated bank r trust company.

D-1211

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

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

OR IMMEDIATE RELEASE April 29, 1964

TREASURY ANNOUNCES $10.6 BILLION MAY 15 REFUNDING

The Treasury today announced the terms of its refunding offer to holders of 10,614 million of Treasury securities maturing May 15. Public holdings of these aturities amount to $4,196 million; the remaining $6,418 million is held by the ederal Reserve and Government Investment Accounts. Holders of the maturing ertificates and notes are being offered the right to exchange them for either f the following securities:

A 4% Treasury Note of Series E-1965, to be dated May 15, 1964, and to mature November 15, 1965, at 99.875 (to yield about 4.09%); or

A 4-1/4% Treasury Bond of 1974, dated May 15, 1964, and maturing May 15, 1974, at par.

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

$4,198 million of 3-1/4% Treasury Certificates of Indebtedness of Series B-1964, dated May 15, 1963,

$4,400 million of 4-3/4% Treasury Notes of Series A-1964, dated July 20, 1959, and

$2,016 million of 3-3/4% Treasury Notes of Series D-1964, dated June 23, 1960.

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

The books will be open for three days only, on May 4 through May 6, for the eceipt of subscriptions. Subscriptions addressed to a Federal Reserve Bank or ranch, or to the Office of the Treasurer of the United States, and placed in the ail before midnight May 6, will be considered as timely. The payment and delivery ate for the new securities will be May 15, 1964. The new notes and bonds will be ade available in registered as well as bearer form. All subscribers requesting egistered notes and bonds will be required to furnish appropriate identifying umbers as required on tax returns and other documents submitted to the Internal evenue Service.

The 4-1/4% bonds will be redeemable prior to maturity at par in payment of ederal estate taxes if owned by the decedent at time of death.

Interest on the 4% notes will be payable on November 15, 1964, and May 15 and vember 15, 1965. Interest on the 4-1/4% bonds will be payable on May 15 and vember 15.

D-1212

TREASURY DEPARTMENT
Washington

FOR RELEASE: P.M. NEWSPAPERS
THURSDAY, APRIL 30, 1964

ADDRESS BY THE HONORABLE JAMES A. REED, ASSISTANT SECRETARY OF THE TREASURY AT THE FORTY-SECOND ANNUAL LUNCHEON MEETING OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS, AMERICANA HOTEL, NEW YORK CITY, THURSDAY, APRIL 30, 1964, 1:00 P.M., EDT

MR. CHAIRMAN, MR. MAYOR, HONORED GUESTS:

I am happy to be here this afternoon as representative of the Secretary of the Treasury, the Honorable Douglas Dillon, who has asked me to express his sincere regrets at his inability to be present. He asked me to convey his regards and congratulations to the American Council of Importers on the occasion of its salute to the U. S. Customs Service on its 175th Anniversary which we are celebrating in 1964. I also bring you the personal greetings of the United States Commissioner of Customs, Philip Nichols, Jr., who has sent a separate message to your Chairman.

I am indeed privileged to be your guest speaker at an affair which has few precedents. In our research in the dusty archives of Customs history, we searched in vain for previous examples of tax-payers getting together to salute tax-collectors. What we did find was a long catalog of incidents showing a striking absence of affection on the part of taxpayers for their tax-collectors.

In fact, there was a time not too long ago when the agents of his Britannic Majesty's Collector of Customs in the Port of New York were nearly stoned to death by a group of hostile citizens who felt that the King of England had no right to take their money. Then there was a Tea Party in Boston which showed how unpopular import duties can really be when collected from a rebellious people straining at the leash to free themselves from tyranny. Against this historic background, your tribute to our Customs Service becomes all the more dramatic and meaningful.

CUSTOMS ROOTED IN TRADITION

The relationship between Government and the business community f America has deep roots in the American tradition. Three out f the first five acts of the first Congress were concerned with he establishment of the Customs Service as prime medium for ollecting sufficient funds with which to pay the salaries of the esident, the Vice-President, Members of the Cabinet, Members Congress, and the tiny triumphant army of the infant republic. t by establishing the machinery for collecting import duties, e Government was in reality exercising its sovereignty in a ghly significant way. It provided a shield behind which the ing and promising industries of America could flourish. It ablished a uniform system of Customs duties for all of the tes which, up until that time, were engaged in a bitter tariff war, which resulted in such strange and bizarre situations as the importers of New York paying duty on New Jersey chickens and eggs, Connecticut firewood, etc. Just imagine what it would be like if the Customhouse in New York had to make entry on the cabbages brought in from Pennsylvania farms today, and if New Yorkers had to pay duties on citrus shipments from Florida, motorcars from Michigan, or shrimp from Louisiana.

Thus, the Customs Service had a threefold impact in the formative period of U. S. history: (1) It provided the Treasury with revenue which the Government desperately needed in order to govern; (2) It provided the Administration with the strength it needed "to secure all rights of independent sovereignty", and (3) It brought some order out of chaos.

Despite many sharp and often bitter party differences, the first Congress was acutely aware that sectional interests were secondary to the vital necessity for action in collecting revenue. The outcome was the first Tariff Act, entitled "An Act for laying a duty on goods, wares and merchandise imported into the United States".

It was on July 4, 1789 -- the 13th Anniversary of the signing of the Declaration of Independence -- when President George Washington signed into law the Act which set up the Service as we know it today.

Washington himself set an example by complying with the Customs laws of his time. You will find in the Customhouse of New York manifests and entries for merchandise imported and duties paid by George Washington when he was President. One of these manifests reveals that the cargo of the S.S. "New York", George Dominick, master, from London in April, 1790; one item is for two cases, marked "G.W." from W. Welch & Son, and consigned to George Washington. The President made entry and paid duties just like any other citizen -- and, of course, this has been the case with all Presidents down through our history.

In spite of a great deal of conflict, many trials and errors, the Customs Service collected two million dollars during its first year of operation. Today, 175 years later, Customs collects about two billion dollars each year, most of it from duty on imports, but it takes a lot more than this to run the Government of the United States -- to pay for the salaries of the President, the Vice-President, Members of the Cabinet, Members of Congress, the Army, Navy and the Air Force. But for 123 years, until the Internal Revenue Act was passed by Congress in 1913, Customs duties provided the United States with its major source and virtually its only source of revenue income.

What do these historical facts mean to us here in this room? How has Customs changed since 1789? What have we done to keep pace with the times in which we live?

The world of 1964 bears little resemblance to the world that saw the enactment of the first U.S. Tariff Act 175 years ago, and trading methods, like everything else, has undergone a complete revolution. Not even the most astute of our statesmen in the days of George Washington could have foreseen that U.S. imports would reach 17.15 billion dollars in 1963, or that our exports, excluding military assistance and grant-aid, would total twenty-two billion dollars in that same year. Customs duties have changed as drastically as the import figures themselves.

This vast expansion has been in keeping with the development of our country to its pre-eminent position of world leadership. The modest handful of Customs people who guarded the frontiers of the 13 Colonies, has grown into a force of nine thousand men and women in 1964, and they are spread out along the Canadian and Mexican borders, along the East and West coasts of our country, among the ports along the Gulf of Mexico and the Great Lakes in the north, and among the International Airports throughout the United States.

Although there have been many sweeping and swift changes in Customs -- some of them so great, one might say that Customs in 1964 bears little resemblance to Customs in 1962 or 1962 to 1959. The one thing which has <u>not</u> changed is the devotion of the Customs people to their jobs. An amusing example of this devotion is an incident that took place not long ago in the

United States Savings Bonds Issued and Redeemed Through April 1964
(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	4,991	12	.24
Series F & G-1941 - 1952	29,521	29,375	146	.49
UNMATURED				
Series E: 3/				
1941	1,833	1,556	277	15.11
1942	8,099	6,894	1,205	14.88
1943	13,042	11,117	1,925	14.76
1944	15,184	12,781	2,403	15.83
1945	11,888	9,797	2,091	17.59
1946	5,347	4,188	1,159	21.68
1947	5,041	3,769	1,272	25.23
1948	5,196	3,780	1,416	27.25
1949	5,113	3,633	1,480	28.95
1950	4,460	3,089	1,371	30.74
1951	3,863	2,665	1,198	31.01
1952	4,045	2,734	1,310	32.39
1953	4,602	2,957	1,645	35.75
1954	4,674	2,808	1,866	39.92
1955	4,820	2,846	1,974	40.95
1956	4,625	2,742	1,883	40.71
1957	4,346	2,503	1,843	42.41
1958	4,204	2,266	1,939	46.12
1959	3,931	2,074	1,857	47.24
1960	3,912	1,918	1,994	50.98
1961	3,925	1,726	2,199	56.03
1962	3,774	1,505	2,270	60.15
1963	4,180	1,088	3,092	73.98
1964	437	181	436	99.77
Unclassified	667	759	-92	-
Total Series E	131,207	91,196	40,011	30.49
Series H (1952 - Jan. 1957) 3/ ..	3,670	1,479	2,192	59.73
H (Feb. 1957 - 1964)	6,101	784	5,317	87.15
Total Series H	9,771	2,263	7,509	76.85
Total Series E and H	140,978	93,459	47,520	33.71
Series J and K (1952 - 1957)	3,711	2,090	1,621	43.68
All Series: Total matured	34,524	34,366	158	.46
All Series: Total unmatured	144,689	95,549	49,141	39.96
All Series: Grand Total	179,213	129,915	49,299	27.51

1/ Includes accrued discount.
2/ Current redemption value.
3/ At option of owner bonds may be held and will earn interest for additional periods after original maturity dates.

BUREAU OF THE PUBLIC DEBT

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 30, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED STANDARD STEEL PIPE
UNDER THE ANTIDUMPING ACT

With regard to welded standard steel pipe from the United Kingdom, the Treasury Department has determined that the case be closed on the basis of no sales 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 1963 was approximately $7,500,000.

FOR RELEASE A. M. NEWSPAPERS,
Friday, May 1, 1964.

April 30, 1964

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 359-day Treasury bills to be dated May 6, 1964, and to mature April 30, 1965, which were offered on April 24, were opened at the Federal Reserve Banks on April 30.

The details of this issue are as follows:

Total applied for - $1,883,634,000
Total accepted - 1,000,239,000 (includes $16,834,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 96.316	Equivalent rate of discount approx. 3.694% per annum
Low	- 96.296	" " " " " 3.714% " "
Average	- 96.305	" " " " " 3.705% " " 1/

(69% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 15,540,000	$ 540,000
New York	1,505,037,000	760,837,000
Philadelphia	10,640,000	640,000
Cleveland	1,556,000	1,556,000
Richmond	423,000	423,000
Atlanta	9,900,000	6,280,000
Chicago	214,236,000	157,436,000
St. Louis	9,300,000	4,800,000
Minneapolis	7,576,000	4,921,000
Kansas City	6,056,000	4,056,000
Dallas	11,150,000	3,840,000
San Francisco	92,220,000	54,910,000
TOTAL	$1,883,634,000	$1,000,239,000

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 3.86%. 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.

REMARKS BY SECRETARY OF THE TREASURY DOUGLAS DILLON 212
UPON SALE OF FIRST $75 DENOMINATION UNITED STATES
SAVINGS BOND TO PRESIDENT LYNDON B. JOHNSON, AT THE
WHITE HOUSE, FRIDAY, MAY 1, 1964, 12:00 NOON, EDT.

It was the beginning of what has now become an established American institution

Twenty-three years ago today -- on May 1, 1941 -- the late President Franklin D. Roosevelt purchased the first Series E United States Savings Bond ever issued. In so doing, he set in motion the greatest voluntary thrift program the world has ever known -- a program which is inspired and led by countless volunteers in all walks of life, a program in which tens of millions of Americans regularly participate through their purchases of E and H Savings Bonds. Today, Americans own more than $47 billion worth of these securities -- a bulwark of economic stability for the Nation, and of financial security for millions of families.

The widespread ownership of these securities is

Today, on the 23rd anniversary of the Savings Bonds program we open a new drive to encourage more Americans to take part in this patriotic thrift activity. We call it "Operation Security" which symbolizes the close relationship between the security of individual families and of our country as a whole, and the part Savings Bonds can play in strengthening both.

We also introduce today a new $75 denomination Series E Bond -- one which bears the portrait of the late President Kennedy and a famous quotation from his inaugural address. It is my privilege to issue the first bond of this new denomination to the President of the United States.

In making this purchase, Mr. President, you will both launch our campaign and encourage other Americans to save for their country's security and their own by purchasing United States Savings Bonds.

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 5, 1964.

May 4, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 6, 196 and the other series to be dated May 7, 1964, which were offered on April 29, were opened at the Federal Reserve Banks on May 4. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 6, 1964		182-day Treasury bills maturing November 5, 196	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.125 a/	3.462%	98.176	3.608%
Low	99.115	3.501%	98.159	3.642%
Average	99.120	3.482% 1/	98.165	3.629% 1/

a/ Excepting three tenders totaling $1,665,000
96% of the amount of 91-day bills bid for at the low price was accepted
45% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 23,945,000	$ 13,945,000	$ 1,559,000	$ 1,559,000
New York	1,312,391,000	796,591,000	1,071,851,000	728,101,000
Philadelphia	27,584,000	12,584,000	8,529,000	3,529,000
Cleveland	20,498,000	20,498,000	6,293,000	6,293,000
Richmond	11,007,000	11,007,000	3,468,000	3,468,000
Atlanta	38,744,000	36,704,000	9,543,000	8,543,000
Chicago	190,698,000	141,298,000	118,637,000	61,637,000
St. Louis	31,235,000	25,235,000	9,100,000	7,600,000
Minneapolis	19,498,000	19,458,000	6,501,000	4,726,000
Kansas City	28,102,000	28,102,000	6,702,000	6,702,000
Dallas	32,602,000	24,602,000	9,674,000	7,674,000
San Francisco	80,327,000	70,127,000	73,911,000	60,361,000
TOTALS	$1,816,631,000	$1,200,151,000 b/	$1,325,768,000	$900,193,000 c/

b/ Includes $213,008,000 noncompetitive tenders accepted at the average price of 99.1
c/ Includes $58,931,000 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 3.56%, 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.

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

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

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, May 6, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing May 14, 1964 , in the amount of $ 2,103,208,000 , as follows:

91 -day bills (to maturity date) to be issued May 14, 1964 , in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated February 13, 1964 , and to mature August 13, 1964 , originally issued in the amount of $ 900,881,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated May 14, 1964 , and to mature November 12, 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 ~~Standard~~ time, Monday, May 11, 1964 . 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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated February 13, 1964, (91-days remaining until maturity date on August 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 May 14, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 14, 1964. 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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FOR IMMEDIATE RELEASE

BUREAU OF THE MINT DISCONTINUES ACCEPTANCE OF
MAIL ORDERS FOR 1964 UNCIRCULATED COIN SETS

The Bureau of the Mint announced today that an unprecedented demand for the 1964 uncirculated coin sets - also referred to as "Mint Sets" -- has required the Philadelphia Mint to discontinue acceptance of mail orders. [redacted] In accordance with its usual custom the Philadelphia Mint began taking orders on May 1st. The volume of requests already exceeds the number of sets which can be processed during 1964 therefore, many unfilled orders must be returned. ~~to the senders.~~

Uncirculated coin sets contain ten coins of regular issue, five each from the two Mints, Philadelphia and Denver. They have a face value of $1.82, and sell for $2.40 which covers the cost of handling, postage and insurance.

Uncirculated coin sets are also sold -- when a supply is available -- over the counter beginning May 1 of each year at the Mints in Philadelphia and Denver, the Assay Office in San Francisco, and the Cash Room at the Main Treasury in Washington.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 8, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED STANDARD STEEL PIPE
UNDER THE ANTIDUMPING ACT

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

The dollar value of imports of the involved merchandise received during 1962 was approximately $600,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.
May 8, 1964

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN APRIL

During April 1964, 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 $44,636,500.00.

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D-1218

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 12, 1964.

May 11, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 13, 1964, and the other series to be dated May 14, 1964, which were offered on May 6, were opened at the Federal Reserve Banks on May 11. Tenders were invited for $1,200,000,[illegible] or thereabouts, of 91-day bills and for $900,000,000, or thereabouts of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 13, 1964		:	182-day Treasury bills maturing November 12, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.121	3.477%	:	98.174	3.612%
Low	99.115	3.501%	:	98.166	3.628%
Average	99.118	3.491% 1/	:	98.168	3.625% 1/

5% of the amount of 91-day bills bid for at the low price was accepted
63% 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	$ 40,457,000	$ 20,457,000	:	$ 2,997,000	$ 2,797,[illegible]
New York	1,549,248,000	764,306,000	:	1,488,284,000	744,973,[illegible]
Philadelphia	30,037,000	15,037,000	:	9,834,000	4,784,[illegible]
Cleveland	25,957,000	25,957,000	:	15,344,000	13,995,[illegible]
Richmond	16,617,000	16,617,000	:	3,481,000	3,352,[illegible]
Atlanta	28,943,000	23,508,000	:	19,231,000	7,803,[illegible]
Chicago	178,800,000	114,687,000	:	145,817,000	63,622,[illegible]
St. Louis	32,657,000	25,517,000	:	11,366,000	8,896,[illegible]
Minneapolis	20,35[illegible],000	13,983,000	:	7,203,000	4,303,[illegible]
Kansas City	26,885,000	24,935,000	:	11,472,000	9,063,[illegible]
Dallas	32,686,000	18,461,000	:	10,608,000	5,212,[illegible]
San Francisco	189,868,000	136,968,000	:	111,751,000	31,658,[illegible]
TOTALS	$2,172,513,000	$1,200,433,000 a/		$1,837,388,000	$900,458,[illegible]

a/ Includes $237,165,000 noncompetitive tenders accepted at the average price of 99.[illegible]
b/ Includes $76,285,000 noncompetitive tenders accepted at the average price of 98.[illegible]
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.57%, for the 91-day bills, and 3.74%, 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.

STATUTORY DEBT LIMITATION

229

As of April 30, 1964 — Washington, May 12, 1964

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 November 26, 1963 (P.L. 88-187 88th Congress) provides that during the period beginning on December 1, 1963 and ending on June 30, 1964, the above limitation shall be temporarily increased to $309,000,000,000. Because of variations in the timing of revenue receipts, the public debt limit as increased by the preceding sentence is further increased through June 29, 1964, by $6,000,000,000.

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			$315,000,000,00[illegible]
Outstanding obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$51,048,721,000		
Certificates of indebtedness	4,198,246,000		
Treasury notes	65,130,120,000	$120,377,087,000	
Bonds —			
Treasury	86,978,996,050		
*Savings (current redemption value)	49,141,553,488		
United States Retirement Plan bonds	5,263,617		
Depositary	99,264,000		
R.E.A. series	24,343,000		
Investment series	3,558,791,000	139,808,211,155	
Certificates of Indebtedness —			
Foreign series	240,000,000		
Foreign currency series	30,120,481		
Treasury notes —			
Foreign series	158,333,423		
Treasury bonds —			
Foreign currency series	732,249,810	1,160,703,714	
Treasury certificates	15,197,754	15,197,754	
Treasury bonds	20,000,000	20,000,000	
Special Funds —			
Certificates of indebtedness	5,963,350,385		
Treasury notes	2,211,134,000		
Treasury bonds	33,829,647,000	42,004,131,385	
Total interest-bearing		303,385,331,008	
Matured, interest-ceased		275,906,750	
Bearing no interest:			
United States Savings Stamps	53,394,698		
Excess profits tax refund bonds	688,073		
Internat'l Monetary Fund notes	3,166,000,000		
Internat'l Develop. Ass'n. notes	164,261,000		
Inter-American Develop. Bank notes	150,000,000		
United Nations bonds - Various programs	42,589,267	3,576,933,038	
Total		307,238,170,796	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A. & DC Stad. Bds.	800,865,700		
Matured, interest-ceased	752,925	801,618,625	
Grand total outstanding			308,039,789,42[illegible]
Balance face amount of obligations issuable under above authority			6,960,210,57[illegible]

RECONCILEMENT WITH TABLE III OF THE DAILY STATEMENT OF THE UNITED STATES TREASURY

As of April 30, 1964

Gross public debt this date	307,600,680,81[illegible]
Guaranteed obligations not owned by Treasury	801,618,6[illegible]
Total gross public debt and guaranteed obligations	308,402,299,[illegible]
Deduct debt not subject to statutory limitation	362,510,[illegible]
Total debt subject to limitation	308,039,789,[illegible]

D-1221

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 May 11, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to May 11, 1964
United Kingdom...........	4,323,457	1,027,020	1,441,152	265,586
Canada....................	239,690	239,690	-	-
France....................	227,420	221,909	75,807	55,151
India and Pakistan........	69,627	19,284	-	-
Netherlands...............	68,240	11,249	22,747	-
Switzerland...............	44,388	34,147	14,796	-
Belgium...................	38,559	33,511	12,853	-
Japan.....................	341,535	59,000	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	35,738	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	1,681,548	1,599,886	320,737

1/ Included in total imports, Column 2.

The country designations listed in this press release are those specified in Presidential Proclamation No. 2351 of September 5, 1939, as modified by the Tariff Schedules of the United States. Since that date the names of certain countries have been changed. The outmoded names are being retained because of their geographical coverage and have no political connotation.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, MAY 13,1964

D-1222

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 - May 11, 1964

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota
Egypt and Sudan............	783,816	628,215	Honduras....................	752
Peru........................	247,952	24,045	Paraguay....................	871
India and Pakistan..........	2,003,483	208,692	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 - May 11, 1964

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	86,776
1-1/8" or more and under		

COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1963, to May 11, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to May 11, 1964
United Kingdom............	4,323,457	1,027,020	1,441,152	265,586
Canada....................	239,690	239,690	-	-
France....................	227,420	221,909	75,807	55,151
India and Pakistan........	69,627	19,284	-	-
Netherlands...............	68,240	11,249	22,747	-
Switzerland...............	44,388	34,147	14,796	-
Belgium...................	38,559	33,511	12,853	-
Japan.....................	341,535	59,000	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	35,738	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	1,681,548	1,599,886	320,737

1/ Included in total imports, Column 2.

The country designations listed in this press release are those specified in Presidential Proclamation No. 2351 of September 5, 1939, as modified by the Tariff Schedules of the United States. Since that date the names of certain countries have been changed. The outmoded names are being retained because of their geographical coverage and have no political connotation.

D-1222

Prepared in the Bureau of Customs

TREASURY DEPARTMENT
Washington, D. C.

D-1223

IMMEDIATE RELEASE
WEDNESDAY, MAY 13, 1964

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 - April 1 - June 30, 1964

IMPORTS - April 1 - May 8, 1964 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds)	ITEM 925.01*: Imports (Pounds)	ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds)	ITEM 925.03*: Imports (Pounds)	ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds)	ITEM 925.02*: Imports (Pounds)	ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: Quarterly Quota By Weight (Pounds)	ITEM 925.04*: Imports (Pounds)
Australia	11,220,000	11,220,000	22,540,000	10,689,412	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	***2,243,545	15,920,000	10,209,451	66,480,000	66,480,000	37,840,000	15,550,268
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	20,100,292	70,480,000	27,568,197	6,320,000	1,597,703
Peru	16,160,000	16,160,000	12,880,000	3,773,726	35,120,000	12,668,523	3,760,000	2,569,946
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	***3,251,844
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***3,531,061	-	-	-	-
All other countries (total)	6,560,000	***1,414,145	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.
**Republic of South Africa.
***Imports as of May 11, 1964.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, MAY 13, 1964

D-1224

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1964, to May 2, 1964, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of May 2, 1964
Buttons.............	680,000	Gross	75,306
Cigars..............	160,000,000	Number	5,324,855
Coconut oil.........	358,400,000	Pound	183,546,919
Cordage.............	6,000,000	Pound	2,349,390
Tobacco.............	5,200,000	Pound	1,500,244

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 2, 19
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil..........................	Calendar Year	1,200,000	Pound	Quota Fil
Fibers of cotton processed but not spun........................	12 mos. from Sept. 11, 1963	1,000	Pound	
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)............................	12 mos. from August 1, 1963	1,709,000	Pound	Quota Fil

1/ Imports through May 11, 1964.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, MAY 13, 1964

D-1225

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through May 2, 1964:

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 2, 1964
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	409,914
Whole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	22
Cattle, 700 lbs. or more each (other than dairy cows)........	Jan. 1, 1964-March 31, 1964	120,000	Head	6,014
	April 1, 1964-June 30, 1964	120,000	Head	534
Cattle less than 200 lbs. each...	12 mos. from April 1, 1963	200,000	Head	62,117
	12 mos. from April 1, 1964	200,000	Head	18,774
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.......	Calendar Year	24,861,670	Pound	11,446,791 1/
Tuna Fish.......................	Calendar Year	60,911,870	Pound	11,744,881
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	53,449,760
Other..........................	Sept. 15, 1963	45,000,000	Pound	Quota Filled
Knives, forks, and spoons with stainless steel handles........	Nov. 1, 1963-Oct. 31, 1964	69,000,000	Pieces	Quota Filled

1/ Imports for consumption at the quota rate are limited to 12,430,834 pounds during the first six months of the calendar year.

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 2, 19[illegible]
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil...........................	Calendar Year	1,200,000	Pound	Quota Fil[illegible]
Fibers of cotton processed but not spun........................	12 mos. from Sept. 11, 1963	1,000	Pound	
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)............................	12 mos. from August 1, 1963	1,709,000	Pound	Quota Fil[illegible]

1/ Imports through May 11, 1964.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, MAY 13, 1964

D-1226

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 May 2, 1964	Established Quota	Imports May 29, 1963, to May 2, 1964
	(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	6,252
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	975
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	-	-	-	-

BETA - 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.

~~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 ~~(16)~~ or less for the additional bills dated February 20, 1964 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on August 20, 1964 ~~(19)~~) and noncompetitive tenders for $ 100,000 (20) or less for the 182 ~~(21)~~ -day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 21, 1964 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 21, 1964 ~~(23)~~. Cash

Exhibit 2-A

BETA - MODIFIED

TREASURY DEPARTMENT
Washington

May 13, 1964

FOR IMMEDIATE RELEASE,

(1)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing May 21, 1964 (3), in the amount of $ 2,001,[illegible]8,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued May 21, 1964 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated February 20, 1964 (8), and to mature August 20, 1964 (9), originally issued in the amount of $ 900,955,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 900,000,000 (12), or thereabouts, to be dated May 21, 1964 (13), and to mature November 19, 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~~ Daylight Saving time, Monday, May 18, 1964 (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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated February 20,1964, (91-days remaining until maturity date on August 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 May 21, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 21, 1964. 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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Exchanges for 4-1/4% Bonds of 1974

Federal Reserve District	3-1/4% Ctfs. Series B-1964	4-3/4% Notes Series A-1964	3-3/4% Notes Series D-1964	Total
Boston	$ 4,883,000	$ 56,650,000	$ 43,257,000	$ 104,790,00
New York	172,778,000	307,396,000	293,561,000	773,735,00
Philadelphia	23,971,000	19,122,000	15,053,000	58,146,00
Cleveland	8,653,000	27,067,000	33,674,000	69,394,00
Richmond	1,620,000	10,369,000	5,152,000	17,141,00
Atlanta	4,035,000	13,850,000	17,474,000	35,359,00
Chicago	44,204,000	81,815,000	88,321,000	214,340,00
St. Louis	16,345,000	18,441,000	18,324,000	53,110,00
Minneapolis	7,447,000	17,305,000	27,169,000	51,921,00
Kansas City	11,181,000	24,387,000	23,702,000	59,270,00
Dallas	1,580,000	13,136,000	11,853,000	26,569,00
San Francisco	10,760,000	25,234,000	23,982,000	59,976,00
Treasury	500,000	5,330,000	867,000	6,697,00
TOTAL	$307,957,000	$620,102,000	$602,389,000	$1,530,448,00

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 19, 1964.

May 18, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 20, 1964, and the other series to be dated May 21, 1964, which were offered on May 13, were opened at the Federal Reserve Banks on May 18. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 20, 1964		:	182-day Treasury bills maturing November 19, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.122 a/	3.473%	:	98.188	3.584%
Low	99.118	3.489%	:	98.177	3.606%
Average	99.120	3.482% 1/	:	98.181	3.598% 1/

a/ Excepting two tenders totaling $4[illegible],000
22% of the amount of 91-day bills bid for at the low price was accepted
60% 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	$ 5[illegible],264,000	$ 2[illegible],264,000	:	$ 5,461,000	$ 5,261,000
New York	1,[illegible]94,15[illegible],000	[illegible]53,756,000	:	1,294,579,000	693,059,000
Philadelphia	29,790,000	14,790,000	:	7,967,000	2,967,000
Cleveland	21,088,000	21,088,000	:	14,938,000	9,938,000
Richmond	12,795,000	12,795,000	:	1,953,000	1,953,000
Atlanta	30,9[illegible]3,000	24,967,000	:	18,140,000	9,140,000
Chicago	187,[illegible]78,000	110,058,000	:	146,194,000	64,394,000
St. Louis	3[illegible],347,000	2[illegible],991,000	:	10,608,000	8,608,000
Minneapolis	1[illegible],10[illegible],000	9,438,000	:	7,056,000	5,056,000
Kansas City	32,383,000	26,923,000	:	10,679,000	10,579,000
Dallas	2[illegible],659,000	1[illegible],879,000	:	11,150,000	6,250,000
San Francisco	112,119,000	56,[illegible]46,000	:	104,725,000	83,305,000
TOTALS	$2,25[illegible],190,000	$1,201,995,000 b/		$1,633,450,000	$900,590,000

b/ Includes $[illegible]7,22[illegible],000 noncompetitive tenders accepted at the average price of 99.1[illegible]
c/ Includes $65,[illegible]81,000 noncompetitive tenders accepted at the average price of 98.1[illegible]
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.56%, for the 91-day bills, and 3.72%, 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.

May 19, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED STANDARD STEEL PIPE UNDER THE ANTIDUMPING ACT

With regard to welded standard steel pipe from France, the Treasury Department has determined that the case be closed on the basis of no sales 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 1963 was approximately $4,500,000.

his LL.B. degree, magna cum laude, from Harvard Law School in 1956, where he was a member of the Board of Editors of the Harvard Law Review. Mr. Stone is a member of the State Bar of California and Massachusetts, and of the the Federal Bar Association and the American Bar Association (~~Tax~~ Section).

Mr. Stone is married to the former Anna Jean Clark and makes his home at 3001 Hollyridge Drive, Los Angeles, California.

LAWRENCE M. STONE NAMED TREASURY'S TAX LEGISLATIVE COUNSEL

Secretary of the Treasury Douglas Dillon today announced the appointment of Lawrence M. Stone, of Los Angeles ~~Beverly Hills~~, California, as the Treasury's Tax Legislative Counsel.

Mr. Stone, an attorney who specializes in tax matters, will serve as a legal adviser to Assistant Secretary Stanley S. Surrey on tax legislation and assist in coordinating the Department's tax legislative program. He will assume his new duties ____________________

At the time of his Treasury appointment, Mr. Stone was a tax specialist and partner in the Beverly Hills law firm of Irell & Manella. In 1956 and 1957, Mr. Stone was a Staff Member, Federal Income, Gift and Estate Tax Project of The American Law Institute, From 1957 to 1961 he was associated with the firm of Irell and Manella in Beverly Hills. From 1961 to 1962, he served in the Office of Tax Legislative Counsel in the Treasury Department working on the Revenue Act of 1962. Since 1962, he has been a partner in Irell and Manella.

Mr. Stone, 33, was born in Malden, Massachusetts. He received a B.A. degree in 1953 from Harvard University, and [illegible] appear. The emphasis I would like to place is not upon the specific adjustments themselves, but on the process that has created them -- the process of evolutionary change shaped by common appraisal and cooperative action. All countries, and particularly the leading industrial countries, have not only a mutual interest but also a shared responsibility in the maintenance of an adequate and stable international monetary system. The fortunate fact is that they recognize and understand this imperative. They are, I believe, determined to find those approaches which will, while adapting to the shifting needs of the world economy, most nearly fulfill the potentialities of our international payments system.

I spoke to you in Rome two years ago of the problem of multilateralizing a part of the role performed by the key currencies. It seems to me that the International Monetary Fund has developed more and more as a mechanism where the non-reserve currency countries can share in a multilateral way the responsibilities for the financing of payments swings and thereby make a contribution to longer-run liquidity needs

In addition, room has been found outside the Fund for other bilateral and multilateral facilities as well -- supplementing and reinforcing, but in no way supplanting, the central role of the Fund itself. We have come a long way in these past ten years, and building on our past experience we can look to the future with confidence. Over the period, as seen from the U.S. point of view, one of the major achievements has been the development of the Federal Reserve swap network. While originally designed mainly as a defense for the dollar, the reciprocal nature of the arrangements has become progressively apparent. They have proved their usefulness in economizing on primary reserves by combatting speculation and avoiding disruptive swings in reserve positions -- and have already served more importantly for other currencies at periods of great stress than for the dollar itself. Together with other mutual central bank arrangements, these swap facilities will clearly play an integral role in any liquidity system in the future. Treasury foreign currency bonds have similarly demonstrated their usefulness, not only in absorbing the temporarily large dollar accruals of some individual countries, but also in providing supplementary reserve assets for the original creditor, which he may later use in case of need -- as Italy has already done.

But these are only examples of the credit forms that make up an essential part of our present-day liquidity system. I am sure that new forms will emerge

... the United States has itself drawn modest amounts of foreign ... under the standby arrangement made in July, 1963.

Beginning in 1960, but increasingly in 1961 and thereafter, the Fund filled the drawing requests of member countries by using the national ... of those countries on the Continent that have run sizeable ... of payments surpluses. And as these currencies have been paid out, ... of reserve assets has been created for the countries supplying them ... that can be used as needed in other times and other circumstances. The value of these assets is becoming more and more fully recognized. Some of the Group of Ten countries already include their "super-gold tranche" claims, as well as their normal gold tranches in the Fund, among their primary reserve assets, while others consider them as a useful second line supplement. Most recently, Italy, following the pattern of the United States, has been able to use during a period of deficit the added reserves acquired a few years earlier when other countries were actively drawing lire from the Fund.

I expect that the months and years ahead will see more of a reappraisal and rediscovery of the dimensions and potentials of the International Monetary Fund for our payments system and as a center of international liquidity. The Fund's own study of liquidity will itself, I am sure, be a stimulant to our thinking and to our planning. I personally cannot visualize arrangements for the future that will not include a leading role for the Fund. For in the Fund we have an established institution that provides, through its normal operations, an accepted way of using national currencies to bolster international liquidity in a limited and systematic way facilities" in case of need -- something to be considered, so to speak, as a sort of asset "below the line." We did not also think of our quotas as creating an equal opportunity for acquiring an asset "above the line" -- as our own currency was drawn from the Fund by others -- an asset that would be readily available, in turn, for us to draw upon at will if we needed to use reserves.

It did not occur to many of us in the United States that, as dollars were paid out by the International Monetary Fund over the early postwar years, we were gaining a valuable asset in the parallel increase in our "super-gold tranche" position, or, more properly, our "net creditor position" in the Fund. Then more recently, as dollar shortage gave way to dollar plenty, in some countries, debtor countries to the Fund were able to pay back the dollars they had drawn earlier. The Fund itself was thereby absorbing a significant fraction of the dollars that our payments deficit was pumping into the world -- amounting, in fact, to about $1.3 billion in the period from 1958 to 1963. Or, to put it another way, without receiving very much attention, the United States was making use of its creditor claims on the Fund, acquired in years of balance of payments strength, to meet a significant part of its reserve drain as our deficit accumulated -- consisting largel of some $304 million in 1959, $442 million in 1960 and $626 million in 1962.

At the present time, as you know, the United States is a small net user of the Fund's resources. In effect, dollars drawn by others in earlier years have been wholly repaid out of the dollars created by our more recent deficits. And now, in order to facilitate additional dollar payments to the International Monetary Fund out of the accumulated reserves of Fund

; the facilities that will be needed to meet these ends is that they will be composed of many elements. Our own American experience of the past few years has witnessed the establishment of new facilities -- including most notably the Federal Reserve swap network and Treasury foreign currency bonds -- along with the adaptation of older arrangements to meet new needs in unexpected ways. Who, for example, would have foreseen even five years ago that the long-term loans that we extended to Europe during the period of its reconstruction would be convertible into liquidity instruments for our own use through advance debt prepayments by a number of our European partners? These have been among the fruits of international financial cooperation in the past few years, and I am sure that we will see many more.

As we look to future liquidity arrangements, and in the process take a searching look at the past and the present, I believe that we are also making healthy rediscoveries of what we already have and what we can do with our present arrangements.

Part of this process of rediscovery has been to realize the potential of the International Monetary Fund as the major international agency where credit financing and financial discipline naturally come together. Our American view of the International Monetary Fund had, in the past, been colored by the assumption, shared with us by many others, that the prime function of the Fund would be to serve as a distributor to other countries of the dollars paid in by the United States under its quota. To be sure this was expected to be a revolving fund rotating among countries with the greatest present need, but the potential usefulness of the Fund to the United States was not always fully appreciated. Many of us, at least, thought of the various quotas as drawing rights, to be used as "borrowing growth and employment levels, the fewer the problems there are likely to be for international liquidity. For liquidity needs cannot be separated from the amplitude and magnitude of payment imbalances and these in turn depend on the internal circumstances of individual countries. This only means, however, that any consideration of liquidity must proceed hand-in-hand with consideration of ways and means of improving the balance of payments adjustment process and making it more efficient.

If it should be true that the present phase of international financial development involves a shift of emphasis away from primary reserves and toward more use of credit facilities, as well as toward greater reliance by creditor countries upon the supplementary reserve assets which the use of these credit facilities implies, we are left with another crucial question: What form shall these arrangements take in order to achieve our twin goals of (1) the ample financing of temporary balance of payments swings and (2) the exertion of pressure for an orderly correction of any underlying imbalances that may occur? It cannot be emphasized often enough that the function of international liquidity is not to permit countries to avoid the need to make what may sometimes be painful adjustments in domestic policies and practices. It is rather to permit those adjustments to be made in an orderly fashion and in ways that minimize the possibility of cumulative pressure on other countries and on the international system as a whole. We need liquidity so that economic ills can be cured without the use of shock treatment. We do not need, and cannot successfully use, liquidity to avoid the necessity of a cure.

I suspect that the only thing that can safely be said now about the means of piling up primary reserves, in order to meet all possible contingencies. In those circumstances, the world might well be subjected again to the dangers of a competitive race for reserves as neighbor beggared neighbor in order to acquire and hold a mercantilist hoard of primary reserves. And as more and more reserves were created, there would be less and less assurance that the self-restraint and discipline inherent in any system that relies on credit would be brought into play. This would be true irrespective of the form of primary reserve involved. It would be true even under a full gold standard system -- for an individual country and for the system as a whole -- if the additions to holdings were large relative to internal monetary needs.

We need not, therefore, view the possible emergence of greater reliance upon a credit element in international liquidity as a weakness in our system. Instead, it may be a positive advantage -- a flexible means of creating liquidity at the times and at the points where it is needed, but a means also of preventing maladjustments from going too far and of encouraging the timely adoption of necessary policies to restore equilibrium.

The challenge to which we must respond in the international liquidity area is thus similar in many respects to the challenge faced by central banks and monetary authorities throughout the world in their respective monetary and credit spheres. It is the challenge of assuring an ample expansion of liquidity for the real economic growth that is the object of all our actions while maintaining the control necessary to keep expansion from resulting in inflation. To be sure, the more successful individual countries are in maintaining relative price stability along with achieving their desired term, are adequate to meet the challenge of a growing world economy. And wherever they may tend to lag behind, competition will, within the open environment of free convertibility, set in motion forces to widen appropriately the scope of such facilities.

But underneath all of the structure and processes of private credit lies the capacity of the monetary authorities of the individual countries to meet, at their posted exchange rates, the composite of drains arising from all of the private transactions that affect them. If inflows do not balance outflows, national policy changes may be needed to bring adjustment, but meanwhile any adverse flow must be financed. Adjustment and financing are sometimes contrasted in ways which make them seem antithetical. But I am sure that the monetary authorities -- and particularly those of the leading financial countries that have made such pioneering efforts in the area of cooperative action in past years -- are alert to the need to respond to the disciplinary warnings that are sounded when an individual country's payments position leads to inroads on official liquidity.

We are, however, still in the process -- and it will certainly be a continuing one -- of developing arrangements to ensure that when the clustering of payments shifts heavily for or against an individual country, the necessary means of payment can be made available in ways that will set in motion forces that will assist in the return to balance while avoiding abrupt interruption of domestic stability and growth. We must stress the importance of arrangements which encourage and facilitate the adjustment process. There would be serious risks for an individual country, or for an international liquidity system, that concentrated solely on ways and money supply itself. To an important degree, credit arrangements that increase, in effect, the velocity of money do reduce the scale of needed increases in the money supply.

It is essential in such an appraisal too, to distinguish carefully between the needs of the private sector and the underlying needs for official reserves Much, if not most, of the discussion of international liquidity is carried on in terms of the public sector. But it is proper to remind ourselves that the ultimate aim of all that we do is to ensure that the liquidity needs of the private sector can be met. This, of course, involves most of the same questions which the monetary authorities in each country must face in determining domestic financial policy -- questions as to the relationships between domestic liquidity, growth, employment, price stability, and the balance of payments. In part the problem is one of assuring adequate facilities for the working balances needed to carry on trade and payments abroad. In part, too, the problem is one of access to international credit and, particularly for countries where money markets are not well developed, it includes a need for holding secondary reserve assets abroad. But above all, there is the need for assuring ready convertibility at a stable price among the various currencies used to finance the flow of current payments for trade and services, to cover new investments abroad, and to service old ones.

The actual operating needs of the private sector are serviced by an efficient complex of private banking and credit institutions, many of them national in origin but international in the scope of their operations. As representatives of such institutions, you are confident, I am sure, as you should be, that existing facilities for private credit, at least at short it does not imply changes in the customary uses of currencies in private transactions. Nor does it imply that there are necessarily any natural limits upon the use of these familiar arrangements. There would be ample room in official reserves for -- hopefully -- an increased volume of newly available gold at the continuing fixed price of $35 an ounce and for additional holdings of acceptable currencies, depending on the free choice of each of the individual countries concerned.

If this should be the phase of development that our international monetary system has reached, countries would increasingly come to regard their primary reserve assets as a base upon which credit -- in many different possible forms -- might be granted or received. In effect, for example, a country's reserves might decline somewhat less at times of strain than in the past because more of the customary drains upon reserves would be met by credits -- credits made credit-worthy, in part, by the reserve assets still being held by the affected country. And conversely, surplus countries, instead of piling up more and more reserves, might accept in some form the credits needed by the deficit countries.

In many respects, under conditions of this kind, we would have reached a stage in the international area that was reached in several of the national financial systems seventy-five to one hundred or more years ago, when the transition began from exclusive reliance on hand-to-hand currencies to a system which involved the use of a credit expansion process and the creation of money substitutes by financial intermediaries. As now developed, greater reliance on facilities for creating money substitutes and supplements within individual nations has made possible a much more intensive use of of a shortage of international reserves. Others would consider that any evidence points instead to a short-fall in long-term capital flows, and would regard liquidity as superabundant. And there are, of course, many other varie s. For myself, I have begun to wonder whether the international economy may not presently be completing a phase of concentration on the build-up of primary reserve assets and whether perhaps it is now entering a phase in which this supply of primary reserves can, without further substantial increases, at least for a time, serve as a reasonably adequate basi for the gradual erection of a somewhat larger credit structure.

Perhaps, if some of the developed countries are coming to consider thei present reserves of gold and dollars as reasonably sufficient, they might wish instead, with proper safeguards, to use some part of any additional surpluses for extending credit to others. On the part of the less developed countries, while some may have additional scope for holding reserves, there are not many which can afford further sizeable accumulations to be held idle in reserves for very much of the time. They need only the minimum that will serve for working capital purposes and as a base to support borrowing. In other words, the problem lying directly ahead of us may not necessarily involve a need for more dollars, nor for the immediate creation of another international money to supplement them, but it may instead call for greater use of credit facilities and the international money substitutes that are c as such credit facilities are utilized.

This interpretation does not imply any fundamental change in the role gold and the reserve currencies in our international monetary system, eithe as a means of international settlement or as international stores of value.

supply of a reserve currency -- particularly the pound sterling -- which formed the most important part of the increase taking place in the basic reserves of most other countries. Later, as a concomitant of the vast resources and productive capacity of the United States, emphasis shifted to the dollar. Growth in the dollar component of reserve assets over the past two decades has provided the major source of additions to international liquidity as a whole, while an impressive redistribution of the world's monetary gold reserves from the United States to other countries has also been taking place.

I do not have to remind this audience, however, that the creation of international money through the deficits of a reserve currency country can also involve problems. The overriding necessity that has for some time been apparent to restore equilibrium in the United States balance of payments, and our recent progress toward that end, make it quite unlikely that the dollar would be able to add to international liquidity over the next decade as it has over the two preceding decades. This may to some imply, of course, a possible need to find additional substitutes for gold, perhaps through finding ways for other currencies to serve as convertible monetary reserves. But the need might also point in a different direction -- toward economizing on the foreign exchange component of international reserve assets -- just as in the past the reserve currencies themselves were the means of economizing on the use of the limited supplies of gold.

There are, to be sure, a number of different ways of looking at the most recent phase of developments in international liquidity. Some observers particularly in the academic fraternity, would stress the evidence they see

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system of financial or commercial institutions or on a single money and capital market. To be sure, great strides have been made in recent years in bringing the countries of the Western world closer together in all these areas. But we would only be deluding ourselves if we were to think that we have reproduced internationally -- or are likely to do so in the near future -- the things that we can safely take for granted within national boundaries. We must be mindful, therefore, when we draw on analogies with national systems, as we try to visualize the potentialities for the creation of monetary assets, as well as all other forms of international liquidity, that a cautious and selective approach will be required.

In the international area we are still in the comparatively early stages of learning how to economize on the primary element of international liquidity, the monetary reserves themselves. This effort to economize is not new, but its adaptation from the internal usage of nation-states to the external needs of the international community has necessarily been slow. As recently as the twenties, the dominant theme among those concerned over the adequacy of the international liquidity system was that of economizing on gold, although an historian today might describe the aim more broadly as that of enlarging the capabilities for trade and finance of a system that rested ultimately upon a slowly growing base of monetary gold. It was generally recognized then, too, that frequent changes in the price of gold offered no useful alternative. For monetary stability was hinged upon the certainty of a generally acceptable fixed-value base, and in turn was itself seen, then as now, to be essential for sustained economic progress.

At that stage, of course, the economizing on gold was accomplished, almost unconsciously, by increases that had been occurring for some years in the future always brings, the Group of Ten is building with a new spirit of international financial cooperation that has been developed in recent years and strengthened during the current discussions. To me, this spirit and its perpetuation represents a stride forward that is at least as importan any more concrete recommendations that may in the end emerge from our studies.

A glance backward, in the history of our international liquidity system, suggests a number of intriguing parallels, as well as contrasts, with the liquidity systems that have been developed within individual nations. The financial history of national economies, in the main, reflects a progressive development in the effective use of the liquidity-creating process to meet national economic purposes and goals. This development has generally taken place through the market place of private credit -- where, in a never-ending attempt to economize on money, an almost infinite variety of near-money substitutes has been developed. But it has been accompanied by the emergence of central banking, and paralleled by a growing reliance upon debt management and fiscal policy. This continuous perfecting of the liquidity-creating process within nations has rested on the establishment and perpetuation of secure political institutions for the areas served. And it has been buttresse by an integrated system of financial markets and institutions -- in various stages of development in different countries -- as well as by the existence of only minimal barriers within national boundaries to the free flow of men and goods, and money and capital.

In the international area, the money-creating element of the liquidity process cannot rest upon the political sovereignty that has been its essential foundation in the individual national Nor can it rest on a unity of essential economic and financial policies among nations. National monetary, fiscal, trade, employment, and growth policies can and do differ in both philosophy and practice. Nor can the creation of international money rest on a unifo

A second line of approach traces historically the steps along which the world has evolved toward the present liquidity system, concluding all too often that we are already living in the best of all possible worlds, or if not, that the only answer lies in turning back to an earlier stage of monetary evolution. Still a third kind of approach has come to appeal to me. Somewhat more eclectic in its point of view, it draws from our past experience while recognizing that the chief lesson of history is that payments systems and liquidity arrangements -- like most things in a dynamic world -- are constantly evolving in response to current experience.

Such an approach asks the historical question "Where have we been and how did we get where we are?", but it asks this question for the purpose ultimately of answering another: "Where do we want to go and how do we get there?" It recognizes that our ability to foresee the future and its needs is gravely limited; that perhaps our surest course is to develop a cooperative and flexible approach, both toward finding the direction in which we may wish to move, from one period to another, and in selecting the processes that will take us forward in an orderly manner.

The work of the Group of Ten will have been fully successful, I believe, if it helps to assure and confirm the commitment of all the participating countries toward such an approach. For as we look to the future with an eye to the past, we cannot escape the evidence that the evolution of our payments system has too often been scarred by disruptive convulsions set off at an unexpected moment by the force of change itself. The system, too often, was not readily flexible in meeting and adapting to underlying changes that were already in motion. In looking toward the changes that an uncertain

FOR RELEASE: P.M. NEWSPAPERS
Thursday, May 21, 1964

THE POTENTIALITIES OF OUR INTERNATIONAL PAYMENTS SYSTEM

Remarks by Robert V. Roosa, Under Secretary of the Treasury for Monetary Affairs, Before the 11th Annual International Monetary Conference of the American Bankers Association at the Palais Schwartzenburg, Vienna, Austria, Thursday, May 21, 1964, 3:00 P.M.

In the rising crescendo of calls for reform of the international monetary system, the continuing themes of present experience seem sometimes to be barely audible. But I scarcely need remind this audience that they are still important, and indeed are likely for a long time to come to provide the structure on which all of us in the world of finance will continue to depend.

It has been one of the remarkable and reassuring aspects of the close and intensive studies which have been under way for some months now within the so-called Group of Ten, that the participants have never lost sight of the essence of what we already have. While it would be inappropriate for me, or for any of us, as yet, to venture in public any views on specific possibilities for the future evolution of the international monetary system, I believe I may be permitted to reflect for a few minutes, in purely personal terms, on some of the features of the arrangements that are already in being. Even here, there is room for wide differences of view; but each of us must attempt some sorting out of this kind as a prerequisite to taking any part in the process of testing out and appraising the full range of thoughts, aspirations or proposals that have been suggested for the future.

There are a number of avenues of approach that one might take toward a broad view of our international payments system and its ability to meet the world's need for liquidity. One is that of constructing various theoretical models of an ideal system and then, somewhat disappointedly as a rule, measuring the performance of our present arrangements against this standard.

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

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated February 27, 1964, (91 days remaining until maturity date on August 27, 1964) and noncompetitive tenders for $ 100,000 or less for the 183 -day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 28, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 28, 1964. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, May 20, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,100,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing May 28, 1964 , in the amount of $ 2,003,579,000 , as follows:

91 -day bills (to maturity date) to be issued May 28, 1964 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated February 27, 1964 , and to mature August 27, 1964 , originally issued in the amount of $ 901,802,000 , the additional and original bills to be freely interchangeable.

183 -day bills, for $900,000,000 , or thereabouts, to be dated May 28, 1964 , and to mature November 27, 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, May 25, 1964 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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated February 27, 1964, (91-days remaining until maturity date on August 27, 1964) and noncompetitive tenders for $100,000 or less for the 183-day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 28, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 28, 1964. 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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-2- 2534, MAY 20, FROM VIENNA (SECTION FOUR OF FOUR)

THEN THAT OPPORUTNITIES SHOULD EMERGE FOR LONG-TERM CAPITAL MOVEMENTS TO CONTRIBUTE MORE ACTIVELY TO THE PROCESS OF BALANCE OF PAYMENTS ADJUSTMENT AMONG NATIONS.

WE DO NOT BY ANY MEANS HAVE ALL THE ANSWERS IN THE LONG-TERM CAPITAL AREA. BUT AS INTERNATIONAL CAPITAL MARKETS ACHIEVE A BETTER BALANCE, BOTH IN TERMS OF INTEREST RATES AND OF LENDING
CFN 1964 &1965 1962 1963

PAGE 3 RUFKVC 7687/4 U N C L A S
CAPACITY, IT SHOULD PROVE POSSIBLE TO APPLY IN THE LONG-TERM CAPITAL AREA SOME OF THE LESSONS WE HAVE LEARNED IN THE SHORT-TER AREA.

A NARROWING OF EXISTING DIFFERENCES IN LONG-TERM INTEREST RATES AMONG INDUSTRIALIZED COUNTRIES, TOGETHER WITH WIDER ACCESS OF BORROWERS AND LENDERS TO A VARIETY OF NATIONAL MARKETS, IMPLIES A GROWING SENSITIVITY OF LONG-TERM PORTFOLIO CAPITAL FLOWS TO RELATIVELY MINOR INTEREST RATE VARIATIONS. THIS SENSITIV CAN BE TURNED TO OUR MUTUAL ADVANTAGE, FOR IT WILL PROVIDE OPPORTUNITIES FOR GOVERNMENTS TO MAKE GREATER USE OF ACCEPTABLE VARIATIONS IN MONETARY POLICY TO INFLUENCE THESE FLOWS IN THE INTEREST OF BALANCE OF PAYMENTS ADJUSTMENT, WITHOUT VIOLATING THEIR OWN DOMESTIC NEEDS. IT SUGGESTS ANOTHER WAY IN WHICH WE CAN ALL WORK TOGETHER TO STRENGTHEN THE ADJUSTMENT PROCESS, WHILE CONTINUING OUR PROGRESS TOWARD A WORLD OF FREE CAPITAL MOVEMENTS AND EVER FREER TRADE AND PAYMENTS.(END TEXT). RIDDLEBERGER
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INCOMING TELEGRAM Department of State

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Action

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BUT IT MUST BE RECOGNIZED THAT THESE FIRST QUARTER RESULTS OVERSTATE THE ACTUAL IMPROVEMENT. THERE IS EVIDENCE OF A SUBSTANT

TEMPORARY INFLOW OF SHORT-TERM FUNDS FROM CANADA DURING MARCH -- AN INFLOW THAT WAS COMPLETELY REVERSED EARLY IN APRIL. EVEN SO, AFTER TAKING THIS INTO ACCOUNT, THE FIRST QUARTER STILL WEIGHED I AS OUR BEST QUARTER SINCE 1957. ON AN OVERALL BASIS AND WITHOUT ALLOWANCE FOR FAVORABLE SEASONAL INFLUENCES, OUR INTERNATIONAL PAYMENTS SO FAR THIS YEAR HAVE BEEN IN APPROXIMATE BALANCE. THIS CANNOT BE EXPECTED TO CONTINUE AS SEASONAL EFFECTS WILL SOON
CFN 2534 1957

PAGE 2 RUFKVC 7687/4 U N C L A S
S IFT AGAINST US. EVEN IF 1964, AS A WHOLE, SHOULD RECORD ANOTHER SIZEABLE DEFICIT ON REGULAR TRANSACTIONS, THERE ARE EXCELLENT REASONS TO HOPE THAT IT WILL BE SHARPLY REDUCED FROM THE LEVELS (THE PAST SIX YEARS. WE HAVE, THEREFORE, EVERY RIGHT TO BE ENCOURAGE

WE MUST REMEMBER THAT A GOOD PART OF OUR RECENT PROGRESS IS DUE TO THE PROPOSAL FOR THE INTEREST EQUALIZATION TAX. BY THE END OF 1965, WHEN THIS TAX IS SCHEDULED TO EXPIRE, A SECURE PAYM EQUILIBRIUM WILL REQUIRE A MUCH BETTER BALANCED INTERNATIONAL FLOW OF LONG-TERM PORTFOLIO CAPITAL THAN CHARACTERIZED LATE 1962 AND THE EARLY MONTHS OF 1963. SPECIFICALLY, THIS MEANS THAT UNIT STATES PORTFOLIO CAPITAL IN LARGE AMOUNTS SHOULD NOT BE ASKED TO SUPPORT THE EXPANSION OF DEVELOPED AREAS WITH STRONG BALANCE OF PAYMENTS POSITIONS. INCREASINGLY FLEXIBLE AND EFFICIENT CAPITAL MARKETS IN EUROPE -- CAPABLE OF SUPPLYING FUNDS AT REASONABLE RA OF INTEREST -- WILL REMOVE ONE MAJOR SOURCE OF DIFFICULTY. IT IS

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-3-2534, MAY 2Ø, (SECTION III OF IV), FROM VIENNA

THIS IS, FOR US, A NEW AND UNPLEASANT FACT OF LIFE, BUT IT IS ONE WITH WHICH OUR EUROPEAN FRIENDS HAVE LONG LEARNED TO LIVE. AND IT IS ONLY ONE OF MANY WAYS IN WHICH WE MUST ACCOMMODA OUR POLICIES TO THE EXIGENCIES OF OUR INTERNATIONAL PAYMENTS SITUATION. WE MUST CONTINUE TO REDUCE OUR MILITARY EXPENDITURES OVERSEAS, AS WELL AS THE DOLLAR COST OF OUR FOREIGN AID PROGRAM WE MUST CONTINUE VIGOROUSLY TO PRESS THE SALE OF ADVANCED MILIT. EQUIPMENT TO HELP OFFSET THE COST OF MAINTAINING OUR FORCES ABROAD. WE MUST CONTINUE TO INCREASE THE ATTRACTIVENESS OF DIRE INVESTMENT IN THE UNITED STATES. AND, ABOVE ALL, WE MUST CONTINUE TO SEEK OUT WAYS OF ENLARGING OUR EXPORTS WHILE MAINTAINING PRICE STABILITY AT HOME.

UNTIL OUR PAYMENTS DEFICIT IS ENTIRELY REMOVED, AND OUR GOLD LOSSES HALTED, OUR WORK WILL BE UNFINISHED. THE PAST TEN MONTHS HAVE SEEN A DRAMATIC IMPROVEMENT IN OUR PAYMENTS SITUATION, STEMMING IN GOOD PART FROM THE INTENSIFIED ACTION PROGRAM INTRODUCED LAST JULY, BUT ALSO FROM A NOTICEABLE LONGER TERM IMPROVEMENT IN OUR UNDERLYING COMPETITIVE POSITION. THE SEASONALLY ADJUSTED ANNUAL RATE OF DEFICIT ON REGULAR TRANSACTIONS DURING THE SECOND QUARTER OF 1963 WAS SWOLLEN BY MASSIVE FOREIGN BORROWING IN OUR MARKETS AND EXCEEDED DOLS 5 BILLION. THIS RATE OF DEFICIT WAS CUT SHARPLY TO A LITTL UNDER DOLS 2 BILLION IN THE THIRD QUARTER OF 1963, AND TO A LITTLE OVER DOLS 2 BILLION IN THE FOURTH QUARTER. PRELIMINARY DATE FOR THE FIRST QUARTER OF THIS YEAR INDICATE THAT AFTER SEASONAL ADJUSTMENT OUR DEFICIT ON REGULAR TRANSACT HAS DECLINED EVEN FURTHER TO AN ANNUAL RATE OF ABOUT DOLS 55 MILLION .

RIDDLEBERGER

MCA

POLICY COULD CAUSE OUR LONG-TERM INTEREST RATES TO APPROACH THE EUROPEAN LEVEL -- AND ANY SUCH EXTREME MONETARY POLICY WOULD CLEARLY RUN COUNTER TO OUR CURRENT DOMESTIC NEED FOR FULLER EMPLOYMENT AND HIGHER UTILIZATION OF OUR INDUSTRIAL CAPACITY.

IN EUROPE, ON THE OTHER HAND, EFFORTS TO REDUCE LONG-TERM INTEREST RATES CANNOT HOPE TO ACHIEVE REALLY SIGNIFICANT SUCCESS UNTIL BROADER AND MORE ACTIVE CAPITAL MARKET FACILITIES COME INTO BEING.

IT IS ENCOURAGING THAT THIS NEED IS NOW RECOGNIZED ON ALL SIDES. DURING RECENT YEARS, EUROPE HAS TAKEN SIGNIFICANT STEPS TOWARD IMPROVING HER CAPITAL MARKETS. THE INCREASING ECONOMIC INTEGRATION OF EUROPE OFFERS AN OPPORTUNITY FOR MUCH GREATER PROGRESS IN THE FUTURE, AND IT IS IMPERATIVE THAT THE OPPORTUNITY BE SEIZED. RECENT EXPERIMENTATION IN ACHIEVING A BROAD EUROPEAN MARKET FOR SECURITY FLOTATIONS DESERVES TO BE CARRIED FURTHER DESPITE THE DIFFICULTIES THAT HAVE BEEN ENCOUNTERED. THE INCREASE IN DOLLAR-DENOMINATED LOANS UNDER THE STIMULUS OF THE PROPOSAL FOR THE INTEREST EQUALIZATION TAX, THE USE OF UNIT OF ACCOUNT LOANS, AND THE PROPOSAL BY DR. HERMANN ABS FOR SEPARATE NATIONAL SHARES IN LARGE EUROPEAN SECURITY FLOTATIONS, ARE ALL DEVELOPMENTS OF CONSIDERABLE SIGNIFICANCE.

I RECOGNIZE THAT INSTITUTIONAL CHANGES OF THE REQUIRED SCOPE CANNOT BE ACHIEVED EASILY OR QUICKLY. HOWEVER, THERE ARE PROMISING SIGNS OF PROGRESS. THE TASK NOW IS TO PUSH AHEAD VIGOROUSLY IN A CONCERTED EFFORT TO ENLARGE AND IMPROVE EUROPEAN CAPITAL MARKETS AS A NECESSARY PREREQUISITE TO OUR COMMON EFFORT, WITHIN A FRAMEWORK OF FREE MARKETS, TO HARNESS LONG-TERM PORTFOLIO CAPITAL FLOWS TO THE STARK REALITIES OF BALANCE OF PAYMENTS IMPERATIVES. UNTIL THIS HAS BEEN SUCCESSFULL ACCOMPLISHED, IT MUST BE RECOGNIZED THAT PORTFOLIO CAPITAL CALLS ON THE NEW YORK MARKET FROM ABROAD WILL, IN SOME FASHION OR ANOTHER, HAVE TO BE CONTAINED WITHIN THE LIMITS SET BY OUR OWN OVERALL BALANCE OF PAYMENTS SITUATION.

INCOMING TELEGRAM *Department of State*

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Action

Control: 16247
Rec'd: MAY 2Ø, 1964
1:Ø6 PM

Info

FROM: VIENNA

ACTION: SECSTATE 2534, PRIORITY

DATE: MAY 2Ø, (SECTION III OF IV),

A BROAD AND RESPONSIVE CAPITAL MARKET HELPS TO INSURE THAT TEMPORARY INFLUENCES CAN BE READILY AND RAPIDLY ABSORBED WITHIN AN ACCEPTABLY NARROW RANGE OF CHANGES IN SECURITY PRICES AND YIELDS. HOWEVER, WHERE GOVERNMENTS FOLLOW THE PRACTICE OF PRE-EMPTING AND CHANNELLING LARGE PROPORTIONS OF THE FUNDS POTENTIALLY AVAILABLE, IT BECOMES DIFFICULT TO PROVIDE SUFFICIENT BREADTH IN THE PRIVATE SECTOR OF THE MARKET. UNLESS SECURITY PRICES AND YIELDS ARE FREE TO REACT TO CHANGING PATTERNS OF SUPPLY AND DEMAND, AND TO RESPOND TO BROAD AND VIGOROUS COMPETITION AMONG PRIVATE FINANCIAL INSTITUTIONS, THE PROSPECTS FOR THE DEVELOPMENT OF TRULY EFFICIENT CAPITAL MARKETS CANNOT BE BRIGHT.

THE FAILURE OF EUROPEAN CAPITAL MARKETS TO KEEP PACE WITH THE EXPANDING CAPITAL REQUIREMENTS OF THE INDUSTRIALIZED WORLD HAS BEEN A MAJOR FACTOR IN STIMULATING PRESSURES UPON THE NEW YORK CAPITAL MARKET. THE IMBALANCE HAS BEEN SO LARGE THAT THE GREATER AVAILABILITY OF FUNDS TO POTENTIAL BORROWERS IN NEW YORK HAS OFTEN SEEMED MORE IMPORTANT THAN INTEREST RATE CONSIDERATIONS.

WITH SUCH WIDE DISPARITIES IN MARKET CAPACITY AND ACCESSIBILITY, THERE IS NO USE LOOKING TO RELATIVELY MINOR INTERNATIONAL VARIATIONS IN LONG-TERM INTEREST RATES TO GUIDE THE FLOW OF CAPITAL AND TO ENCOURAGE BALANCE OF PAYMENTS ADJUSTMENT. AND THE MAJOR VARIATIONS IN INTEREST RATES THAT WOULD BE REQUIRED TO BRING LONG-TERM PORTFOLIO CAPITAL FLOWS INTO BETTER BALANCE DO NOT SEEM POSSIBLE FOR EITHER EUROPE OR THE UNITED STATES. THE HEAVY ACCUMULATIONS OF SAVINGS IN THE UNITED STATES MAKE IT DOUBTFUL THAT EVEN AN EXTREMELY RESTRICTIVE MONETARY

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OF SUSTAINED GROWTH IN EUROPE ITSELF WILL, IN TIME, REQUIRE APPRECIABLY LOWER LONG-TERM RATES OF INTEREST.

EVEN WITH THE DUE ALLOWANCE FOR THE SPECIAL FACTORS THAT I HAVE MENTIONED, THE QUESTION ARISES AS TO THE EXTENT TO WHICH INSTITUTIONAL FRICTIONS AND GOVERNMENT RESTRICTIONS ARE TO BE HELD ACCOUNTABLE BOTH FOR THE CURRENT HIGH LEVEL OF LONG-TERM INTEREST RATES IN EUROPE AND FOR OTHER IMPEDIMENTS TO THE AVAILABILITY OF FUNDS. THROUGHOUT HISTORY, EFFICIENT CAPITAL MARKETS HAVE TENDED TO PRODUCE LOWER RATE STRUCTURES AND, CONVERSELY, INADEQUATE CAPITAL MARKETS HAVE GENERALLY BRED HIGH INTEREST RATES. EUROPEAN CAPITAL MARKETS ONCE LED THE WORLD, BUT IN THE POSTWAR PERIOD THEY HAVE FALLEN FAR BEHIND THE NEEDS OF THE TIMES, PARTICULARLY IN THE ACCESS THEY OFFER TO FOREIGN BORROWERS. THIS IS PARTLY BECAUSE GOVERNMENT INTERVENTION AND CONTROLS HAVE IMPEDED THE DEVELOPMENT OF BROAD AND INTEGRATED CAPITAL MARKETS IN EUROPE, AND PARTLY BECAUSE PRIVATE FINANCIAL INSTITUTIONS HAVE SOMETIMES BEEN SLOW TO ADAPT IMAGINATIVELY TO CHANGING SITUATIONS.

RIDDLEBERGER

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IN SEEKING THE REASONS WHY PORTFOLIO CAPITAL FLOWS HAVE BECOME DISTURBING TO PAYMENTS EQUILIBRIUM, ONE IS IMMEDIATELY STRUCK BY THE CURRENT WIDE DISPARITY BETWEEN EUROPEAN LONG-TERM INTEREST RATES AND OUR OWN. LONG-TERM INTEREST RATES IN EUROPE HAVE BEEN VERY HIGH THROUGHOUT THE POSTWAR PERIOD. ALTHOUGH CONDITIONS VARY FROM COUNTRY TO COUNTRY, EUROPE CAN GENERALLY BE CHARACTERIZED AS HAVING BEEN ON SOMETHING CLOSE TO A "6 PERCENT BASIS" SINCE WORLD WAR II. CERTAINLY, IN THE LIGHT OF PAST EXPERIENCE, 6 PERCENT IS AN UNUSUALLY HIGH LEVEL OF LONG-TERM INTEREST RATES FOR EUROPE. THROUGHOUT THE 19TH CENTURY, THE ANNUAL AVERAGE OF PRIME LONG-TERM BOND YIELDS IN CONTINENTAL EUROPE WAS ONLY SLIGHTLY ABOVE 4-1/4 PERCENT. IN ENGLAND, IT WAS JUST UNDER 3-1/2 PERCENT. AND, DURING THE EARLY DECADES OF THIS CENTURY, THE OVERALL AVERAGES, WITH THE SOLE EXCEPTION OF GERMANY, WERE LITTLE, IF ANY, HIGHER.

BECAUSE OF THE VAST NEEDS OF POSTWAR RECONSTRUCTION AND, MORE RECENTLY, OF RAPID ECONOMIC GROWTH, REASONS CAN BE FOUND TO JUSTIFY THE CURRENT HIGH LEVEL OF EUROPEAN LONG-TERM INTEREST RATES. IN ADDITION, RELATIVELY RECENT EXPERIENCE WITH INFLATION HAS DISCOURAGED POSTWAR EUROPEAN INVESTORS FROM THE PURCHASE OF BONDS. BUT THESE TRANSITORY CONDITIONS DO NOT SUGGEST THAT 6 PERCENT IS DESIRABLE AS A PERMANENT LEVEL, OR THAT IT IS LIKELY TO BE MAINTAINED OVER ANY VERY LONG PERIOD OF TIME. HISTORY WOULD SEEM CLEARLY TO INDICATE OTHERWISE.

WHILE THE PREVENTION OF INFLATION REMAINS VITALLY NECESSARY, IN EUROPE AS WELL AS ELSEWHERE, CURRENT INFLATIONARY THREATS APPEAR TO BE DIFFERENT FROM THOSE OF THE IMMEDIATE POSTWAR PERIOD. THERE NOW SEEMS TO BE MUCH GREATER GROUND FOR THE USE OF INCOMES POLICIES TO RESTRAIN UPWARD PUSHES ON THE COST-PRICE STRUCTURE, AND MUCH LESS REASON TO PLACE PRIMARY RELIANCE ON HIGH AND INFLEXIBLE LEVELS OF LONG-TERM INTEREST RATES. I DO NOT SUGGEST THAT THE NECESSITY FOR INTEREST RATE VARIATION IS AT ALL DIMINISHED. I ONLY QUESTION WHETHER IT IS DESIRABLE, AS A LONG RUN PROPOSITION, THAT EUROPEAN INTEREST RATES SHOULD CONTINUE TO FLUCTUATE AROUND LEVELS SO MUCH HIGHER THAN THEIR HISTORIC AVERAGES. WHILE THE IMMEDIATE AND VISIBLE THREAT OF SUCH HIGH RATES IS TO INTERNATIONAL PAYMENTS BALANCE, ONE CAN REASONABLY EXPECT THAT THE MAINTENANCE

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Control: 16246
Rec'd: MAY 20, 1964
12:49 PM

FROM: VIENNA

ACTION: SECSTATE 2534 PRIORITY

DATE: MAY 20 (SECTION TWO OF FOUR)

IN OUR CASE, IT WAS NECESSARY TO REDUCE AN EXCESSIVE NET OUTFLOW OF PORTFOLIO CAPITAL, WHILE THE GERMAN PROBLEM HAS BEEN THE REVERSE ONE OF DISCOURAGING AN EXCESSIVE NET INFLOW. OUR APPROACH WAS THE PROPOSED INTEREST EQUALIZATION TAX TO INCREASE THE EFFECTIVE COST OF FOREIGN BORROWING IN OUR MARKETS. THE GERMAN APPROACH -- IN SOME WAYS COMPLEMENTARY -- WAS TO PROPOSE A WITHHOLDING TAX ON NON-RESIDENT PURCHASERS OF GERMAN INTEREST BEARING SECURITIES, THEREBY LOWERING THE AFTER-TAX YIELD TO SOME FOREIGN INVESTORS AND THUS TENDING TO DISCOURAGE CAPITAL INFLOWS. PERHAPS EVEN MORE SIGNIFICANT IN TERMS OF PROGRESS TOWARD MORE EFFICIENT CAPITAL MARKETS, THE GERMAN AUTHORITIES COUPLED THIS WITH AN IMPORTANT STRUCTURAL REFORM, IN THE PROPOSAL TO REMOVE THE 2-1/2 PERCENT TAX ON THE PURCHASE OF NEWLY ISSUED SECURITIES -- A STEP DESIGNED TO OFFER ENCOURAGEMENT TO NEW CAPITAL ISSUES, BOTH FOREIGN AND DOMESTIC.

THE FACT THAT A COUNTRY AS BASICALLY COMMITTED TO THE FREE FLOW OF FUNDS AS IS THE UNITED STATES, FOUND IT NECESSARY TO PROPOSE THE INTEREST EQUALIZATION TAX, UNDERSCORES THE IMPORTANCE OF ACHIEVING A BETTER BALANCE IN THE STRUCTURE AND EFFICIENCY OF WORLD CAPITAL MARKETS. UNTIL THAT BETTER BALANCE IS ACHIEVED, IT WILL BE DIFFICULT, OR EVEN IMPOSSIBLE, TO INFLUENCE THE DIRECTION AND AMOUNT OF LONG-TERM PORTFOLIO CAPITAL FLOWS THROUGH THE NORMAL ACTION OF MONETARY POLICY, WITHOUT THE HELP OF SPECIAL MEASURES AIMED AT ENCOURAGING OR DISCOURAGING SUCH MOVEMENTS. CONSEQUENTLY, PROGRESS IN IMPROVING THE FREE WORLD'S CAPITAL MARKETS HAS BECOME ESSENTIAL IF THE UNINHIBITED FLOW OF LONG-TERM INTERNATIONAL PORTFOLIO CAPITAL IS NOT TO BE A DISTURBING ELEMENT IN THE QUEST FOR PAYMENTS EQUILIBRIUM.

IN SEEKING

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DIFFERENTIALS IN PROFIT OPPORTUNITIES, AND TO THE BASIC CAPACITY OF VARIOUS NATIONS TO SAVE. BUT IF THEY ARE NOT TO UNDERMINE THE ADJUSTMENT MECHANISM, LONG-TERM PORTFOLIO CAPITAL MOVEMENTS MUST ALSO BE RESPONSIVE TO THE BALANCE OF PAYMENTS POSITION OF BORROWERS AND LENDERS ALIKE.

THE DIFFICULTIES INHERENT IN ACCOMPLISHING BOTH OF THESE GOALS SIMULTANEOUSLY BECOME CLEAR WHEN WE CONSIDER THE KINDS OF PROBLE THAT HAVE RECENTLY PLAGUED US IN THE AREA OF INTERNATIONAL FLOWS OF PORTFOLIO CAPITAL. COUNTLESS BORROWERS AND LENDERS ARE CONSTANTLY MAKING DECISIONS TO BUY OR SELL FOREIGN SECURITIES ON THE BASIS OF PRICE AND YIELD DIFFERENTIALS AND AVAILABILITIES OF FUNDS, AS THESE FACTORS ARE REFLECTED IN THE MARKET PLACE. BUT WE HAVE NO ASSURANCE THAT THESE DECISIONS WILL, AT ANY GIVEN TIME, REFLECT BASIC DIFFERENCES IN THE UNDERLYING CAPACITY OF VARIOUS COUNTRIES TO PROVIDE CAPITAL FOR DOMESTIC USES -- MUCH LESS THEIR CAPACITIES TO TRANSFER THAT CAPITAL ABROAD INSTEAD IN THE CASE OF MORE THAN ONE COUNTRY -- FLOWS OF PORTFOLIO CAPITAL HAVE RECENTLY SHOWN A DISTURBING TENDENCY TO SERIOUSLY AGGRAVATE IMBALANCES IN PAYMENTS, RATHER THAN TO ASSIST IN THEIR ADJUSTMENT. THE GREATEST DIFFICULTIES ON THIS SCORE HAVE ARISEN FOR COUNTRIES WHICH DO NOT HAVE CONTROLS ON THEIR CAPITAL MARKETS -- GERMANY AND THE UNITED STATES.

RIDDLEBERGER

EBC

INCOMING TELEGRAM *Department of State*

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Control: 16032
Rec'd: MAY 20, 1964
10:54 AM

FROM: VIENNA

ACTION: SECSTATE 2534 PRIORITY

DATE: MAY 20TH (SECTION ONE OF FOUR)

FOR STEVEN MANNING TREASURY

DILLON TEXT FOLLOWS:

I AM VERY PLEASED TO BE WITH YOU AT ANOTHER OF YOUR ANNUAL INTERNATIONAL MONETARY CONFERENCES, WHICH OFFER SUCH A UNIQUE AND VALUABLE OPPORTUNITY TO CONFER WITH ONE ANOTHER AND WITH OUR EUROPEAN FRIENDS.

ALL OF US RECOGNIZE THE NEED TO IMPROVE THE PROCESS OF BALANCE OF PAYMENTS ADJUSTMENT AMONG THE FREE INDUSTRIAL NATIONS WE HAVE FOUND THAT THE OLD "RULES OF THE GAME" -- WHATEVER THEIR VALUES IN THE PAST -- ARE NO LONGER ADEQUATE. FOR INSTANCE, THE CLASSICAL PRESUMPTION THAT BALANCE OF PAYMENTS DEFICITS CALL FOR THE RESTRICTION OF DOMESTIC ECONOMIC ACTIVITY, HAS HAD LITTLE RELEVANCE TO THE SITUATION FACING THE UNITED STATES IN RECENT YEA NOR HAS THE OTHER SIDE OF THE CLASSICAL COIN -- EASY MONETARY POLICIES DESIGNED TO STIMULATE DEMAND -- BEEN ANY MORE APPROPRIATI AS AN ANTIDOTE FOR RECENT EUROPEAN PAYMENTS SURPLUSES

THE SELECTION OF SUITABLE INTERNATIONAL PAYMENTS POLCIES HAS ALSO BECOME MORE DIFFICULT BECAUSE DOMESTIC ECONOMIC POLICIES NOW ENCOMPASS SO MANY MORE OBJECTIVES THAN THEY ONCE DID FOR EXAMPLE, THE PROMOTION OF FULL EMPLOYMENT HAS COME TO BE ACCEPTED AS A HIGH PRIORITY RESPONSIBILITY OF GOVERNMENTS THROUGHOUT THE FREE WORLD. PRICE STABILITY, THE PROMOTION OF INTERNATIONAL TRADE AND THE STIMULATION OF OVERALL ECONOMIC GROWTH, ALL NOW OCCUPY PROMINENT PLACES IN NATIONAL POLICY OBJECTIVES.

ALL OF THIS MEANS THAT WE HAVE HAD TO SEEK NEW TECHNIQUES --

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INCOMING TELEGRAM *Department of State*

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FOR STEVE MANNING TREASURY.

FOLLOWING CHANGE MADE IN DILLON TEXT: IN FOURTH GRAF FROM END, PARA BEGINNING "BUT IT MUST BE RECOGNIZED ETC." NEXT TO LAST SENTENCE SHOULD READ "BUT ALTHOUGH 1964, AS A WHOLE, IS EXPECT TO RECORD ANOTHER SIZEABLE DEFICIT, ETC." (INSTEAD OF 'EVEN I 1964, AS A WHOLE SHOULD RECORD ETC.") RIDDLEBERGER
BT
CFN 2555 1964 1964

NOTE: TRSY notified 5-21-64 CWO-M.

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-- WE HAVE HAD FEWER STRIKES AND HAVE ENJOYED BETTER LABOR-MANAGEMENT RELATIONS, GENERALLY, THAN IN ANY COMPARABLE PERIOD SINCE THE END OF WORLD WAR II.

-- STOCK MARKET PRICES HAVE RISEN TO THE HIGHEST LEVELS IN HISTORY.

-- WITH THE ENACTMENT OF THE TAX CUT, THE STATE OF BUSINESS CONFIDENCE IN THE ECONOMIC OUTLOOK IS HIGHER THAN AT ANY TIME IN THE PAST THREE DECADES.

I WOULD NOT LIKE YOU TO THINK THAT BY THIS RECITAL WE ARE CLAIMING THAT WE HAVE ELIMINATED THE BUSINESS CYCLE. WE CLAIM NO SUCH THING. WE DO CLAIM THAT OUR ECONOMIC POLICIES -- MAINLY BUDGET POLICIES -- HAVE BEEN EXTREMELY EFFECTIVE AND SUCCESSFUL. WE DO CLAIM THAT THE UNITED STATES IS BETTER OFF ECONOMICALLY TODAY THAN IT HAS BEEN FOR MANY YEARS.

WE DO CLAIM, AND THIS IS PERHAPS THE MOST IMPORTANT OF ALL, THAT THE GAINS MADE SO FAR AND THE GAINS TO BE MADE IN THE FUTURE ARE FAR MORE THAN STATISTICS OR PRETTY LINES ON AN ECONOMIST'S CHART. THEY REPRESENT A VAST INCREASE IN THE ECONOMIC POWER OF THE UNITED STATES. IT IS THE AVOWED INTENT OF THIS ADMINISTRATION, OPERATING IN AN ATMOSPHERE OF FIRM EXPENDITURE CONTROL, TO USE THOSE GAINS TO IMPROVE THE LIFE OF EVERY AMERICAN.

AS PRESIDENT JOHNSON PUT IT LAST MARCH, THE ISSUE IS SIMPLE:

"TO DO WHAT WE CAN TO MAKE SURE THAT THE AVERAGE MAN AND WOMAN CAN LEAD A FINER AND A HAPPIER LIFE AND TOGETHER WITH THEIR CHILDREN THEY CAN ALL LOOK FORWARD TO A BETTER DEAL."

I BEGAN BY NOTING THAT THE BUDGETARY OBJECTIVES OF THE FEDERAL GOVERNMENT ARE NOT THE SAME AS THOSE OF A PROFIT MAKING BUSINESS CORPORATION. THE FEDERAL BALANCE SHEET IS MEASURED BY OTHER ACCOMPLISHMENTS.

SINCE EARLY 1961 THE AMERICAN ECONOMY HAS REALIZED THE LARGEST SUSTAINED GROWTH IN NATIONAL OUTPUT IN OUR PEACETIME ECONOMIC HISTORY. IN THREE AND ONE-HALF YEARS OF UNBROKEN EXPANSION, WHICH IS ITSELF A RECORD, LET US SEE WHAT HAS HAPPENED.

-- TOTAL NATIONAL PRODUCTION HAS INCREASED OVER $100 BILLION.

-- NON-FARM EMPLOYMENT IS UP OVER 4 MILLION JOBS.

-- UNEMPLOYMENT HAS DROPPED FROM 7 PERCENT TO LESS THAN 5-1/2 PERCENT, DESPITE A 2-1/2 MILLION INCREASE IN THE SIZE OF THE LABOR FORCE.

-- PERSONAL INCOME IS UP MORE THAN $75 BILLION.

-- PRICES HAVE REMAINED MORE STABLE THAN IN ANY OTHER INDUSTRIAL COUNTRY OF THE FREE WORLD.

-- THE BALANCE OF PAYMENTS DEFICIT WAS REDUCED FROM $3.9 BILLION IN 1960 TO A PROSPECTIVE LEVEL OF UNDER $2 BILLION IN 1964.

-- THE WORLD HAS REGAINED FULL CONFIDENCE IN THE STRENGTH AND STABILITY OF THE U. S. DOLLAR.

AND, HOW BUSINESS HAS FARED?

-- CORPORATE PROFITS BEFORE TAXES HAVE INCREASED BY $18 BILLION, OR ALMOST 50 PERCENT. AFTER-TAX PROFITS HAVE INCREASED FROM $22 BILLION REPORTED IN 1961 TO $24-1/2 BILLION IN 1962, AND $27 BILLION IN 1963 -- WITH A YEAR-END RATE OF NEARLY $29 BILLION.

THIS DECISION IS AT THE HEART OF PRESIDENT JOHNSON'S DRIVE FOR REDUCTIONS IN FEDERAL SPENDING. ITS COMPLEMENT IS A STRONG BELIEF IN OUR PRIVATE, COMPETITIVE ECONOMY, WHICH HAS PROVIDED OUR COUNTRY WITH THE HIGHEST LIVING STANDARDS EVER ENJOYED BY ANY COUNTRY AT ANY TIME.

THE FIRST MEASURES REFLECTING THIS NEW FISCAL POLICY WERE EFFECTED IN 1962 -- FIRST, THE PASSAGE OF THE 7 PERCENT INVESTMENT TAX CREDIT WHICH WAS DESIGNED TO ENCOURAGE BUSINESS INVESTMENT IN PRODUCTIVE EQUIPMENT AS A KEY FACTOR TO REVITALIZING OUR ECONOMY TOWARD RESTORING A GROWTH RATE THAT WOULD REALIZE OUR ECONOMIC POTENTIAL. SECOND, A THOROUGH REVISION OF DEPRECIATION GUIDELINES, ALSO DESIGNED TO SPUR BUSINESS INVESTMENT BY MORE REALISTICALLY REFLECTING ACTUAL BUSINESS DEPRECIATION NEEDS.

NOW WE ARE IN THE MIDST OF THE GREATEST EXPERIMENT OF ALL, WITH EVERY CONFIDENCE IN ITS SUCCESS.

THE REVENUE ACT OF 1964 WILL, WHEN IT IS FULLY EFFECTIVE, PROVIDE AN AVERAGE, ACROSS-THE-BOARD REDUCTION OF ONE-FIFTH IN THE TAX LIABILITIES OF INDIVIDUALS AND, ALONG WITH THE EARLIER INVESTMENT TAX INCENTIVES, OF BUSINESS CORPORATIONS AS WELL.

THERE WILL, OF COURSE, BE A LOSS IN FEDERAL REVENUES, BUT ONLY FOR THE TIME BEING. ALREADY WE ARE SEEING, I THINK, THE STIMULATIVE EFFECTS OF THIS LARGEST TAX CUT IN THE ENTIRE HISTORY OF THE NATION. THE ECONOMIC EXPANSION WILL BECOME EVEN STRONGER WITH PASSING MONTHS, WE BELIEVE. BY RAISING INCOMES SO AS TO INCREASE THE TAX BASE ON WHICH FEDERAL REVENUES DEPEND, WE CAN NOW LOOK FORWARD WITH CONFIDENCE TO A BALANCED BUDGET, PERHAPS IN FISCAL 1967, INSTEAD OF A GLOOMY STRING OF DEFICITS INTO THE INDEFINITE FUTURE.

-- A HIGHER MINIMUM WAGE WITH EXPANDED COVERAGE

-- ASSISTANCE TO AREAS OF CHRONIC UNEMPLOYMENT, AND

-- INCREASED FEDERAL AIDS FOR HOUSING.

AS A RESULT OF THESE MEASURES, STIMULATING AND SUPPORTING THE NATURAL RECOVERY FORCES WITHIN THE ECONOMY, THE RECESSION WAS REVERSED AND A STRONG RECOVERY MOVEMENT GOT UNDERWAY.

AT THE SAME TIME THE ADMINISTRATION WAS MOVING TO GET THE NATION OUT OF A RECESSION, WE ALSO MOUNTED A GOVERNMENT-WIDE ATTACK TO REDUCE THE BALANCE OF PAYMENTS DEFICIT AND STEM THE GOLD OUTFLOW. TO RESTORE CONFIDENCE IN THE DOLLAR PRESIDENT KENNEDY RESTATED EMPHATICALLY THE U. S. COMMITMENT TO MAINTAIN THE PRICE OF GOLD AT $35 AN OUNCE. THEN HE ASKED OUR NATO ALLIES TO PUT UP A GREATER SHARE OF THE COST IN MAINTAINING THE DEFENSES OF THE FREE WORLD AND REQUIRED MORE OF OUR FOREIGN AID DOLLARS TO BE SPENT IN THE UNITED STATES. SHORT TERM CAPITAL FLOWS ABROAD WERE SLOWED DOWN BY UPWARD ADJUSTMENT IN SHORT TERM INTEREST RATES IN THE UNITED STATES TO BRING THEM INTO LINE WITH SHORT TERM RATES ELSEWHERE AND, LATER, A PROGRAM TO REDUCE LONG TERM CAPITAL OUTFLOWS THROUGH AN INTEREST EQUALIZATION TAX ON FOREIGN SECURITIES WAS PROPOSED.

AS THE NATION MOVED OUT OF THE RECESSION, OUR ATTENTION TURNED TO THE LONGER RANGE PROBLEM OF SLOW GROWTH. FOR, DESPITE THE RECOVERY, EXCESSIVE UNEMPLOYMENT AND UNDER-UTILIZATION OF PLANTS PERSISTED. THUS THE GROUNDWORK WAS LAID FOR WHAT I FIRMLY BELIEVE IS THE MOST SIGNIFICANT CHANGE IN THE THRUST OF FISCAL POLICY THAT MANY OF US ARE LIKELY EVER TO EXPERIENCE -- BY THIS I MEAN THE DECISION TO BASE AN EXPANSIONARY FISCAL POLICY ON TAX REDUCTION RATHER THAN ON EXPENDITURE INCREASES.

THE FACTS ARE, HOWEVER, THAT AS 1961 BEGAN THE ECONOMIC PICTURE WAS FAR FROM CHEERFUL. OUR DOMESTIC ECONOMY WAS IN THE DEPTHS OF RECESSION WITH UNEMPLOYMENT IN THE NEIGHBORHOOD OF 7%. THE RECESSION, WHICH WE WERE EXPERIENCING, WAS THE FOURTH RECESSION SINCE THE END OF WORLD WAR II AND THE THIRD IN ONLY EIGHT YEARS. OUR GROWTH RATE DURING THE PERIOD IMMEDIATELY PRECEDING 1961 WAS FAR FROM SATISFACTORY -- FAR BELOW THE RATE OF GROWTH IN EARLIER POST WORLD WAR II YEARS AS WELL AS BELOW OUR LONG-TERM AVERAGE RATE OF GROWTH. THE CONTINUING LARGE DEFICITS IN OUR BALANCE OF PAYMENTS AND THE SIZABLE OUTFLOW OF GOLD HAD BECOME CRITICAL AND THE DOLLAR WAS NO LONGER THE HARD CURRENCY IN THE EYES OF THE WORLD THAT IT HAD BEEN.

IN 1961, THEREFORE, IT WAS OBVIOUS THAT THE FIRST IMPERATIVE WAS TO REVERSE THE PROCESS OF RECESSION AND, AFTER EIGHT MONTHS OF ECONOMIC DECLINE, GET THE ECONOMY MOVING UPWARD AGAIN. THE BALANCE OF PAYMENTS SITUATION, WHICH HAD PROGRESSIVELY WORSENED DURING 1960, ALSO WAS A SERIOUS CONSIDERATION AND AS A SECOND IMPERATIVE, CONFIDENCE IN THE DOLLAR HAD TO BE RESTORED.

THE ADMINISTRATION MOVED SWIFTLY AND BOLDLY TO ADOPT A SERIES OF MEASURES DESIGNED TO END THE RECESSION AND BRING ABOUT A STRONG RECOVERY. THESE MEASURES INCLUDED:

-- EXTENDED TEMPORARY UNEMPLOYMENT BENEFITS

-- EARLY PAYMENT OF VA LIFE INSURANCE DIVIDENDS AND A SPECIAL VA INSURANCE DIVIDEND

— ACCELERATED MILITARY PROCUREMENT AND CONSTRUCTION, NECESSITATED BY THE BERLIN CRISIS BUT ADDING TO INCOMES AND OUTPUT

-- ACCELERATED HIGHWAY AID PAYMENTS

AFTER FURTHER DISCUSSION AT THIS LEVEL, AT WHICH AGAIN MOST REMAINING DIFFERENCES OF OPINION ARE RESOLVED, THERE IS A FURTHER REVIEW BY SECRETARY DILLON, BUDGET DIRECTOR KERMIT GORDON, AND CHAIRMAN WALTER HELLER OF THE COUNCIL OF ECONOMIC ADVISERS. THIS TOP-POLICY GROUP THEN MEETS WITH THE PRESIDENT TO PRESENT A CONSIDERED JUDGMENT WHICH HAS BEEN ARRIVED AT THROUGH THIS LENGTHY PROCESS.

IT IS PERHAPS IMMODEST AS A PARTICIPANT IN THIS REVIEW PROCESS TO CALL ATTENTION TO THE GENERAL EXCELLENCE OF THE RESULTS. IT IS, HOWEVER, I THINK, ONLY FAIR TO OBSERVE THAT THE FEDERAL ECONOMIC FORECASTS HAVE COMPARED VERY FAVORABLY WITH PRIVATE FORECASTS, WHETHER THOSE MADE BY BUSINESS OR ACADEMIC ECONOMISTS.

PERHAPS UNFORTUNATELY, THE PROOF OF BUDGETARY AND FISCAL WISDOM IS NOT THE ACADEMIC NICETY OF THE ANALYSIS, BUT THE RESULTS. WITHOUT WANTING TO CLAIM UNDUE CREDIT FOR THE INFLUENCE OF THE ECONOMIC ANALYSIS FOR WHICH THE THREE AGENCIES -- TREASURY, BUDGET BUREAU, AND CEA -- HAVE BEEN RESPONSIBLE, LET US LOOK AT WHAT THESE POLICIES HAVE BEEN AND WHAT HAS BEEN ACCOMPLISHED IN THE PAST 3-1/2 YEARS.

IN RETROSPECT, IT IS ALREADY DIFFICULT, EVEN WITH FULL ACCESS TO THE RECORDS OF THE TIME, TO RECONSTRUCT MENTALLY THE SITUATION IN 1961. UNSUPPORTE RECOLLECTIONS ARE EVEN LESS TRUSTWORTHY, WHILE A COLD RECITAL OF THE FACTS DOES NOT DO JUSTICE TO THE HEAT OF THE SITUATION.

WITH THESE WORDS OF GENERAL INTRODUCTION, I WOULD LIKE TO TURN NOW TO A REVIEW OF THE PROCEDURES THAT WE FOLLOW IN SETTING FEDERAL BUDGETARY POLICIES. INSTITUTIONALLY, THIS IS A RATHER SIMPLE MATTER. THE BUREAU OF THE BUDGET, IN CONSULTATION WITH THE AGENCIES AND THE PRESIDENT, DEVELOPS ESTIMATES OF THE REQUIREMENTS FOR EACH AGENCY AND THE TOTAL EXPENDITURE NEEDS FOR OPERATING THE FEDERAL GOVERNMENT. THESE EXPENDITURE ESTIMATES ARE SUBMITTED TO THE CONGRESS BY THE PRESIDENT IN JANUARY OF EACH YEAR FOR THE FISCAL YEAR BEGINNING 6 MONTHS LATER. AT THE SAME TIME THE PRESIDENT ALSO PROVIDES THE CONGRESS WITH ESTIMATES OF REVENUES FOR THE COMING FISCAL YEAR. CONGRESS REVIEWS THESE REQUESTS, AMENDS THEM AS IT SEES FIT, AND ENACTS THE APPROPRIATION BILLS WHICH GIVE THE AGENCIES THEIR AUTHORITY TO SPEND AND THESE ENACTED APPROPRIATIONS ARE THEN APPORTIONED THROUGH THE YEAR TO THE AGENCIES BY THE BUREAU OF THE BUDGET. SUBSEQUENTLY THE EXPENDITURES OF THE AGENCIES ARE SUBJECT TO A POST-AUDIT BY THE GENERAL ACCOUNTING OFFICE, WHICH IS AN ARM OF THE CONGRESS, NOT OF THE EXECUTIVE.

THIS IS THE INSTITUTIONAL PROCESS IN A NUT SHELL, BUT SUCH A BARE-BONES DESCRIPTION IS ONLY A MINOR PART OF THE STORY.

THE BEGINNING POINT WITH ALL OF OUR BUDGET PLANNING IS THE ECONOMIC OUTLOOK, WHICH INDICATES WHETHER BUDGETARY POLICY SHOULD BE DIRECTED TOWARD EXPANSION OR TOWARD RESTRAINT -- WHETHER OUR PROBLEMS IN THE COMING FISCAL YEAR WILL BE PROBLEMS OF UNDER-UTILIZATION OF MEN AND RESOURCES, OR INFLATION AND EXCESSIVE DEMAND. IT IS NOT ENOUGH, HOWEVER, SIMPLY TO HAVE QUALITATIVE ESTIMATES ON WHICH TO BASE THESE JUDGMENTS. WE HAVE TO PREDICT NOT ONLY WHETHER BUSINESS WILL BE GOOD OR BAD BUT ALSO JUST HOW GOOD OR BAD IT IS LIKELY TO BE. THIS ESSENTIAL ROLE, THAT OF PROVIDING THE PRESIDENT WITH

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ON THE OTHER HAND, WHEN THE ECONOMY IS SUFFERING FROM INFLATIONARY PRESSURES AND A TENDENCY TOWARDS EXCESSIVE DEMANDS FOR RESOURCES, THE TEXTBOOK SOLUTION IS TO RAISE TAXES OR TO REDUCE EXPENDITURES.

NEEDLESS TO SAY, THESE TEXTBOOK SOLUTIONS ARE GRAVE OVER-SIMPLIFICATIONS. RATHER THAN TALKING ABOUT THEORETICAL ECONOMICS WE SHOULD BE THINKING ABOUT POLITICAL ECONOMY, A MIXTURE OF THE ART OF THE POSSIBLE AND THE ECONOMIC NEEDS OF THE TIME. ADDING FURTHER DIMENSIONS TO BUDGET CONSIDERATIONS ARE THE POSSIBILITIES AND LIMITATIONS OF OTHER ECONOMIC POLICY TOOLS OF THE GOVERNMENT, INCLUDING MOST IMPORTANTLY THE MONETARY POLICIES OF THE FEDERAL RESERVE SYSTEM.

I WOULD LIKE TO STAY AWAY FROM MONETARY POLICY QUESTIONS, ALTHOUGH THEY ARE VERY CLOSELY RELATED TO THE TREASURY'S OWN DEBT MANAGEMENT POLICIES. THE FEDERAL RESERVE SYSTEM IS AN INDEPENDENT AGENCY, ALTHOUGH -- I SHOULD RAPIDLY ADD -- AS RESPONSIVE TO OUR NATIONAL NEEDS AS ANY OTHER AGENCY OF GOVERNMENT. NONETHELESS, THE GENERAL TENDENCY OF MONETARY POLICY TOWARD THE RESTRAINT OR EASE WITH WHICH CREDIT CAN BE OBTAINED IS A PART OF THE ENVIRONMENT FOR OUR CONSIDERATIONS OF BUDGETARY POLICY. THUS, THERE ARE COMBINATIONS OF MONETARY AND FISCAL POLICY WHICH MAY RESULT IN THE SAME TOTAL NATIONAL PRODUCTION BUT WHICH WILL CAUSE DIFFERENT ALLOCATIONS OF PRODUCT. AGAIN, TO OVERSIMPLIFY, BUDGETARY EASE AND MONETARY RESTRAINT ARE LIKELY TO FAVOR A LOW-SAVINGS, CONSUMPTION-ORIENTED ECONOMY, WHEREAS MONETARY EASE AND BUDGETARY RESTRAINT ARE MOST LIKELY TO BE ASSOCIATED WITH A HIGH SAVINGS, INVESTMENT-ORIENTED ECONOMY.

I ALSO EMPHASIZE THESE INTERRELATIONSHIPS AND THE VARIETY OF OUR ECONOMIC OBJECTIVES BECAUSE THEY REPRESENT THE ENVIRONMENT WITHIN WHICH FEDERAL BUDGETARY POLICY IS MADE.

ANOTHER FACT OF LIFE IS THAT WHILE TAX AND EXPENDITURE POLICIES ARE POWERFUL, THEY CAN BE USED WITH ONLY LIMITED FLEXIBILITY. MAJOR EXPENDITURE PROGRAMS RELATE TO SPECIFIC NATIONAL OBJECTIVES AND MUST MEET THE REQUIREMENTS OF EFFICIENCY. IT IS HARD TO BRING ABOUT SUDDENLY MAJOR CHANGES IN ONGOING BUDGETARY PROGRAMS, AND PROGRAM NEEDS OR DEMANDS SOMETIMES CAN BECOME DIFFICULT TO RECONCILE WITH INCOME AND EMPLOYMENT GOALS. IT SHOULD BE REMEMBERED THAT A FEDERAL BUDGET IS PREPARED TWO YEARS BEFORE THE END OF ITS FISCAL YEAR.

MOREOVER, THE LEGISLATION NEEDED TO IMPLEMENT FISCAL POLICIES IS THE PREROGATIVE OF CONGRESS AND FOR A VARIETY OF REASONS CONGRESS MAY BE UNWILLING OR UNABLE TO MOVE WITH THE SPEED AND FLEXIBILITY WHICH OUTSIDE OBSERVERS OR THE ADMINISTRATION MAY FEEL IS REQUIRED AT ANY PARTICULAR TIME. FISCAL POLICY PLANNING IS THUS NOT AS EASY IN THIS COUNTRY AS IT IS IN A PARLIAMENTARY SYSTEM. IN WESTERN EUROPEAN COUNTRIES, FOR EXAMPLE, THE GOVERNMENT'S PROGRAM IS ENACTED OR THE WHOLE GOVERNMENT FALLS, AND THIS IS A POWERFUL SPUR TO PARTY DISCIPLINE.

NOW WHAT IS THE RELATIONSHIP BETWEEN FISCAL POLICY AND OUR ECONOMIC OBJECTIVES? IN THE SIMPLE TEXTBOOK TERMS, AN INCREASE IN EXPENDITURES OR A REDUCTION IN TAX RATES WILL TEND TO RAISE INCOMES WHILE A REDUCTION IN EXPENDITURES OR AN INCREASE IN TAX RATES WILL TEND TO REDUCE INCOMES. THUS, WHEN THE ECONOMY IS SUFFERING UNEMPLOYMENT OF MEN AND RESOURCES, THE TEXTBOOK FISCAL SOLUTION IS SIMPLY TO LOWER TAXES OR INCREASE EXPENDITURES OR BOTH.

GIVEN THE MAGNITUDE OF ITS EXPENDITURE COMMITMENTS, ITS REVENUE COLLECTIONS, ITS PUBLIC DEBT MANAGEMENT OBLIGATIONS, AND ITS MONETARY AND CREDIT RESPONSIBILITIES, THE GOVERNMENT INEVITABLY EXERTS A POWERFUL INFLUENCE ON THE ECONOMY. GIVEN THE DIRECTIVE OF THE EMPLOYMENT ACT, THE FEDERAL GOVERNMENT MUST ADJUST IS ECONOMIC POLICIES TO COMPLEMENT PRIVATE DEMAND. IT IS, THEREFORE, THE BASIC PRINCIPLE OF FEDERAL ECONOMIC POLICY, OF WHICH BUDGETARY POLICY IS A VITAL PART, TO ADJUST THIS IMPACT IN SO FAR AS POSSIBLE IN WAYS WHICH WILL PROMOTE THE NATION'S ECONOMIC GOALS. THESE INCLUDE -- ON THE DOMESTIC SIDE -- HIGH LEVELS OF EMPLOYMENT AND PRODUCTION, RAPID ECONOMIC GROWTH AND OVERALL PRICE STABILITY AND -- ON THE INTERNATIONAL SIDE -- BALANCE OF OUR INTERNATIONAL PAYMENTS AND RECEIPTS.

FEDERAL FISCAL POLICY IS REFLECTED IN ADMINISTRATION RECOMMENDATIONS AND CONGRESSIONAL ENACTMENTS AFFECTING BOTH EXPENDITURES AND TAXATION. OF COURSE NEITHER EXPENDITURE NOR TAX POLICY CAN BE FORMULATED SOLELY ON THE BASIS OF ITS IMMEDIATE CONTRIBUTION TO ONE OR ANOTHER OF OUR BROAD ECONOMIC OBJECTIVES. NEVERTHELESS, WHEN USED FLEXIBLY IN COORDINATION WITH OTHER FEDERAL ECONOMIC POLICIES, FEDERAL FISCAL POLICIES CAN CONTRIBUTE TO ESTABLISHING A FINANCIAL ENVIRONMENT WHICH CAN HELP TO ACHIEVE THESE OBJECTIVES.

IN HIS ANNUAL REPORTS ON THE STATE OF THE FINANCES IN THE PAST TWO YEARS, SECRETARY DILLON HAS CALLED SPECIAL ATTENTION TO THE INTERRELATIONSHIPS BETWEEN BUDGETARY AND OTHER FEDERAL ECONOMIC POLICIES IN RELATION TO THE VARIETY OF OUR ECONOMIC OBJECTIVES. THESE SAME POINTS HAVE BEEN EMPHASIZED AGAIN AND AGAIN IN SPEECHES AND STATEMENTS BY TREASURY POLICY OFFICIALS AND BY OTHER ADMINISTRATION SPOKESMEN.

FORMULATION OF FEDERAL BUDGETARY POLICIES

ADDRESS OF ROBERT A. WALLACE, ASSISTANT SECRETARY OF THE TREASURY, BEFORE THE 14TH ANNUAL NATIONAL CONFERENCE OF THE BUDGET EXECUTIVES INSTITUTE, BELLEVUE-STRATFORD HOTEL PHILADELPHIA, PENNSYLVANIA, MAY 21, 1964
9:30 A.M.

ALL BUDGETS ARE ALIKE IN REPRESENTING A PLAN FOR RELATING SOURCES AND USES OF FUNDS DURING AN ACCOUNTING OR PLANNING PERIOD. ALL BUDGETS ARE ALIKE IN THAT THEY MUST TAKE ACCOUNT NOT ONLY OF CURRENT REQUIREMENTS BUT ALSO OF LONG-TERM CAPITAL NEEDS. IN ADDITION ALL BUDGETS ARE ALIKE IN THAT BOTH RECEIPTS AND EXPENDITURES INVOLVE ESTIMATES WHICH CAN SOMETIMES BE QUITE ACCURATE BUT WHICH AT OTHER TIMES MAY INVOLVE UNCERTAIN JUDGMENTS AS TO MARKETS OR TO BROAD ECONOMIC TRENDS OR TO THE STATE OF THE ENTIRE NATIONAL ECONOMY.

IN THESE RESPECTS THE FEDERAL BUDGET DOES NOT BASICALLY DIFFER FROM THE BUDGETS OF, SAY, A FAMILY, THE UNIVERSITY OF PENNSYLVANIA, UNITED STATES STEEL CORPORATION, OR THE STATE OF PENNSYLVANIA. NONETHELESS, THERE IS IN THE FEDERAL BUDGET AND IN THE FEDERAL BUDGETARY PROCESS A UNIQUE ELEMENT, SOMETHING THAT GOES BEYOND SIMPLY A MATCHING OF RECEIPTS AND EXPENDITURES TO DETERMINE THE FEDERAL SURPLUS OR DEFICIT, AND THAT IS THE RELATIONSHIP BETWEEN THE FEDERAL BUDGET AND THE NATION'S ECONOMIC HEALTH.

THE ECONOMIC OBJECTIVES OF FEDERAL BUDGETARY POLICY, AND OTHER FEDERAL POLICIES AS WELL, ARE SPELLED OUT IN THE EMPLOYMENT ACT OF 1946 WHICH DIRECTS THE FEDERAL GOVERNMENT TO USE EVERY POSSIBLE MEANS TO "PROMOTE MAXIMUM EMPLOYMENT, PRODUCTION, AND PURCHASING POWER".

GIVEN THE MAGNITUDE OF ITS EXPENDITURE COMMITMENTS, ITS REVENUE COLLECTIONS, ITS PUBLIC DEBT MANAGEMENT OBLIGATIONS, AND ITS MONETARY AND CREDIT RESPONSIB ITIES, THE GOVERNMENT INEVITABLY EXERTS A POWERFUL INFLUENCE ON THE ECONOMY. GIVEN THE DIRECTIVE OF THE EMPLOYMENT ACT, THE FEDERAL GOVERNMENT MUST ADJUST IS ECONOMIC POLICIES TO COMPLEMENT PRIVATE DEMAND. IT IS, THEREFORE, THE BASIC PRINCIPLE OF FEDERAL ECONOMIC POLICY, OF WHICH BUDGETARY POLICY IS A VITAL PART, TO ADJUST THIS IMPACT IN SO FAR AS POSSIBLE IN WAYS WHICH WILL PROMOTE THE NATION'S ECONOMIC GOALS. THESE INCLUDE -- ON THE DOMESTIC SIDE -- HIGH LEVELS OF EMPLOYMENT AND PRODUCTION, RAPID ECONOMIC GROWTH AND OVERALL PRICE STABILITY AND -- ON THE INTERNATIONAL SIDE -- BALANCE OF OUR INTERNATIONAL PAYMENTS AND RECEIPTS.

FEDERAL FISCAL POLICY IS REFLECTED IN ADMINISTRATION RECOMMENDATIONS AND CONGRESSIONAL ENACTMENTS AFFECTING BOTH EXPENDITURES AND TAXATION. OF COURSE NEITHER EXPENDITURE NOR TAX POLICY CAN BE FORMULATED SOLELY ON THE BASIS OF ITS IMMEDIATE CONTRIBUTION TO ONE OR ANOTHER OF OUR BROAD ECONOMIC OBJECTIVES. NEVERTHELESS, WHEN USED FLEXIBLY IN COORDINATION WITH OTHER FEDERAL ECONOMIC POLICIES, FEDERAL FISCAL POLICIES CAN CONTRIBUTE TO ESTABLISHING A FINANCIAL ENVIRONMENT WHICH CAN HELP TO ACHIEVE THESE OBJECTIVES.

IN HIS ANNUAL REPORTS ON THE STATE OF THE FINANCES IN THE PAST TWO YEARS, SECRETARY DILLON HAS CALLED SPECIAL ATTENTION TO THE INTERRELATIONSHIPS BETWEEN BUDGETARY AND OTHER FEDERAL ECONOMIC POLICIES IN RELATION TO THE VARIETY OF OUR ECONOMIC OBJECTIVES. THESE SAME POINTS HAVE BEEN EMPHASIZED AGAIN AND AGAIN IN SPEECHES AND STATEMENTS BY TREASURY POLICY OFFICIALS AND BY OTHER ADMINISTRATION SPOKESMEN.

ON THE OTHER HAND, WHEN THE ECONOMY IS SUFFERING FROM INFLATIONARY PRESSURES AND A TENDENCY TOWARDS EXCESSIVE DEMANDS FOR RESOURCES, THE TEXTBOOK SOLUTION IS TO RAISE TAXES OR TO REDUCE EXPENDITURES.

NEEDLESS TO SAY, THESE TEXTBOOK SOLUTIONS ARE GRAVE OVER-SIMPLIFICATIONS. RATHER THAN TALKING ABOUT THEORETICAL ECONOMICS WE SHOULD BE THINKING ABOUT POLITICAL ECONOMY, A MIXTURE OF THE ART OF THE POSSIBLE AND THE ECONOMIC NEEDS OF THE TIME. ADDING FURTHER DIMENSIONS TO BUDGET CONSIDERATIONS ARE THE POSSIBILITIES AND LIMITATIONS OF OTHER ECONOMIC POLICY TOOLS OF THE GOVERNMENT, INCLUDING MOST IMPORTANTLY THE MONETARY POLICIES OF THE FEDERAL RESERVE SYSTEM.

I WOULD LIKE TO STAY AWAY FROM MONETARY POLICY QUESTIONS, ALTHOUGH THEY ARE VERY CLOSELY RELATED TO THE TREASURY'S OWN DEBT MANAGEMENT POLICIES. THE FEDERAL RESERVE SYSTEM IS AN INDEPENDENT AGENCY, ALTHOUGH -- I SHOULD RAPIDLY ADD -- AS RESPONSIVE TO OUR NATIONAL NEEDS AS ANY OTHER AGENCY OF GOVERNMENT. NONETHELESS, THE GENERAL TENDENCY OF MONETARY POLICY TOWARD THE RESTRAINT OR EASE WITH WHICH CREDIT CAN BE OBTAINED IS A PART OF THE ENVIRONMENT FOR OUR CONSIDERATIONS OF BUDGETARY POLICY. THUS, THERE ARE COMBINATIONS OF MONETARY AND FISCAL POLICY WHICH MAY RESULT IN THE SAME TOTAL NATIONAL PRODUCTION BUT WHICH WILL CAUSE DIFFERENT ALLOCATIONS OF PRODUCT. AGAIN, TO OVERSIMPLIFY, BUDGETARY EASE AND MONETARY RESTRAINT ARE LIKELY TO FAVOR A LOW-SAVINGS, CONSUMPTION-ORIENTED ECONOMY, WHEREAS MONETARY EASE AND BUDGETARY RESTRAINT ARE MOST LIKELY TO BE ASSOCIATED WITH A HIGH SAVINGS, INVESTMENT-ORIENTED ECONOMY.

THE BEST POSSIBLE INFORMATION, IS FILLED THROUGH JOINT CONSULTATIONS BETWEEN OFFICIALS OF THE TREASURY, THE BUREAU OF THE BUDGET, AND THE COUNCIL OF ECONOMIC ADVISERS, DRAWING IN TURN ON THE INFORMATION, EXPERIENCE, AND WISDOM OF CAPABLE PEOPLE IN ALL OF THE OTHER AGENCIES.

THIS REVIEW PROCESS IS NOT CONDUCTED JUST ONCE A YEAR, AT THE TIME THE BUDGET FOR THE NEXT FISCAL YEAR IS UNDER CONSIDERATION, BUT IS A CONTINUOUS PROCESS WITH REGULAR MONTHLY MEETINGS OF STAFF MEMBERS OF THE THREE AGENCIES. THIS IS A REFLECTION OF THE FACT THAT THE FEDERAL GOVERNMENT NEEDS TO REMAIN CONTINUALLY ALERT TO DEVELOPMENTS WITHIN THE ECONOMY AND ON THE INTERANTIONAL SCENE TO ASSURE THAT POLICIES PREVIOUSLY ADOPTED CONTINUE TO BE SUITED TO EVOLVING CIRCUMSTANCES AND THAT NEW POLICIES WILL BE DECIDED UPON IN THE LIGHT OF THE BEST POSSIBLE AND MOST UP-TO-DATE INFORMATION AVAILABLE.

WINSTON CHURCHILL ONCE REMARKED THAT WHEN HE ASKED BRITAIN'S TOP THREE ECONOMISTS FOR ADVICE HE GOT FOUR OPINIONS, TWO FROM LORD KEYNES. ALTHOUGH DIFFERENCES DO DEVELOP BETWEEN THE STAFFS OF THE THREE AGENCIES, WE CONSIDER IT IMPORTANT THAT THE THREE AGENCIES INDEPENDENTLY REVIEW THE SITUATION EACH MONTH AND COME TO JUDGMENTS REGARDING THE OUTLOOK WHICH CAN THEN BE DISCUSSED AND USUALLY RECONICLED. REMAINING DIFFERENCES IN MOST CASES, ARE MINOR SHADES OF EMPHASIS. THESE ARE THEN BROUGHT, ALONG WITH ANY BASIC DISAGREEMENTS, TO THE NEXT POLICY LEVEL, WHICH HAS BEEN ATTENDED BY CHARLES L. SCHULTZE, ASSISTANT DIRECTOR OF THE BUDGET, JOHN P. LEWIS, MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS, AND MYSELF, REPRESENTING THE TREASURY DEPARTMENT.

THE FACTS ARE, HOWEVER, THAT AS 1961 BEGAN THE ECONOMIC PICTURE WAS FAR FROM CHEERFUL. OUR DOMESTIC ECONOMY WAS IN THE DEPTHS OF RECESSION WITH UNEMPLOYMENT IN THE NEIGHBORHOOD OF 7%. THE RECESSION, WHICH WE WERE EXPERIENCING, WAS THE FOURTH RECESSION SINCE THE END OF WORLD WAR II AND THE THIRD IN ONLY EIGHT YEARS. OUR GROWTH RATE DURING THE PERIOD IMMEDIATELY PRECEDING 1961 WAS FAR FROM SATISFACTORY -- FAR BELOW THE RATE OF GROWTH IN EARLIER POST WORLD WAR II YEARS AS WELL AS BELOW OUR LONG-TERM AVERAGE RATE OF GROWTH. THE CONTINUING LARGE DEFICITS IN OUR BALANCE OF PAYMENTS AND THE SIZABLE OUTFLOW OF GOLD HAD BECOME CRITICAL AND THE DOLLAR WAS NO LONGER THE HARD CURRENCY IN THE EYES OF THE WORLD THAT IT HAD BEEN.

IN 1961, THEREFORE, IT WAS OBVIOUS THAT THE FIRST IMPERATIVE WAS TO REVERSE THE PROCESS OF RECESSION AND, AFTER EIGHT MONTHS OF ECONOMIC DECLINE, GET THE ECONOMY MOVING UPWARD AGAIN. THE BALANCE OF PAYMENTS SITUATION, WHICH HAD PROGRESSIVELY WORSENED DURING 1960, ALSO WAS A SERIOUS CONSIDERATION AND AS A SECOND IMPERATIVE, CONFIDENCE IN THE DOLLAR HAD TO BE RESTORED.

THE ADMINISTRATION MOVED SWIFTLY AND BOLDLY TO ADOPT A SERIES OF MEASURES DESIGNED TO END THE RECESSION AND BRING ABOUT A STRONG RECOVERY. THESE MEASURES INCLUDED:

-- EXTENDED TEMPORARY UNEMPLOYMENT BENEFITS

-- EARLY PAYMENT OF VA LIFE INSURANCE DIVIDENDS AND A SPECIAL VA INSURANCE DIVIDEND

— ACCELERATED MILITARY PROCUREMENT AND CONSTRUCTION, NECESSITATED BY THE BERLIN CRISIS BUT ADDING TO INCOMES AND OUTPUT

-- ACCELERATED HIGHWAY AID PAYMENTS

THIS DECISION IS AT THE HEART OF PRESIDENT JOHNSON'S DRIVE FOR REDUCTIONS IN FEDERAL SPENDING. ITS COMPLEMENT IS A STRONG BELIEF IN OUR PRIVATE, COMPETITIVE ECONOMY, WHICH HAS PROVIDED OUR COUNTRY WITH THE HIGHEST LIVING STANDARDS EVER ENJOYED BY ANY COUNTRY AT ANY TIME.

THE FIRST MEASURES REFLECTING THIS NEW FISCAL POLICY WERE EFFECTED IN 1962 -- FIRST, THE PASSAGE OF THE 7 PERCENT INVESTMENT TAX CREDIT WHICH WAS DESIGNED TO ENCOURAGE BUSINESS INVESTMENT IN PRODUCTIVE EQUIPMENT AS A KEY FACTOR TO REVITALIZING OUR ECONOMY TOWARD RESTORING A GROWTH RATE THAT WOULD REALIZE OUR ECONOMIC POTENTIAL. SECOND, A THOROUGH REVISION OF DEPRECIATION GUIDELINES, ALSO DESIGNED TO SPUR BUSINESS INVESTMENT BY MORE REALISTICALLY REFLECTING ACTUAL BUSINESS DEPRECIATION NEEDS.

NOW WE ARE IN THE MIDST OF THE GREATEST EXPERIMENT OF ALL, WITH EVERY CONFIDENCE IN ITS SUCCESS.

THE REVENUE ACT OF 1964 WILL, WHEN IT IS FULLY EFFECTIVE, PROVIDE AN AVERAGE, ACROSS-THE-BOARD REDUCTION OF ONE-FIFTH IN THE TAX LIABILITIES OF INDIVIDUALS AND, ALONG WITH THE EARLIER INVESTMENT TAX INCENTIVES, OF BUSINESS CORPORATIONS AS WELL.

THERE WILL, OF COURSE, BE A LOSS IN FEDERAL REVENUES, BUT ONLY FOR THE TIME BEING. ALREADY WE ARE SEEING, I THINK, THE STIMULATIVE EFFECTS OF THIS LARGEST TAX CUT IN THE ENTIRE HISTORY OF THE NATION. THE ECONOMIC EXPANSION WILL BECOME EVEN STRONGER WITH PASSING MONTHS, WE BELIEVE. BY RAISING INCOMES SO AS TO INCREASE THE TAX BASE ON WHICH FEDERAL REVENUES DEPEND, WE CAN NOW LOOK FORWARD WITH CONFIDENCE TO A BALANCED BUDGET, PERHAPS IN FISCAL 1967, INSTEAD OF A GLOOMY STRING OF DEFICITS INTO THE INDEFINITE FUTURE.

-- WE HAVE HAD FEWER STRIKES AND HAVE ENJOYED BETTER LABOR-MANAGEMENT RELATIONS, GENERALLY, THAN IN ANY COMPARABLE PERIOD SINCE THE END OF WORLD WAR II.

-- STOCK MARKET PRICES HAVE RISEN TO THE HIGHEST LEVELS IN HISTORY.

-- WITH THE ENACTMENT OF THE TAX CUT, THE STATE OF BUSINESS CONFIDENCE IN THE ECONOMIC OUTLOOK IS HIGHER THAN AT ANY TIME IN THE PAST THREE DECADES.

I WOULD NOT LIKE YOU TO THINK THAT BY THIS RECITAL WE ARE CLAIMING THAT WE HAVE ELIMINATED THE BUSINESS CYCLE. WE CLAIM NO SUCH THING. WE DO CLAIM THAT OUR ECONOMIC POLICIES -- MAINLY BUDGET POLICIES -- HAVE BEEN EXTREMELY EFFECTIVE AND SUCCESSFUL. WE DO CLAIM THAT THE UNITED STATES IS BETTER OFF ECONOMICALLY TODAY THAN IT HAS BEEN FOR MANY YEARS.

WE DO CLAIM, AND THIS IS PERHAPS THE MOST IMPORTANT OF ALL, THAT THE GAINS MADE SO FAR AND THE GAINS TO BE MADE IN THE FUTURE ARE FAR MORE THAN STATISTICS OR PRETTY LINES ON AN ECONOMIST'S CHART. THEY REPRESENT A VAST INCREASE IN THE ECONOMIC POWER OF THE UNITED STATES. IT IS THE AVOWED INTENT OF THIS ADMINISTRATION, OPERATING IN AN ATMOSPHERE OF FIRM EXPENDITURE CONTROL TO USE THOSE GAINS TO IMPROVE THE LIFE OF EVERY AMERICAN.

AS PRESIDENT JOHNSON PUT IT LAST MARCH, THE ISSUE IS SIMPLE:

"TO DO WHAT WE CAN TO MAKE SURE THAT THE AVERAGE MAN AND WOMAN CAN LEAD A FINER AND A HAPPIER LIFE AND TOGETHER WITH THEIR CHILDREN THEY CAN ALL LOOK FORWARD TO A BETTER DEAL."

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

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE May 21, 1964

TREASURY OFFERS $1 BILLION ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $ **1,000,000,** 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 **June 2, 1964**, and will mature **May 31, 1965** 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, $500,00 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, May 27, 1964**. 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., 99.92 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 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 othe immediately available funds on June 2, 1964.

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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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 26, 1964.

May 25, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 27, 19 and the other series to be dated May 28, 1964, which were offered on May 20, were opened at the Federal Reserve Banks on May 25. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 183-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 27, 1964		:	183-day Treasury bills maturing November 27, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.124	3.465%	:	98.176 a/	3.588%
Low	99.120	3.481%	:	98.170	3.600%
Average	99.121	3.475% 1/	:	98.172	3.595% 1/

a/ Excepting one tender of $150,000
78% of the amount of 91-day bills bid for at the low price was accepted
20% of the amount of 183-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	$ 20,880,000	$ 10,844,000	:	$ 2,465,000	$ 2,465,000
New York	1,535,675,000	845,055,000	:	1,274,414,000	660,214,000
Philadelphia	26,805,000	11,805,000	:	8,646,000	3,226,000
Cleveland	16,602,000	16,580,000	:	11,884,000	11,644,000
Richmond	9,295,000	9,141,000	:	3,119,000	2,910,000
Atlanta	24,655,000	20,150,000	:	10,807,000	6,487,000
Chicago	215,314,000	142,792,000	:	182,901,000	79,401,000
St. Louis	30,862,000	23,418,000	:	9,133,000	7,133,000
Minneapolis	17,431,000	11,991,000	:	6,091,000	3,091,000
Kansas City	26,843,000	24,843,000	:	22,486,000	22,406,000
Dallas	18,108,000	11,108,000	:	9,209,000	4,209,000
San Francisco	130,532,000	72,332,000	:	167,995,000	94,855,000
Totals	$2,073,002,000	$1,200,059,000 b/		$1,709,150,000	$900,041,000 c/

b/ Includes $197,121,000 noncompetitive tenders accepted at the average price of 99.121
c/ Includes $51,843,000 noncompetitive tenders accepted at the average price of 98.172
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 3.71%, for the 183-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semi-annual compounding if more than one coupon period is involved.

~~TAX-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 March 5, 1964, (91 days remaining until maturity date on September 3, 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 June 4, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 4, 1964. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, May 27, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 4, 1964, in the amount of $2,101,772,000, as follows:

91-day bills (to maturity date) to be issued June 4, 1964, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated March 5, 1964, and to mature September 3, 1964, originally issued in the amount of $902,448,000, the additional and original bills to be freely interchangeable.

182-day bills, for $900,000,000, or thereabouts, to be dated June 4, 1964, and to mature December 3, 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 ~~Standard~~ time, Monday, June 1, 1964. 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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less for the additional bills dated March 5, 1964, (91-days remaining until maturity date on September 3,1964) 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 June 4, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 4, 1964. 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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FOR RELEASE A. M. NEWSPAPERS,
Thursday, May 28, 1964.

May 27, 1964

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 June 2, 1964, and to mature May 31, 1965, which were offered on May 21, were opened at the Federal Reserve Banks on May 27.

The details of this issue are as follows:

Total applied for - $2,207,571,000
Total accepted - 1,000,141,000 (includes $18,127,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 96.259	Equivalent rate of discount approx.	3.710%	per annum
Low	- 96.246	" " " " "	3.723%	" "
Average	- 96.250	" " " " "	3.719%	" " 1/

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 48,300,000	$ 11,195,000
New York	1,711,373,000	798,198,000
Philadelphia	10,639,000	639,000
Cleveland	69,547,000	16,547,000
Richmond	585,000	585,000
Atlanta	5,765,000	1,765,000
Chicago	209,612,000	134,512,000
St. Louis	5,370,000	2,370,000
Minneapolis	8,785,000	2,785,000
Kansas City	4,930,000	3,430,000
Dallas	16,253,000	4,206,000
San Francisco	116,410,000	23,910,000
TOTAL	$2,207,571,000	$1,000,141,000

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 3.88%. 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.

May 28, 1964

FOR RELEASE: A.M. NEWSPAPERS
FRIDAY, MAY 29, 1964

Treasury Announces Second U. S.
Drawing from the International Monetary Fund

Secretary of the Treasury Douglas Dillon announced today ~~the~~ second drawing of foreign currencies by the U. S. from the International Monetary Fund. This drawing, like the first drawing on February 13, 1964, is being made under the standby agreement for $500 million which was announced July 18, 1963 and also involves currencies equivalent to $125 million.

The U. S. drawing is being made in Deutschemarks and French francs in amounts equivalent to $70 million and $55 million The drawing will replenish currencies previously used out of Treasury stocks to facilitate repayments by members to the Fund and will cover contemplated requirements for this purpose over the next few months. By this drawing the U. S. obtains currencies from the Fund which it can sell for dollars to other members for their use in making repayments to the Fund. Other members can therefore continue, in effect, to use their dollar holdings to settle their obligations to the Fund.

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Under the stand-by arrangement, the United States will be able to make available to countries wishing to make repurchases from the Fund, using dollars, a simple and effective facility for obtaining other convertible currencies which the Fund can accept in repurchase. In outline, the mechanism will be as follows:

1. Upon learning that a given Fund member wishes to make a repurchase, would otherwise use U.S. dollars for the purpose, and would like to avail itself of this facility, the Fund staff will contact the U.S. authorities.

2. For value on the date of the repurchase transaction, the U.S. will draw other convertible currencies (pursuant to appropriate consultations through the Fund) equivalent to the value of the repurchase.

3. The U.S. will sell for U.S. dollars, the currencies drawn from the Fund to the repurchasing member, which will execute the repurchase by transferring them to the Fund and taking back the appropriate amount of its own currency. The sale of other convertible currencies by the U.S. to the repurchasing member is envisaged as being at par.

4. The net result of the transaction will be that the Fund's holdings of the other convertible currencies drawn by the U.S. will be the same as before, since they will leave the Fund and immediately be returned by the repurchasing member. The Fund's holdings of the repurchasing member's currency will be reduced and those holdings of U.S. dollars will be increased by the amount of the transaction.

The stand-by amount of $500 million is calculated to be sufficient to cover presently foreseeable repurchases, using U.S. dollars as the starting point, over the coming year. At the same time, the mechanism described above is to be only a facility to be available to interested Fund members at their option. Countries will, of course, continue to have the option, if they choose, to purchase gold from the United States for making repurchases from the Fund or for any other monetary purpose. Countries will also continue to have the option of obtaining other convertible currencies for making repurchases from the Fund by purchasing those currencies in the market against dollars or through arrangements with the central banks concerned, with or without the assistance of the Federal Reserve Bank of New York.

Thirty days has been set as the period within which comments and views should be submitted to the Commissioner of Customs, Washington, D. C.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 28, 1964

FOR IMMEDIATE RELEASE

Treasury Secretary Douglas Dillon, in special ~~key~~ official ~~ceremonies~~ at National Aeronautics and Space Administration headquarters, at 4:00 p.m., today (~~Thursday, May 28~~), exchanged 59 new $75 Series E Savings Bonds for the personal checks of Administrator James E. Webb and his top ~~command~~. The occasion punctuated NASA's current campaign as part of the interdepartmental program to increase total federal employee participation in the payroll savings plan.

"The example that you key officials are setting here, with this ceremony," said Secretary Dillon, "is one of the most significant that we have noted to date in our interdepartmental effort to increase the purchase of U. S. Savings Bonds. It is matched only by the pace you set in developing the world's biggest and best space vehicles. It should encourage others in like capacities to take similar steps.

"There are approximately $47½ billion outstanding in Series E and H Savings Bonds. This represents more than twenty per cent of the publicly held portion of the national debt. Because it represents real savings -- savings that come out of earned income -- it is a hard core of non-inflationary borrowing upon which our debt management can rely. It is the cornerstone upon which the entire debt structure rests.

"You and others like you -- throughout our Government and among the public at large -- have supported the Savings Bonds program in war and in peace, investing your time, your talent and your money."

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TREASURY STATEMENT ON PRESS REPORT OF CREDIT TO UAR

The Treasury Department today issued the following statement in response to inquiries concerning an article in a morning newspaper regarding an International Monetary Fund standby credit to the United Arab Republic:

The article alleges that the agreement in question violated the basic principles of the International Monetary Fund and was purportedl forced through the Fund by the U. S. Department of State over the opposition of the U. S. Treasury Department and of other countries.

The facts are that this standby was made in the normal course of IMF operations. It was negotiated over a period of months between the management of the Fund and the United Arab Republic and is subject to the fulfillment of a series of financial undertakings agreed betwee the Fund and the United Arab Republic. It was in no sense instigated or "forced through" by the United States.

When the agreement was presented to the board of executive little town of Derby Line, Vermont. As you know, Derby Line is right on the Canadian border; in fact one-half of the town is in Quebec, and the other half in Vermont. A white line intersecting Main Street marks the border between Quebec and Vermont. The shopkeepers on the Quebec side are proud of their heritage and they speak French, and many of the signs in the shop windows are in French. Somewhere along Main Street, a Vermont farmer and his wife lived in a house which stood directly on the white line where it left off Main Street and continued through a succession of hay fields. The farmer, being a good and true New Englander, decided that he wanted to move his house wholly and completely into Vermont. After much difficulty, the house was moved on rollers a few feet across the border line onto American soil. The move was reported to the Derby Line authorities who reported it in due course to Customs, and then came the classic action by a conscientious Inspector. The farmer was politely and firmly advised that he would have to pay duty on the old furniture in his living room which had been moved across the line! Such is the stuff of which our zealous Customs Inspectors are made!!

Another change which has taken place recently is the refreshingly new attitude on the part of our inspection personnel toward returning travelers. A great many letters and telephone calls are received by the Bureau of Customs as well as the Secretary's office from travelers who are impressed with the courtesy of the Customs Inspectors who check their baggage at the piers and at the airports. Every complaint received from a traveler is fully investigated, and if a situation needs correction, this is done. The complaining traveler receives a full explanation and there is rarely a recurrence. The code of conduct which is observed in the Customs Service has become an important part of the training of Customs inspectors, expecially since Mr. Philip Nichols became Commissioner in 1961.

The old attitude of cynical indifference to the rights of travelers is a thing of the past. Today the mission of the Customs Inspector is closely identified with the "big picture." It is identified with the Cold War. It is identified with our balance of payments problem. It is identified with the bond of understanding between Government and citizen, between tax-collector and taxpayer. In our generation, when we are engaged in a "struggle for the minds of men." the attitude of our Customs Inspectors toward visitors to our shores from foreign countries, can be an important factor in the impact which their visit has to this country. It also can help make a success of the Government's efforts to bring more foreign visitors into the

United States, thus helping to redress the deficit in our balance of payments.

There has been another change which some of you may have noticed in the Customs procedures during the last few years. Thanks to the concerted efforts of the Treasury Department, working closely with the Commissioner of Customs, we have simplified and streamlined many complex and difficult Customs procedures and formalities. In many instances, paperwork has been reduced. Along the New York waterfront, a good many reforms have been introduced resulting in speedier Customs processing of hundreds of thousands of passengers arriving at the Port of New York. In-transit baggage has been speeded up and the examination of hold-baggage requires much less time and than it use to at the Port of New York. We have introduced an "oral declaration" in place of the antiquated and complex written passenger "dec" which plagued passengers for years.

These are only a few of the reforms that have been introduced, and they will be followed by many others, a number of which will be important to you importers.

As a matter of fact your luncheon is most propitious. It gives me an opportunity to discuss directly with you a matter of common and continuing interest -- that is, the administration of United States dumping regulations.

As you know, just last week the Treasury Department announced a series of proposed changes in these regulations. We feel strongly these changes will vastly improve the administration of our anti-dumping laws by providing fairer, more equitable procedures for considering all such cases in the future. The intent of the proposed changes may be clearly and briefly stated:

They're designed to clear the air in dumping cases -- giving all parties involved a lot more information about one another's position than has heretofore been available. Importers, exporters and domestic industry will all be given equal opportunity to study the evidence presented by interested persons in a dumping proceeding. This means exporters and importers alike will be able to study the supporting documents offered as evidence in a complaint filed with the Treasury Department.

What's more, they will be assured of an opportunity to argue their case in the presence of the complainant -- responding directly to any points raised or additional evidence that is submitted in a formal proceeding.

As you know, this has not been the procedure in the past. No ›pportunity has been provided for, say, an importer to examine evidence ›resented to us designed to show he was offering a product in U.S. mar-‹ets at a dumping price. Neither could he expect to confront, in a sub-;equent proceeding before Treasury, the party or parties who had intro-luced such evidence.

Under the proposed changes the importer, as well as the original :xporter of the product, will not be denied access to either the initial :vidence or additional points and evidence that might be presented during he proceeding.

These first really substantive changes in our antidumping regulations n ten years are the result of an exhaustive study by expert consultants rought in by the Treasury Department and the Bureau of Customs. They lso reflect the extremely valuable comments, written and oral, that ere received by the department at the January 23rd public hearing on he subject.

We have not, in other words, drawn up these changes wholly on our wn, operating in a vacuum. We have listened carefully to businessmen ıch as yourselves and taken into account the various points and prob-ems you raised.

The opening up of dumping proceedings is not the only change con-emplated in our regulations. The changes also include a clear set of :andards to determine when differences in the volume of sales abroad ıd in the United States provide a genuine basis for making quantity allowances in price comparisons.

In the future, allowance would be made for a quantity discount only if it was in fact enjoyed with respect to at least 20 percent of the merchandise sold in the home market or in third-country markets or, finally, unless it was cost-justified.

Additionally the changes would remove another source of complaint in the past. Retroactive application of dumping duties would be dropped by eliminating withholding of appraisement of goods imported before the date of a withholding order.

The revised regulations would also permit an exporter to reimburse an importer who has been penalized -- a matter of particular interest to yourselves.

Our objective throughout this revision in our dumping regulations has been to make them more effective and above all fairer to all the parties concerned. We are not, it should be stressed, proposing a relaxation in the laws governing dumping. We want to expedite future proceedings as much as possible and make certain everyone gets treated equally and fairly.

We sincerely invite your views on these proposed changes. Written comment on them will be received this month and next and then we shall once more review them in detail, looking for still more ways in which to improve our regulations and the conduct of future dumping disputes. The year 1964 has been designated by Presidential proclamation and by an Act of Congress as U.S. Customs year. In meeting here this evening e are not only carrying out the mandate of Congress but also giving oice to the will of the American people who have for 175 years been the eneficiaries of the services rendered by Customs. All over the United tates in cities and towns Americans are celebrating the Customs anniver-ary. This has helped to spread an understanding of a sympathy for ur overworked and understaffed Customs Service.

The Bureau of Customs is caught between the prodigious increase in mports and our very limited available funds. Inadequate operating funds ave long been a major problem to the Customs Service. Some years ago, our organization appeared before the Appropriations Committee in support f a request for financing for Customs which has fewer people on its ayroll today than it did 30 years ago, despite a tremendous increase in orkload. The picture has not changed. This past March, the House pproved the 1965 Appropriations Bill which included only 40% of our ncreased manpower requests for Customs included in the President's bud-et. We have requested restoration by the Senate of this drastic cut nd we are sure we will receive a full and fair opportunity to present ur case.

Customs is a progressive hard-working organization which returns o the Treasury 25 dollars for every dollar it spends. The Customs ervice deserves your support and the support of all parts of the foreign rade community.

This splendid tribute will help to make the Customs employees con-cious of the recognition of a difficult job well done. It is good that e pause for a moment in history to doff our hats to this faithful and oyal servant of the people, and say: "Happy Birthday to all the men nd women in the U.S. Customs Service."

"Congratulations on a job well done."

United States Savings Bonds Issued and Redeemed Through April 1964
(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
es A-1935 - D-1941	5,003	4,991	12	.24
es F & G-1941 - 1952	29,521	29,375	146	.49
URED				
es E: 3/				
1941	1,833	1,556	277	15.11
1942	8,099	6,894	1,205	14.88
1943	13,042	11,117	1,925	14.76
1944	15,184	12,781	2,403	15.83
1945	11,888	9,797	2,091	17.59
1946	5,347	4,188	1,159	21.68
1947	5,041	3,769	1,272	25.23
1948	5,196	3,780	1,416	27.25
1949	5,113	3,633	1,480	28.95
1950	4,460	3,089	1,371	30.74
1951	3,863	2,665	1,198	31.01
1952	4,045	2,734	1,310	32.39
1953	4,602	2,957	1,645	35.75
1954	4,674	2,808	1,866	39.92
1955	4,820	2,846	1,974	40.95
1956	4,625	2,742	1,883	40.71
1957	4,346	2,503	1,843	42.41
1958	4,204	2,266	1,939	46.12
1959	3,931	2,074	1,857	47.24
1960	3,912	1,918	1,994	50.98
1961	3,925	1,726	2,199	56.03
1962	3,774	1,505	2,270	60.15
1963	4,180	1,088	3,092	73.98
1964	437	181	436	99.77
classified	667	759	-92	-
tal Series E	131,207	91,196	40,011	30.49
es H (1952 - Jan. 1957) 3/ ..	3,670	1,479	2,192	59.73
H (Feb. 1957 - 1964)	6,101	784	5,317	87.15
tal Series H	9,771	2,263	7,509	76.85
tal Series E and H	140,978	93,459	47,520	33.71
es J and K (1952 - 1957)	3,711	2,090	1,621	43.68
eries Total matured	34,524	34,366	158	.46
eries Total unmatured	144,689	95,549	49,141	39.96
eries Grand Total	179,213	129,915	49,299	27.51

cludes accrued discount.
rrent redemption value.
option of owner bonds may be held and
l earn interest for additional periods
er original maturity dates.

BUREAU OF THE PUBLIC DEBT

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 30, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED STANDARD STEEL PIPE
UNDER THE ANTIDUMPING ACT

With regard to welded standard steel pipe from the United Kingdom, the Treasury Department has determined that the case be closed on the basis of no sales 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 1963 was approximately $7,500,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE A. M. NEWSPAPERS,
iday, May 1, 1964.

April 30, 1964

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,000,000, thereabouts, of 359-day Treasury bills to be dated May 6, 1964, and to mature April 1965, which were offered on April 24, were opened at the Federal Reserve Banks on il 30.

The details of this issue are as follows:

Total applied for - $1,883,634,000
Total accepted - 1,000,239,000 (includes $16,834,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 96.316	Equivalent rate of discount approx.	3.694% per annum
Low	- 96.296	" " " " "	3.714% " "
Average	- 96.305	" " " " "	3.705% " " 1/

(69% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 15,540,000	$ 540,000
New York	1,505,037,000	760,837,000
Philadelphia	10,640,000	640,000
Cleveland	1,556,000	1,556,000
Richmond	423,000	423,000
Atlanta	9,900,000	6,280,000
Chicago	214,236,000	157,436,000
St. Louis	9,300,000	4,800,000
Minneapolis	7,576,000	4,921,000
Kansas City	6,056,000	4,056,000
Dallas	11,150,000	3,840,000
San Francisco	92,220,000	54,910,000
TOTAL	$1,883,634,000	$1,000,239,000

n a coupon issue of the same length and for the same amount invested, the return on hese bills would provide a yield of 3.86%. Interest rates on bills are quoted in erms of bank discount with the return related to the face amount of the bills payable t maturity rather than the amount invested and their length in actual number of days elated to a 360-day year. In contrast, yields on certificates, notes, and bonds are omputed in terms of interest on the amount invested, and relate the number of days emaining in an interest payment period to the actual number of days in the period, ith semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 1, 1964

REMARKS BY SECRETARY OF THE TREASURY DOUGLAS DILLON UPON SALE OF FIRST $75 DENOMINATION UNITED STATES SAVINGS BOND TO PRESIDENT LYNDON B. JOHNSON, AT THE WHITE HOUSE, FRIDAY, MAY 1, 1964, 12:00 NOON, EDT.

Twenty-three years ago today -- on May 1, 1941 -- the late President Franklin D. Roosevelt purchased the first Series E United States Savings Bond ever issued. It was the beginning of what has now become an established American institution -- a program which is inspired and led by countless volunteers in all walks of life, a program in which tens of millions of Americans regularly participate through their purchases of E and H Savings Bonds. The widespread ownership of these securities is a bulwark of economic stability for the Nation, and of financial security for millions of families.

Today, on the 23rd anniversary of the Savings Bonds program we open a new drive to encourage more Americans to take part in this patriotic thrift activity. We call it "Operation Security" which symbolizes the close relationship between the security of individual families and of our country as a whole, and the part Savings Bonds can play in strengthening both.

We also introduce today a new $75 denomination Series E Bond -- one which bears the portrait of the late President Kennedy and a famous quotation from his inaugural address. It is my privilege to issue the first bond of this new denomination to the President of the United States.

In making this purchase, Mr. President, you will both launch our campaign and encourage other Americans to save for their country's security and their own by purchasing United States Savings Bonds.

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FOR IMMEDIATE RELEASE MAY 1, 1964

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
ON PRESENTATION OF KENNEDY BOND AND THE
LAUNCHING OF OPERATION SECURITY
THE CABINET ROOM

When President Roosevelt purchased the first savings bond ever issued he set into motion the greatest thrift program the world has ever known. I am very proud today to buy the first of the new $75 denomination United States savings bonds, a bond which bears the portrait of our late, beloved, and brave President John F. Kennedy. I hope that many of my fellow citizens will follow this example. In doing so, they will be paying a tribute to a most remarkable American and answering in at least a small measure his unforgettable challenge, "Ask not what your country can do for you, but what you can do for your country."

The purchase of savings bonds is an expression of faith in America's future. Millions of Americans own a record total of $47 billion of these shares in their country. I urge them, and I urge all Americans, to take part in the 1964 savings bond campaign, Operation Security, which opens today. Our responsibility to our country, as President John Kennedy said, and I quote, "is not discharged by an announcement of virtuous ends. It must include concrete acts of confidence."

Buying bonds for our Nation's security is a sure way to express such confidence and I take pride and pleasure in presenting my check for the first $75 bond to the Secretary of the Treasury, Mr. Dillon.

END

TREASURY DEPARTMENT

WASHINGTON, D.C.
May 4, 1964

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 5, 1964.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 6, 1964, and the other series to be dated May 7, 1964, which were offered on April 29, were opened at the Federal Reserve Banks on May 4. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 6, 1964		:	182-day Treasury bills maturing November 5, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.125 a/	3.462%	:	98.176	3.608%
Low	99.115	3.501%	:	98.159	3.642%
Average	99.120	3.482% 1/	:	98.165	3.629% 1/

a/ Excepting three tenders totaling $1,665,000
96% of the amount of 91-day bills bid for at the low price was accepted
45% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 23,945,000	$ 13,945,000	:	$ 1,559,000	$ 1,559,000
New York	1,312,391,000	796,591,000	:	1,071,851,000	728,101,000
Philadelphia	27,584,000	12,584,000	:	8,529,000	3,529,000
Cleveland	20,498,000	20,498,000	:	6,293,000	6,293,000
Richmond	11,007,000	11,007,000	:	3,468,000	3,468,000
Atlanta	38,744,000	36,704,000	:	9,543,000	8,543,000
Chicago	190,698,000	141,298,000	:	118,637,000	61,637,000
St. Louis	31,235,000	25,235,000	:	9,100,000	7,600,000
Minneapolis	19,498,000	19,458,000	:	6,501,000	4,726,000
Kansas City	28,102,000	28,102,000	:	6,702,000	6,702,000
Dallas	32,602,000	24,602,000	:	9,674,000	7,674,000
San Francisco	80,327,000	70,127,000	:	73,911,000	60,361,000
TOTALS	$1,816,631,000	$1,200,151,000 b/		$1,325,768,000	$900,193,000 c/

Includes $213,008,000 noncompetitive tenders accepted at the average price of 99.120
Includes $58,931,000 noncompetitive tenders accepted at the average price of 98.165
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.56%, 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.

D-1214

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 5, 1964

FOR RELEASE: P.M. NEWSPAPERS
TUESDAY, MAY 5, 1964

NORTH VIET NAM ADDED TO LIST OF
BLOCKED COUNTRIES

The Treasury Department announced that it had added North Viet Nam to the list of blocked countries in the Foreign Assets Control Regulations, effective May 5, 1964. This action was taken at the recommendation of the Department of State, in the light of the continued Viet Cong Communist aggression in Viet Nam. The effect of the action is to freeze any North Vietnamese assets which might exist in the United States, and to prohibit all financial and commercial transactions by Americans with North Viet Nam.

Since the so-called "National Liberation Front of South Viet Nam" was created by the Communist regime of North Viet Nam, and is based in and controlled by North Viet Nam, this blocking action applies equally to all transactions with that puppet organization.

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~~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 ~~(16)~~ or less for the additional bills dated February 13, 1964 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on August 13, 1964 ~~(19)~~) and noncompetitive tenders for $100,000 ~~(20)~~ or less for the 182 ~~(21)~~ -day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 14, 1964 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 14, 1964 ~~(23)~~. Cash

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 6, 1964

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 14, 1964, in the amount of $2,103,208,000, as follows:

91-day bills (to maturity date) to be issued May 14, 1964, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated February 13, 1964, and to mature August 13, 1964, originally issued in the amount of $900,881,000, the additional and original bills to be freely interchangeable.

182-day bills, for $900,000,000, or thereabouts, to be dated May 14, 1964, and to mature November 12, 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, May 11, 1964. 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 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 ithout deposit from incorporated banks and trust companies and from esponsible and recognized dealers in investment securities. Tenders rom others must be accompanied by payment of 2 percent of the face mount of Treasury bills applied for, unless the tenders are ccompanied by an express guaranty of payment by an incorporated bank r trust company.

D-1216

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 7, 1964

FOR IMMEDIATE RELEASE

BUREAU OF THE MINT DISCONTINUES ACCEPTANCE OF MAIL ORDERS FOR 1964 UNCIRCULATED COIN SETS

The Bureau of the Mint announced today that an unprecedented demand for the 1964 uncirculated coin sets -- also referred to as "Mint Sets" -- has required the Philadelphia Mint to discontinue acceptance of mail orders. In accordance with its usual custom the Philadelphia Mint began taking orders on May 1st. The volume of requests already exceeds the number of sets which can be processed during 1964. Therefore, many unfilled orders must be returned.

Uncirculated coin sets contain ten coins of regular issue, five each from the two Mints, Philadelphia and Denver. They have a face value of $1.82, and sell for $2.40, which covers the cost of handling, postage and insurance.

Uncirculated coin sets are also sold -- when a supply is available -- over the counter beginning May 1 of each year at the Mints in Philadelphia and Denver, the Assay Office in San Francisco, and the Cash Room at the Main Treasury in Washington.

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D-1217

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 8, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED STANDARD STEEL PIPE
UNDER THE ANTIDUMPING ACT

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

The dollar value of imports of the involved merchandise received during 1962 was approximately $600,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 8, 1964

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN APRIL

During April 1964, 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 $44,636,500.00.

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D-1218

TREASURY DEPARTMENT

WASHINGTON, D.C.

OR IMMEDIATE RELEASE May 8, 1964

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

The Treasury today announced preliminary results on its refunding offer to olders of $10.6 billion Treasury certificates and notes maturing May 15, of which 4.2 billion were held by the public. Public holders exchanged for $1,464 million f the new 4-1/4% bonds of May 15, 1974 and $2,114 million of new 4% notes due ovember 15, 1965. The Federal Reserve and Government Investment Accounts took 6,383 million of the 4% notes and $29 million of the 4-1/4% bonds.

About $624 million, or 5.9% of the total maturities and 14.9% of publicly-held aturities, will be redeemed in cash. This is closely in line with expectations n view of the exceptionally scattered ownership of the maturing securities.

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

ELIGIBLE FOR EXCHANGE		EXCHANGED FOR			UNEXCHANGED
Security	Amount	4% Notes due 11/15/65	4-1/4% Bonds due 5/15/74	Total	Amount
3-1/4% Ctfs.	$ 4,198	$3,817	$ 307	$4,124	$ 74
4-3/4% Notes	4,400	3,438	590	4,028	372
3-3/4% Notes	2,016	1,242	596	1,838	178
Total	$10,614	$8,497	$1,493	$9,990	$624

SUBSCRIBERS	4% Notes due 11/15/65	4-1/4% Bonds due 5/15/74	Total
Federal Reserve Banks and Govt. accounts	$6,383	$ 29	$6,412
All others	2,114	1,464	3,578
Total	$8,497	$1,493	$9,990

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

D-1219

TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
sday, May 12, 1964.

May 11, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of
asury bills, one series to be an additional issue of the bills dated February 13,
, and the other series to be dated May 14, 1964, which were offered on May 6, were
ed at the Federal Reserve Banks on May 11. Tenders were invited for $1,200,000,000,
thereabouts, of 91-day bills and for $900,000,000, or thereabouts of 182-day bills.
details of the two series are as follows:

GE OF ACCEPTED ETITIVE BIDS:	91-day Treasury bills maturing August 13, 1964		:	182-day Treasury bills maturing November 12, 1964	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.121	3.477%	:	98.174	3.612%
Low	99.115	3.501%	:	98.166	3.628%
Average	99.118	3.491% 1/	:	98.168	3.625% 1/

5% of the amount of 91-day bills bid for at the low price was accepted
63% of the amount of 182-day bills bid for at the low price was accepted

L TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

strict	Applied For	Accepted	:	Applied For	Accepted
ston	$ 40,457,000	$ 20,457,000	:	$ 2,997,000	$ 2,797,000
w York	1,549,248,000	764,306,000	:	1,488,284,000	744,973,000
iladelphia	30,037,000	15,037,000	:	9,834,000	4,784,000
eveland	25,957,000	25,957,000	:	15,344,000	13,995,000
chmond	16,617,000	16,617,000	:	3,481,000	3,352,000
lanta	28,943,000	23,508,000	:	19,231,000	7,803,000
icago	178,800,000	114,687,000	:	145,817,000	63,622,000
. Louis	32,657,000	25,517,000	:	11,366,000	8,896,000
nneapolis	20,358,000	13,983,000	:	7,203,000	4,303,000
nsas City	26,885,000	24,935,000	:	11,472,000	9,063,000
llas	32,686,000	18,461,000	:	10,608,000	5,212,000
n Francisco	189,868,000	136,968,000	:	111,751,000	31,658,000
TOTALS	$2,172,513,000	$1,200,433,000 a/		$1,837,388,000	$900,458,000 b/

ncludes $237,165,000 noncompetitive tenders accepted at the average price of 99.118
ncludes $76,285,000 noncompetitive tenders accepted at the average price of 98.168
n 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 91-day bills, and 3.74%, 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.

-1220

STATUTORY DEBT LIMITATION

As of April 30, 1964 — Washington, May 12, 1964

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 November 26, 1963 (P.L. 88-187 88th Congress) provides that during the period beginning on December 1, 1963, and ending on June 30, 1964, the above limitation shall be temporarily increased to $309,000,000,000. Because of variations in the timing of revenue receipts, the public debt limit as increased by the preceding sentence is further increased through June 29, 1964, by $6,000,000,000.

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			$315,000,000,000
Outstanding obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing:			
Treasury bills	$51,048,721,000		
Certificates of indebtedness	4,198,246,000		
Treasury notes	65,130,120,000	$120,377,087,000	
Bonds —			
Treasury	86,978,996,050		
*Savings (current redemption value)	49,141,553,488		
United States Retirement Plan bonds	5,263,617		
Depositary	99,264,000		
R.E.A. series	24,343,000		
Investment series	3,558,791,000	139,808,211,155	
Certificates of Indebtedness —			
Foreign series	240,000,000		
Foreign currency series	30,120,481		
Treasury notes —			
Foreign series	158,333,423		
Treasury bonds —			
Foreign currency series	732,249,810	1,160,703,714	
Treasury certificates	15,197,754	15,197,754	
Treasury bonds	20,000,000	20,000,000	
Special Funds —			
Certificates of indebtedness	5,963,350,385		
Treasury notes	2,211,134,000		
Treasury bonds	33,829,647,000	42,004,131,385	
Total interest-bearing		303,385,331,008	
Matured, interest-ceased		275,906,750	
Bearing no interest:			
United States Savings Stamps	53,394,698		
Excess profits tax refund bonds	688,073		
Internat'l Monetary Fund notes	3,166,000,000		
Internat'l Develop. Ass'n. notes	164,261,000		
Inter-American Develop. Bank notes	150,000,000		
United Nations bonds - Various programs	42,589,267	3,576,933,038	
Total		307,238,170,796	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: F.H.A. & DC Stad. Bds.	800,865,700		
Matured, interest-ceased	752,925	801,618,625	
Grand total outstanding			308,039,789,421
Balance face amount of obligations issuable under above authority			6,960,210,579

RECONCILEMENT WITH TABLE III OF THE DAILY STATEMENT OF THE UNITED STATES TREASURY

As of April 30, 1964

Gross public debt this date	307,600,680,872
Guaranteed obligations not owned by Treasury	801,618,625
Total gross public debt and guaranteed obligations	308,402,299,497
Deduct debt not subject to statutory limitation	362,510,075
Total debt subject to limitation	308,039,789,421

STATEMENT OF PAUL A. VOLCKER
DEPUTY UNDER SECRETARY OF THE TREASURY
FOR MONETARY AFFAIRS
BEFORE THE RULES COMMITTEE OF THE
HOUSE OF REPRESENTATIVES ON H. R. 5130
10:30 A.M., May 13, 1964

Mr. Chairman and Members of the Committee:

A possible increase in the coverage of Federal deposit and share insurance, as provided by H.R. 5130, was among the matters considered with great care within the Administration during the deliberations of the inter-agency Committee on Financial Institutions, which reported to President Kennedy on April 9, 1963. That Committee, comprising all the interested Federal Government departments and agencies, concluded that increases in insurance coverage could be justified from time to time to take account of such factors as increases in average wealth and income -- factors which are related to the average size of bank deposits or share accounts. However, the Committee also concluded that such an increase should be considered only within a context of complementary action to strengthen the supervisory structure within which the insured institutions operate, and to enable the responsible Federal authorities to oversee more effectively certain practices with important implications for the solvency and liquidity of those institutions.

These conclusions were reflected in a bill drafted and supported by an interagency group and transmitted to the House and Senate by Secretary Dillon on June 26, 1963. That bill provided for an increase in insurance coverage from $10,000 to $15,000 in combination with several other measures to strengthen the regulatory powers of the agencies responsible for supervising banks and savings and loan associations. This bill was subsequently introduced, by request, in the House by Mr. Patman as H.R. 7404.

The Treasury and the Administration remain of the opinion that an increase in insurance coverage should be contingent upon action of the kind incorporated in H.R. 7404 to further assure the solvency, liquidity, and effective performance of insured institutions. In contrast, H.R. 5130, as approved by the House Banking and Currency Committee, provides only for an increase in insurance coverage, and that increase would be larger than provided for in the Administration's alternative approach. Consequently, the Administration is opposed to the enactment of H.R. 5130.

The danger in a substantial increase in insurance coverage, taken alone, is that it could encourage competitive and other practices among promotionally minded institutions that would tend to undermine their safety and solvency, since more depositors or account holders would be inclined simply to look to the Federal Government for protection in the event difficulties arose, instead of prudently assessing the management and performance of the institution concerned. This danger would be mitigated if increased insurance coverage were accompanied by other measures to assure that the powers of supervisory agencies were more fully adequate to curb tendencies that might weaken the financial structure. These measures, as incorporated in H.R. 7404, fall into three general categories:

1) Uniform standby powers for the appropriate regulatory authorities to limit the interest or dividends paid on deposits and share accounts;
2) A strengthening of the powers of the Federal Home Loan Bank Board to assure adequate provision for liquidity by its member institutions; and
3) Further statutory and supervisory safeguards against conflict of interest situations in the management of insured financial institutions.

This position, developed within the Administration, is more fully detailed in a letter to Mr. Patman from Secretary Dillon dated April 25, 1963, which was printed in the hearings of the House Banking and Currency Committee on H.R. 5130, and in the Secretary's letter to the Speaker of the House of June 26, 1963, transmitting the proposed Deposit and Share Account Insurance Act of 1963. Copies of both those letters are attached to this statement for your convenience. I would, of course, be happy to respond to any further questions you may have on this position.

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COPY

THE SECRETARY OF THE TREASURY
WASHINGTON

April 25, 1963

Dear Mr. Chairman:

This letter is in response to your request for the views of the Administration on proposals to increase the coverage of FDIC insurance of bank deposits and FSLIC insurance for saving and loan accounts, as provided in H.R. 5130.

As you know, this question was among the important issues reviewed by the Committee on Financial Institutions established within the Administration by the President on March 28, 1962. The Report of that Committee was recently completed, and copies have been made available to your Committee, as well as to other interested groups, so that the conclusions can be further reviewed and carefully scrutinized.

In essence, the conclusion of the Committee on Financial Institutions pertinent to your current deliberations -- a conclusion with which the President has expressed his agreement -- is that increases in insurance coverage should be considered only within a context of satisfactory resolution of a number of related issues with a bearing on the strength of our financial structure. It was the judgment of the Committee that a substantial increase in insurance coverage, taken alone, would not be in the public interest at this time.

In arriving at this conclusion, the Committee on Financial Institutions fully recognized that deposit and share insurance has performed, and should continue to perform, a vital function in our financial system -- preserving public confidence in those financial institutions responsible for maintenance of the bulk of our money supply and for handling the liquid savings of millions of individuals and families. Deposit insurance remains an essential bulwark against disruptive "runs," in which failure or suspicion of failure of one or a few institutions can set off a panicky series of withdrawals from fundamentally sound institutions -- at the cost of heavy individual losses and serious dislocations in the economic life of a community, or even the nation. Moreover, families of moderate means, unable to diversify or accurately appraise risks, should continue to be provided with a means for fully and conveniently protecting their savings in private institutions that, at the same time, make those savings available for investment elsewhere in the economy. In a nation characterized by tens of thousands of individual financial institutions, the need for adequate deposit and share insurance exists even though a strong central bank, willing and able to provide liquidity at times of need, combined with effective supervision and examination of individual institutions, itself sharply limits the possibility of incipient panic or failures of individual institutions.

If these were the only considerations involved, a case could be made for a substantial upward adjustment in the limits of coverage for demand deposit and time and savings accounts without any need for accompanying action in other directions. In that way, whatever limited danger remains of failures of banks or other savings institutions seriously disrupting the economic life of a community or creating individual hardship could be further reduced by increasing both the number of accounts and the proportion of total funds that are fully protected.

The Committee on Financial Institutions also received evidence from both the FDIC and FHLBB suggesting that an increase in the insurance limit would be consistent with the adequacy and capacity of the FDIC and FSLIC insurance funds for meeting foreseeable contingencies, with the assessments as at present based on total deposit and share accounts. This evidence is, I believe, being made available for further evaluation by your Committee.

However, there are other important considerations involved in a substantial increase in insurance coverage, and it was analysis of these considerations that led to the principal reservations of the Committee on Financial Institutions. These reservations grow out of the fact that deposit and share insurance provides financial institutions with a distinct competitive advantage, enabling these institutions as a group to attract funds from other savings media, and enabling the weaker institutions among them to compete on more equal terms with those that are more carefully and effectively managed. Federal insurance sheltering account holders from risk can be, and in some cases is, used as a promotional device. Some institutions, operating under this protective umbrella and feeling pressure to maximize the immediate returns that can be offered to their customers, may lose sight of their fundamental responsibility for prudent and careful management of the funds entrusted to them.

A very substantial increase in insurance coverage, providing full protection for all but a few accounts and the bulk of all funds entrusted to these institutions, would pose this potential danger more sharply in view of the possibility that more sizable depositors or shareholders themselves will have less incentive to evaluate the safety, stability, and investment practices of the particular institutions in which they place their funds. The result, under some conditions, would be to increase the burden of responsibility on the supervisory authorities for guarding against overly aggressive competitive practices in seeking funds that could in turn erode lending standards, for assuring adequate provisions for liquidity, and for protecting against conflicts of interest in the management of savers' funds.

In reconciling these various considerations, the Committee on Financial Institutions concluded that increases in existing deposit and share insurance coverage are justified from time to time to take account of rising wealth and incomes (and the related increase in the average size of deposit and share accounts) so that this insurance can continue to serve effectively its basic purposes. However, the Committee also felt that these increases should not be considered apart from complementary measures that will strengthen further the supervisory framework and enable the responsible authorities to oversee more effectively certain practices with a bearing on the safety and liquidity of individual institutions, thereby assuring that their powers match their responsibilities.

The Committee's Report suggests three areas in which such complementary action is particularly appropriate, without in any way inhibiting institutions from exercising their independent judgment concerning appropriate credit risks:

1. Federal agencies with responsibility for supervising the various types of financial institutions should each have sufficient authority to assure that institutions under its jurisdiction maintain adequate provisions for liquidity. In areas where this authority appears unsatisfactory or insufficient today, authority to set a modest cash reserve requirement, with power to make changes in that requirement within specified limits, would be a helpful step in the direction of strengthening the relationship between the appropriate supervisory agency and the supervised institution in the public interest.

2. Appropriate supervisory agencies should have standby authority over the maximum interest and dividend rates paid on savings and time accounts so that they might effectively guard against competitive practices that appear inconsistent with the safety and liquidity of a significant number of institutions through their adverse effect on lending standards. Continuous regulation of such rates, as is now the practice with respect to insured commercial banks' time and savings accounts, would not, in the judgment of the Committee, be necessary to achieve this purpose, and the Committee concluded on other grounds that such continuous regulation should be eliminated.

3. Safeguards against conflicts of interest on the part of those responsible for the management of the various institutions should be broadened to include those institutions where this basic protection for the account holders' interests now appear inadequate.

The Committee recognized that these objectives have already been substantially met in the case of some kinds of institutions. As a practical matter, however, it would not appear desirable to raise the insurance limit at this time for some institutions and not for others, since this would disturb long established competitive relationships.

Like the other conclusions of the Committee on Financial Institutions, the discussion of deposit and share insurance coverage in the Report was couched in terms of general principle rather than specific legislative proposals. However, in view of the timeliness of the Committee conclusions bearing on this question with respect to the current deliberations of your Committee, the President has directed that work proceed promptly within the Administration to the end that the related issues raised by the Committee on Financial Institutions can be resolved in a practical legislative proposal as soon as possible. This work is being given priority by interested agencies so that your Committee, as it considers these questions, may have the full benefit of the Administration's views on means of handling the technical and operational questions involved.

The view of this Administration is that effective means for dealing with the potential problems outlined above along the lines suggested should be a prerequisite for an increase in deposit and share insurance coverage, and these additional safeguards should be enacted into law.

Sincerely yours,

/s/ Douglas Dillon

Douglas Dillon

The Honorable Wright Patman
Chairman, Committee on Banking
and Currency
House of Representatives
Washington 25, D. C.

C O P Y

THE SECRETARY OF THE TREASURY
WASHINGTON

June 26, 1963

Dear Mr. Speaker:

I am transmitting herewith a bill entitled the "Federal Deposit and Share Account Insurance Act of 1963."

This bill is designed to accomplish two inter-related objectives. First, the maximum insurance coverage for deposit accounts in a commercial or savings bank insured by the Federal Deposit Insurance Corporation, and for share accounts with a savings and loan association insured by the Federal Savings and Loan Insurance Corporation, would be raised from $10,000 to $15,000. At the same time, a number of steps would be taken to protect further the safety and liquidity of those financial institutions whose ability to attract funds from the public would be enhanced by the increase in deposit and share insurance coverage, thus bulwarking the stability of the financial system as a whole. These objectives are fully supported by the conclusions of the Committee on Financial Institutions, which reported to the President on April 9, 1963.

The proposed bill recognizes that deposit and share insurance performs an important role in our financial system, and that increases in the maximum limit for insurance coverage of individual accounts are justified from time to time to assure that the basic purposes of this insurance will continue to be served effectively. These purposes include the preservation of public confidence in those financial institutions responsible for maintaining the bulk of our money supply and for handling most of the liquid savings of our citizens, and particularly in their ability to discharge their responsibility for providing cash to account holders fully and promptly.

Without adequate deposit and share insurance, the failure of even a single institution potentially can seriously disrupt the economy of a community and bring individual hardship. Moreover, there would also be a danger that failure, or even the suspicion of failure, of one institution might set off contagious and disruptive "runs" which even fundamentally sound institutions could not readily withstand. Another purpose of deposit and share insurance is to provide families and individuals of moderate means, frequently unable themselves to appraise accurately the soundness of available outlets for their funds, with an opportunity for fully and conveniently protecting their savings.

Clearly, these purposes can be met with full effectiveness only if the maximum limits of deposit and share insurance are high enough to provide full protection for the bulk of all accounts and for a large share of the total liabilities or share capital of the institutions concerned. While judgments may reasonably differ on the precise proportion of accounts and total funds that must be covered to assure an effective insurance program, it seems clear that prudent limits in this respect are not in danger of being breeched today. But, it is also clear that maintenance of appropriate relationships may require increases in coverage from time to time in response to such factors as significantly higher price levels or increases in average income or wealth, changes in average deposit or share account balances, and similar factors; and these increases should be made before any critical problem becomes evident. A limit of $15,000 will be ample to take account of any changes in these factors since the insurance limit was last raised from $5,000 to $10,000 in 1950, and will assure maintenance of a level of protection over the foreseeable future clearly adequate by standards of past experience and practice.

However, at a time when such increases in insurance coverage are being considered, we are also particularly conscious of the need to introduce measures to strengthen the supervisory framework in other respects. These measures -- desirable in themselves whether or not insurance coverage is increased -- would provide needed protection against certain possible dangers associated with such an increase in coverage. In particular, pressures to maximize the immediate returns that can be offered to customers, at the expense of liquidity and safety, might increase, since potential depositors and account holders will themselves have less incentive for carefully appraising the safety, stability, and investment practices of the institution holding their funds.

For these reasons, the Committee on Financial Institutions urged, and we strongly believe, that increases in insurance coverage be considered only within a context of complementary action to strengthen the supervisory framework within which these institutions operate, and to enable the responsible Federal authorities to oversee more effectively certain practices with important implications for the safety and liquidity of financial institutions. To this end, the bill would provide additional safeguards in three broad areas:

a) Standby authority would be provided to the Federal Home Loan Bank Board for establishing ceilings over the rates of interest or dividends that may be paid by members of the Federal Home Loan Bank system (other than those insured by the Federal Deposit Insurance Corporation). This would provide protection against the possibility that, at some point, unsound competitive practices in that industry could arise and so erode lending standards as to undermine the safety and stability of the affected institutions. In view of the need for awareness of the possible implications of such ceilings for general credit flows and for competitive relationships among financial institutions, these limits would be imposed only after consultation with the Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation, and when consistent with the policy declaration of the Employment Act of 1946 to promote "maximum employment, production, and purchasing power" in a manner calculated to foster free competitive enterprise and the general welfare.

The current authority of the Federal Reserve with respect to establishing ceilings on payment of interest on time and savings accounts of Federal Reserve member banks, and of the Federal Deposit Insurance Corporation with respect to insured nonmember commercial and savings banks, would also be placed on a standby basis, with a similar requirement for prior consultation with other relevant supervisory agencies. This is consistent with the conclusion of the Committee on Financial Institutions that continuous regulation of rates paid by commercial banks, as practiced since the mid-1930's, is no longer necessary or desirable.

In each case, it is contemplated that the standby authority provided will be exercised only when the authorities find affirmative evidence that such ceilings are required to prevent unsound competitive practices in bidding for funds that would endanger the safety of institutions under their supervision, or that flows of funds domestically or internationally, in response to prevailing competitive practices are in serious conflict with the aims of national monetary and economic policy. The authority would, of course, be available for use in time of emergency conditions.

b) Added authority would be provided the Federal Home Loan Bank Board to assure maintenance of liquidity by member and insured institutions in amounts and forms appropriate to assure their soundness and to meet the specific circumstances of that industry. Changes from existing authority are designed to remedy a number of inadequacies in present law that limit its effectiveness. The Board would, under the terms of the bill, be able to define more precisely and fully the kinds of liquidity instruments eligible for fulfilling the specified general liquidity requirement; the accounting and enforcement provisions would be substantially improved; the upper limit of the general liquidity requirement would be set at 10% instead of the 8% limit for the analogous provision in current law; and this general liquidity requirement, ranging at the discretion of the Board from 4% to 10%, would be applied to the total of withdrawable accounts and borrowings rather than to withdrawable accounts alone.

In addition, the Board would be permitted to impose an additional special liquidity requirement on any member or members if required, on the basis of specified criteria, to protect further the safety of such member or members. Thus, the Board would be provided with explicit supplementary powers of a kind that have, in practice, long been exercised in the banking industry on the basis of established traditions andsupervisory authority. In no case, however, could such special liquidity requirement, in combination with the general requirement applicable to members generally, exceed 15% of withdrawable accounts and borrowings.

c) New safeguards would be provided against possible conflicts of interest of directors and officers of insured nonmember banks similar to those now in force for member banks; the discretionary regulatory powers of the supervisory authorities with respect to conflict of interest situations for both member and nonmember banks would be further strengthened; and roughly analogous safeguards would be instituted for member and insured savings and loan associations, tailored to the special conditions of that industry. The proposed safeguards for member and insured savings and loan associations are, insofar as criminal penalties are not involved, modeled in large part on regulations now applicable only to Federally-charted savings and loan associations. Existing provisions in the criminal code applicable to member and insured nonmember banks, as well as to a number of other credit agencies operating under U. S. laws, would be extended to include member or insured savings and loans.

In addition, existing limits on loans to officers of member banks or to bank examiners would be liberalized in certain instances where current provisions are unduly restrictive and where dangers of abuse appear limited or nonexistent. The definition of bank affiliates would be tightened for purposes of limitations on loans to such affiliates, and restrictions on transactions with affiliates now applicable only to member banks would be extended to all insured banks.

Each of these provisions parallels conclusions of the Committee on Financial Institutions, but not all the relevant conclusions of that Committee have been encompassed in this bill. In particular, the Committee had concluded that a modest cash reserve requirement for mutual savings banks and savings and loan associations would be a further helpful step in strengthening the supervisory framework and in assuring more effectively the solvency and safety of individual institutions. However, extension of cash reserve requirements to these institutions inevitably raises important questions of equitable treatment of competing institutions (including nonmember commercial banks) and other considerations of regulatory policy and monetary controls extending well beyond the limited objectives of this bill. These include the inter-related problem of broadening Federal requirements for cash reserves against demand deposits to nonmember commercial banks, which the Committee on Financial Institutions concluded would be desirable for the purpose of strengthening monetary policy.

These are complex issues, and methods of implementing the Committee proposals for extending cash reserve requirements to savings institutions and to demand deposits of nonmember commercial banks need further study. Accordingly, legislative consideration of this matter might preferably be deferred until these important proposals can be evaluated separately and in the full context of their implications for monetary policy and for competitive relationships between institutions. Meanwhile, the provisions of this proposed bill will provide the supervisory authorities with more effective powers in other areas where the need is apparent -- interest rate ceilings, liquidity provisions and conflict of interest safeguards. The supervisors would thus have authority to enable them to meet effectively their potentially increased responsibilities as the insurance coverage is increased in the amount suggested.

The provisions of the proposed bill are summarized more fully in the attached section-by-section analysis of its provisions. In addition to the substantive areas covered above, a number of technical changes are included that would bring affected existing legislation up-to-date, and in certain other respects ambiguities or deficiencies in existing law are remedied.

It would be appreciated if you would lay the proposed bill before the House. I am today transmitting an identical bill to the President of the Senate.

The Bureau of the Budget has advised that enactment of this bill would be consistent with the objectives of the Administration.

Sincerely yours,

/s/ Douglas Dillon
Douglas Dillon

The Honorable John W. McCormack
Speaker of the House of Representatives
Washington 25, D. C.

Attachments

TREASURY DEPARTMENT
Washington, D. C.

WEDNESDAY, MAY 13,1964 D-1222

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 - May 11, 1964

Country of Origin	Established Quota	Imports
Egypt and Sudan.............	783,816	628,215
Peru........................	247,952	24,045
India and Pakistan..........	2,003,483	208,692
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	-

Country of Origin	Established Quota
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 - May 11, 1964

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	86,776

TREASURY DEPARTMENT
Washington, D. C.

D-1223

IMMEDIATE RELEASE
WEDNESDAY, MAY 13, 1964

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 - April 1 - June 30, 1964

IMPORTS - April 1 - May 8, 1964 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds)	Imports	ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	10,689,412	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	***2,243,545	15,920,000	10,209,451	66,480,000	66,480,000	37,840,000	15,550,268
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	20,100,292	70,480,000	27,568,197	6,320,000	1,597,703
Peru	16,160,000	16,160,000	12,880,000	3,773,726	35,120,000	12,668,523	3,760,000	2,569,946
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	***3,251,844
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***3,531,061	-	-	-	-
All other countries (total)	6,560,000	***1,414,145	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.
**Republic of South Africa.
***Imports as of May 11, 1964.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington

EDIATE RELEASE
EDNESDAY, MAY 13, 1964

D-1224

The Bureau of Customs has announced the following preliminary figures showing imports for consumption from January 1, 1964, to May 2, 1964, inclusive, of modities under quotas established pursuant to the Philippine Trade Agreement ision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of May 2, 1964
tons.............	680,000	Gross	75,306
ars..............	160,000,000	Number	5,324,855
onut oil.........	358,400,000	Pound	183,546,919
dage.............	6,000,000	Pound	2,349,390
acco.............	5,200,000	Pound	1,500,244

TREASURY DEPARTMENT
Washington

MMEDIATE RELEASE
WEDNESDAY, MAY 13, 1964

D-1225

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through May 2, 1964:

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 2, 1964
ariff-Rate Quotas:				
ream, fresh or sour.............	Calendar Year	1,500,000	Gallon	409,914
hole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	22
attle, 700 lbs. or more each (other than dairy cows)........	Jan. 1, 1964-March 31, 1964	120,000	Head	6,014
	April 1, 1964-June 30, 1964	120,000	Head	534
attle less than 200 lbs. each...	12 mos. from April 1, 1963	200,000	Head	62,117
	12 mos. from April 1, 1964	200,000	Head	18,774
sh, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.......	Calendar Year	24,861,670	Pound	11,446,791 1/
una Fish........................	Calendar Year	60,911,870	Pound	11,744,881
ite or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	53,449,760
Other..........................	Sept. 15, 1963	45,000,000	Pound	Quota Filled
ives, forks, and spoons with stainless steel handles........	Nov. 1, 1963-Oct. 31, 1964	69,000,000	Pieces	Quota Filled

1/ Imports for consumption at the quota rate are limited to 12,430,834 pounds during the first six months of the calendar year.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, MAY 13, 1964 D-1226

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 May 2, 1964	Established Quota	Imports May 29, 1963, to May 2, 1964
	(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	6,252
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	975
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	3,823,451

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 13,1964

'OR 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 May 21, 1964, in the amount of 2,001,448,000, as follows:

91-day bills (to maturity date) to be issued May 21, 1964, n the amount of $1,200,000,000, or thereabouts, representing an iditional amount of bills dated February 20,1964, and to ature August 20,1964, originally issued in the amount of 900,955,000, the additional and original bills to be freely nterchangeable.

182-day bills, for $900,000,000 or thereabouts, to be dated y 21,1964, and to mature November 19, 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 naturity value).

Tenders will be received at Federal Reserve Banks and Branches to the closing hour, one-thirty p.m., Eastern Daylight Saving me, Monday, May 18, 1964. Tenders will not be ceived at the Treasury Department, Washington. Each tender must for an even multiple of $1,000, and in the case of competitive nders the price offered must be expressed on the basis of 100, th 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 rwarded in the special envelopes which will be supplied by Federal serve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of stomers 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.

D-1227

TREASURY DEPARTMENT
Washington

RELEASE: A.M. NEWSPAPERS
DAY, MAY 15, 1964

ADDRESS BY THE HONORABLE JAMES A. REED
ASSISTANT SECRETARY OF THE TREASURY
AT THE 175TH ANNIVERSARY BANQUET OF THE
UNITED STATES CUSTOMS SERVICE
SHERMAN HOUSE, CHICAGO, ILLINOIS
THURSDAY, MAY 14, 1964, 7:00 p.m. CST

I am happy to be here this evening as representative of the Secretary of the Treasury, the Honorable Douglas Dillon, who has asked me to express his sincere regrets at his inability to be present. He asked me to convey his regards and congratulations to the ten Customs districts represented here on the occasion of its salute to the U. S. Customs Service on its 175th Anniversary which we are celebrating in 1964. I also bring you the personal greetings of the United States Commissioner of Customs, Philip Nichols, Jr., who has sent a separate message to your Chairman.

The relationship between Government and the business community of America has deep roots in the American tradition. Three out of the first five acts of the first Congress were concerned with the establishment of the Customs Service as a prime medium for collecting sufficient funds with which to pay the salaries of the President, the Vice-President, Members of the Cabinet, Members of Congress, and the tiny triumphant army of the infant republic. But by establishing the machinery for collecting import duties, the Government was in reality exercising its sovereignty in a highly significant way. It provided a shield behind which the young and promising industries of America could flourish. It established a uniform system of Customs duties for all of the States which the young and promising industries of America could flourish. It established a uniform system of Customs duties for all of the States which, up until that time, were engaged in a bitter tariff war, which resulted in such strange and bizarre situations as the importers of New York paying duty on New Jersey chickens and eggs, Connecticut firewood, etc. Just imagine what it would be like if the Customhouse in New York had to make entry on the cabbages brought in from Pennsylvania farms today, and if New Yorkers had to pay duties on citrus shipments from Florida, motorcars from Michigan, or shrimp from Louisiana.

Thus, the Customs Service had a threefold impact in the formative period of U. S. history: (1) It provided the Treasury with revenue which the Government desperately needed in order to govern; (2) It provided the Administration with the strength it needed "to secure all rights of independent sovereignty", and (3) It brought some order out of chaos.

Despite many sharp and often bitter party differences, the first Congress was acutely aware that sectional interests were secondary to the vital necessity for action in collecting revenue. The outcome was the first Tariff Act, entitled "An Act for laying a duty on goods, wares and merchandise imported into the United States".

It was on July 4, 1789 -- the 13th anniversary of the signing of the Declaration of Independence -- when President George Washington signed into law the Act which set up the Service as we know it today.

In spite of a great deal of conflict, many trials and errors, the Customs Service collected $2 million during its first year of operation. Today, 175 years later, Customs collects about $2 billion each year, most of it from duty on imports, but it takes a lot more than this to run the Government of the United States -- to pay for the salaries of the President, the Vice President, Members of the Cabinet, Members of Congress, the Army, Navy and the Air Force. But for 123 years, until the Internal Revenue Act was passed by Congress in 1913, Customs duties provided the United States with its major source and virtually its only source of revenue income.

What do these historical facts mean to us here in this room? How has Customs changed since 1789? What have we done to keep pace with the times in which we live?

The world of 1964 bears little resemblance to the world that saw the enactment of the first U. S. Tariff Act 175 years ago, and trading methods, like everything else, have undergone a complete revolution. Not even the most astute of our statesmen in the days of George Washington could have foreseen that U. S. imports would reach $17.15 billion in 1963, or that our exports, excluding military assistance and grant-aid, would total $22 billion in that same year. Customs duties have changed as drastically as the import figures themselves.

This vast expansion has been in keeping with the development of our country to its pre-eminent position of world leadership. The modest handful of Customs people who guarded the frontiers of the 13 Colonies, has grown into a force of 9,000 men and women in 1964, and they are spread out along the Canadian and Mexican borders, along the East and West coasts of our country, among the ports along the Gulf of Mexico and the Great Lakes in the North, and among the International Airports throughout the United States.

Chicago is a prime example of this growth, almost explosive in its impact, that has taken place in the United States over the last few years. This City, traditionally considered the beginning of the Western Frontier, has now become a great world port, having been opened up to international commerce by the magic of modern engineering. The St. Lawrence Seaway opened the Port of Chicago and other Great Lakes cities to world commerce on a grand scale in 1959 and is resulting in new records every year. In 1963, tonnage handled at the Port of Chicago topped a four year mark, showing a ten percent increase of that of the previous year. The great dredging projects in the Calumet River as well as in Lake Calumet, assuring that the port facilities in Chicago meet seaway depth requirements, are a preview of additional expansion in this great City.

This growth and the enormous potential for further growth is made all the more dramatic by looking back at the relatively brief period of history of this great City.

Thirteen years after the Indians moved from Illinois across the Mississippi River, the Port of Chicago was established by an Executive Order of President James Polk in 1848. Chicago, a hamlet of but 350 souls, with an area of less than one square mile, plainly bore the earmarks of frontier experience when incorporated as a town in 1833.

In 1868 imports from Canada amounted to $410,259, while exports to the neighboring country were over $3 - 3/4 million. The high water mark of the entrance an~~d clearances in the~~ Port of Chicago came during 1862-63, when 626 vessels entered and 696 cleared -- a record not surpassed today.

European representatives established contacts with Chicago business houses in order to promote mutually profitable relations and arranged to carry purchases directly to the city from Great Britain by means of sailing vessels. In 1856, the schooner DEAN RICHMOND brought a cargo of wheat to Liverpool -- taking an interminable time for the journey.

The Treasury Department and Congress agreed that duty-free goods could be carried in bonded cars with goods on which duty would be collected in Chicago. In 1871, a day of celebration was declared by Customhouse officials, members of firms, and others, when the seal of protection for the first two shipments was broken to the tune of clinking glasses of champagne.

Just as the railroads elevated Chicago from the position of a country town to that of the nation's second largest city, so the St. Lawrence Seaway is destined to make its western terminus the world's largest inland port. Experts have estimated that the waterway will make it accessible to 75 percent of the world's ocean-going merchant ships, saving up to 38 percent on shipments to and from Europe.

During the past season -- 547 ships of waterborne cargo arrived -- 207 of them from Northern Europe. A new $24 million harbor development project also is now underway. Furthermore, its status as a world port is being enhanced by the Cal-Sag Channel, which is already in operation and will provide when completed an improved waterway between the Great Lakes and the Gulf of Mexico along the old settlers' route -- the Illinois and Mississippi. In 1967, the new channel will accommodate multi-two barges up to 14 units.

The variety of the Chicago area's industrial output is today one of its major assets in world trade. It is next to impossible to mention a piece of machinery that isn't made in the area or for which there isn't a market in many parts of the world. Exports of crude materials, both agricultural and non-agricultural, were much larger last year and wide gains appeared in foodstuffs.

The Customs collections of this district have skyrocketed, and there has also been a vast increase in airplane arrivals.

Carl Sandburg has aptly referred to Chicago as the "city of broad shoulders." But strength, hard work, determination -- exemplified by broad shoulders -- alone did not create Chicago. Imagination, intelligence, and technology have played an important part. It has grown in strength and stature on the markets of the world because it continously offers many things to all lands.

What do all of these historical facts mean to us in the service of the United States Government? Although there have been many sweeping and swift changes in Customs -- some of them so great, one might say that Customs in 1964 bears little resemblance to Customs 175 years ago. The one thing which has not changed however is the devotion of the Customs people to their jobs.

An amusing example of this devotion is an incident that took place not long ago in the little town of Derby Line, Vermont. As you know, Derby Line is right on the Canadian border; in fact one-half of the town is in Quebec, and the other half in Vermont. A white line intersecting Main Street marks the border between Quebec and Vermont. The shopkeepers on the Quebec side are proud of their heritage and they speak French, and many of the signs in the shop windows are in French.

Somewhere along Main Street, a Vermont farmer and his wife lived in a house which stood directly on the white line where it left off Main Street and continued through a succession of hay fields. The farmer, being a good and true New Englander, decided that he wanted to move his house wholly and completely into Vermont. After much difficulty, the house was moved on rollers a few feet across the border line onto American soil. The move was reported to the Derby Line authorities who reported it in due course to Customs, and then came the classic action by a conscientious inspector. The farmer was politely and firmly advised that he would have to pay duty on the old furniture in his living room which had been moved across the line! Such is the stuff of which our zealous customs inspectors are made!

Another change which has taken place recently is the refreshingly new attitude on the part of our inspection personnel toward returning travelers. A great many letters and telephone calls are received by the Bureau of Customs as well as the Secretary's Office from travelers who are impressed with the courtesy of the customs inspectors who check their baggage at the piers and at the airports. Every complaint received from a traveler is fully investigated, and if a situation needs correction, this is done. The complaining traveler receives a full explanation and there is rarely a recurrence. The code of conduct which is observed in the Customs Service has become an important part of the training of customs inspectors, especially since Mr. Philip Nichols became Commissioner in 1961.

The mission of the customs inspector today is closely identified with the multitude of national and international problems. It is indentified with the Cold War. It is identified with our balance of payments problem. It is identified with the bond of understanding between Government and citizen, between tax collector and taxpayer. In our generation, when we are engaged in a "struggle for the minds of men", the attitude of our customs inspectors toward visitors to our shores from foreign countries, can be an important factor in the impact which their visit has to this country. It also can help make a success of the Government's efforts to bring more foreign visitors into the United States, thus helping to redress the deficit in our balance of payments.

There has been another change which some of you may have noticed in the Customs procedures during the last few years. Thanks to the concerted efforts of the Treasury Department, working closely with the Commissioner of Customs, we have simplified and streamlined many complex and difficult Customs procedures and formalities. In many instances, paperwork has been reduced. Along the New York waterfront, a good many reforms have been introduced resulting in speedier Customs processing of hundreds of thousands of passengers arriving at the Port of New York. In-transit baggage has been speeded up and the examination of hold-baggage requires much less time than it used to at the Port of New York. We have introduced an "oral declaration" in place of the antiquated and complex written passenger "dec" which plagued passengers for years.

These are only a few of the reforms that have been introduced, and they will be followed by many others.

In meeting here this evening we are carrying out the mandate of Congress to observe this 175th Anniversary of the Customs Service -- and in so doing we are joining hands with numerous other American cities and towns who are doing likewise. This is all to the good as it helps promote a wider understanding of the problems of the Customs Service and of the contributions that Service makes toward national welfare.

At the same time we are conscious of the fact that the Bureau of Customs is caught between the prodigious increase in imports and a limited amount of funds available for it to provide the essential services required. This is no new dilemma. Your organization has consistently called attention to the need for adequately financing the Customs Bureau which has fewer people on its payroll today than it did 30 years ago, despite a tremendous increase in workload.

As you know, this past March, the House approved the 1965 Appropriations Bill which included only 40 percent of our increased manpower requests for Customs included in the President's budget. We have requested restoration by the Senate of this drastic cut and we are sure we will receive a full and fair opportunity to present our case.

I feel strongly that Customs is a progressive, hard-working organization which returns to the Treasury $25 for every dollar it spends. It deserves the support of all Americans.

Your celebration this evening will help to make Customs employees conscious of the recognition of a difficult job well done. While we contemplate the past, it is also appropriate to pause for a moment in history to doff our hats to these faithful and loyal servants of the people, and say: "Happy Birthday to all the men and women in the U. S. Customs Service. Congratulations on a job well done!"

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE May 14, 1964

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The results of the Treasury's current exchange offering of

4% notes dated May 15, 1964, maturing November 15, 1965, and
4-1/4% bonds dated May 15, 1964, maturing May 15, 1974,

are summarized in the following tables.

Issues Eligible for Exchange	Amount Eligible for Exchange	Exchanged For: 4% Notes	Exchanged For: 4-1/4% Bonds	Exchanged For: Total	For Cash Redemption: Amount	For Cash Redemption: % of Total Out-standing	For Cash Redemption: % of Public Hold-ings
		(Amounts in millions)					
.1/4% Ctfs., B-1964	$ 4,198	$3,824	$ 308	$ 4,132	$ 66	1.6	7.2
.3/4% Notes, A-1964	4,400	3,460	620	4,080	320	7.3	20.6
.3/4% Notes, D-1964	2,016	1,271	602	1,873	143	7.1	8.2
Total	$10,614	$8,555	$1,530	$10,085	$529	5.0	12.6

Exchanges for 4% Notes of Series E-1965

ederal Reserve istrict	3-1/4% Ctfs. Series B-1964	4-3/4% Notes Series A-1964	3-3/4% Notes Series D-1964	Total
ston	$ 26,683,000	$ 43,419,000	$ 24,183,000	$ 94,285,000
w York	3,465,252,000	3,045,370,000	595,673,000	7,106,295,000
iladelphia	14,333,000	48,563,000	48,714,000	111,610,000
eveland	44,525,000	26,922,000	75,837,000	147,284,000
chmond	17,731,000	19,461,000	35,378,000	72,570,000
lanta	34,763,000	27,865,000	62,165,000	124,793,000
icago	79,048,000	102,113,000	204,341,000	385,502,000
. Louis	32,611,000	34,575,000	64,464,000	131,650,000
nneapolis	14,182,000	34,486,000	27,790,000	76,458,000
nsas City	36,096,000	43,245,000	63,632,000	142,973,000
llas	32,698,000	16,011,000	47,024,000	95,733,000
n Francisco	24,820,000	13,822,000	20,806,000	59,448,000
easury	1,215,000	3,796,000	1,013,000	6,024,000
TOTAL	$3,823,957,000	$3,459,648,000	$1,271,020,000	$8,554,625,000

(OVER)

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TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE A. M. NEWSPAPERS,
uesday, May 19, 1964.

May 18, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of reasury bills, one series to be an additional issue of the bills dated February 20, 964, and the other series to be dated May 21, 1964, which were offered on May 13, were pened at the Federal Reserve Banks on May 18. Tenders were invited for $1,200,000,000, r thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 182-day bills. he details of the two series are as follows:

ANGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing August 20, 1964		182-day Treasury bills maturing November 19, 1964	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.122 a/	3.473%	98.188	3.584%
Low	99.118	3.489%	98.177	3.606%
Average	99.120	3.482% 1/	98.181	3.598% 1/

a/ Excepting two tenders totaling $400,000
22% of the amount of 91-day bills bid for at the low price was accepted
60% of the amount of 182-day bills bid for at the low price was accepted

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 56,264,000	$ 26,264,000	$ 5,461,000	$ 5,261,000
New York	1,694,156,000	853,756,000	1,294,579,000	693,059,000
Philadelphia	29,790,000	14,790,000	7,967,000	2,967,000
Cleveland	21,088,000	21,088,000	14,938,000	9,938,000
Richmond	12,795,000	12,795,000	1,953,000	1,953,000
Atlanta	30,903,000	24,967,000	18,140,000	9,140,000
Chicago	187,578,000	110,058,000	146,194,000	64,394,000
St. Louis	36,347,000	28,991,000	10,608,000	8,608,000
Minneapolis	18,108,000	9,438,000	7,056,000	5,056,000
Kansas City	32,383,000	26,923,000	10,679,000	10,579,000
Dallas	26,659,000	16,879,000	11,150,000	6,250,000
San Francisco	112,119,000	56,046,000	104,725,000	83,385,000
TOTALS	$2,258,190,000	$1,201,995,000 b/	$1,633,450,000	$900,590,000 c/

Includes $227,226,000 noncompetitive tenders accepted at the average price of 99.120
Includes $65,881,000 noncompetitive tenders accepted at the average price of 98.181
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.56%, for the 91-day bills, and 3.72%, 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.

May 19, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED STANDARD STEEL PIPE
UNDER THE ANTIDUMPING ACT

With regard to welded standard steel pipe from France, the Treasury Department has determined that the case be closed on the basis of no sales 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 1963 was approximately $4,500,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 19, 1964

FOR IMMEDIATE RELEASE

LAWRENCE M. STONE NAMED
TREASURY'S TAX LEGISLATIVE COUNSEL

Acting Secretary of the Treasury G. d'Andelot Belin today announced the appointment of Lawrence M. Stone, of Los Angeles, California, as the Treasury's Tax Legislative Counsel.

Mr. Stone, an attorney who specializes in tax matters, will serve as a legal adviser to Assistant Secretary Stanley S. Surrey on tax legislation and assist in coordinating the Department's tax legislative program. He will assume his new duties in a few weeks.

At the time of his Treasury appointment, Mr. Stone was a tax specialist and partner in the Beverly Hills law firm of Irell & Manella. In 1956 and 1957, Mr. Stone was a Staff Member, Federal Income, Gift and Estate Tax Project of The American Law Institute, From 1957 to 1961 he was associated with the firm of Irell and Manella in Beverly Hills. From 1961 to 1962, he served in the Office of Tax Legislative Counsel in the Treasury Department working on the Revenue Act of 1962. Since 1962, he has been a partner in Irell and Manella.

Mr. Stone, 33, was born in Malden, Massachusetts. He received a B.A. degree in 1953 from Harvard University, and his LL.B. degree, magna cum laude, from Harvard Law School in 1956, where he was a member of the Board of Editors of the Harvard Law Review. Mr. Stone is a member of the State Bars of California and Massachusetts, the Federal Bar Association and the American Bar Association (Section of Taxation).

Mr. Stone is married to the former Anna Jean Clark and makes his home at 3001 Hollyridge Drive, Los Angeles, California.

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FOR RELEASE: P.M. NEWSPAPERS
THURSDAY, MAY 21, 1964

REMARKS BY ROBERT V. ROOSA, UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIR, BEFORE THE 11TH ANNUAL INTERNATIONAL MONETARY CONFERENCE OF THE AMERICAN BANKERS ASSOCIATION AT THE PALAIS SCHWARTZENBURG, VIENNA, AUSTRIA, THURSDAY, MAY 21, 1964, 3:00 P. M.

THE POTENTIALITIES OF OUR INTERNATIONAL PAYMENTS SYSTEM

In the rising crescendo of calls for reform of the international monetary system, the continuing themes of present experience seem sometimes to be barely audible. But I scarcely need remind this audience that they are still important, and indeed are likely for a long time to come to provide the structure on which all of us in the world of finance will continue to depend.

It has been one of the remarkable and reassuring aspects of the close and intensive studies which have been under way for some months now within the so-called Group of Ten, that the participants have never lost sight of the essence of what we already have. While it would be inappropriate for me, or for any of us, as yet, to venture in public any views on specific possibilities for the future evolution of the international monetary system, I believe I may be permitted to reflect for a few minutes, in purely personal terms, on some of the features of the arrangements that are already in being. Even here, there is room for wide differences of view, but each of us must attempt some sorting out of this kind as a prerequisite to taking any part in the process of testing out and appraising the full range of thoughts, aspirations or proposals that have been suggested for the future.

There are a number of avenues of approach that one might take toward a broad view of our international payments system and its ability to meet the world's need for liquidity. One is that of contructing various theoretical models of an ideal system and then, somewhat disappointedly as a rule, measuring the performance of our present arrangements against this standard. A second line of approach traces historically the steps along which the world has evolved toward the present liquidity system, concluding all too often that we are already living in the best of all possible worlds, or if not, that the only answer lies in turning back to an earlier stage of monetary evolution. Still a third kind of approach has come to appeal to me. Somewhat more eclectic in its point of view, it draws from our past experience while recognizing that the chief lesson of history is that payments systems and liquidity arrangements like most things in a dynamic world -- are constantly evolving in response to current experience.

Such an approach asks the historical question "Where have we been and how did we get where we are?", but it asks this question for the purpose ultimately of answering another: "Where do we want to go and how do we get there?" It recognizes that our ability to foresee the future and its needs is gravely limited; that perhaps our surest course is to develop a cooperative and flexible approach, both toward finding the direction in which we may wish to move, from one period to another, and in selecting the processes that will take us forward in an orderly manner.

The work of the Group of Ten will have been fully successful, I believe, if it helps to assure and confirm the commitment of all the participating countries toward such an approach. For as we look to the future with an eye to the past, we cannot escape the evidence that the evolution of our payments system has too often been scarred by disruptive convulsions set off at an unexpected moment by the force of change itself. The system, too often, was not readily flexible in meeting and adapting to underlying changes that were already in motion. In looking toward the changes that an uncertain future always brings, the Group of Ten is building with a new spirit of international financial cooperation that has been developed in recent years and strengthened during the current discussions. To me, this spirit and its perpetuation represents a stride forward that is at least as important as any more concrete recommendations that may in the end emerge from our studies.

A glance backward, in the history of our international liquidity system, suggests a number of intriguing parallels, as well as contrasts, with the liquidity systems that have been developed within individual nations. The financial history of national economies, in the main, reflects a progressive development in the effective use of the liquidity-creating process to meet national economic purposes and goals. This development has generally taken place through the market place of private credit -- where, in a never-ending attempt to economize on money, an almost infinite variety of near-money substitutes has been developed. But it has been accompanied by the emergence of central banking, and paralleled by a growing reliance upon debt management and fiscal policy. This continuous perfecting of the liquidity-creating process within nations has rested on the establishment and perpetuation of secure political institutions for the areas served. And it has been buttressed by an integrated system of financial markets and institutions -- in various stages of development in different countries -- as well as by the existence of only minimal barriers within national boundaries to the free flow of men and goods, and money and capital.

In the international area, the money-creating element of the liquidity process cannot rest upon the political sovereignty that has been its essential foundation in the individual nation. Nor can it rest on a unity of essential economic and financial policies among nations. National monetary, fiscal, trade, employment, and growth policies can and do differ in both philosophy and practice. Nor can the creation of international money rest on a unified system of financial or commercial institutions or on a single money and capital market. To be sure, great strides have been made in recent years in bringing the countries of the Western world closer together in all these areas, but we would only be deluding ourselves if we were to think that we have reproduced internationally -- or are likely to do so in the near future -- the things that we can safely take for granted within national boundaries. We must be mindful, therefore, when we draw on analogies with national systems, as we try to visualize the potentialities for the creation of monetary assets, as well as all other forms of international liquidity, that a cautious and selective approach will be required.

In the international area we are still in the comparatively early stages of learning how to economize on the primary element of international liquidity, the monetary reserves themselves. This effort to economize is not new, but its adaptation from the internal usage of nation-states to the external needs of the international community has necessarily been slow. As recently as the Twenties, the dominant theme among those concerned over the adequacy of the international liquidity system was that of economizing on gold, although an historian today might describe the aim more broadly as that of enlarging the capabilities for trade and finance of a system that rested ultimately upon a slowly growing base of monetary gold. It was generally recognized then, too, that frequent changes in the price of gold offered no useful alternative. For monetary stability was hinged upon the certainty of a generally acceptable fixed-value base, and in turn was itself seen, then as now, to be essential for sustained economic progress.

At that stage, of course, the economizing on gold was accomplished, almost unconsciously, by increases that had been occurring for some years in the supply of a reserve currency -- particularly the pound sterling -- which formed the most important part of the increase taking place in the basic reserves of most other countries. Later, as a concomitant of the vast resources and productive capacity of the United States, emphasis shifted to the dollar. Growth in the dollar component of reserve assets over the past two decades has provided the major source of additions to international liquidity as a whole, while an impressive redistribution of the world's monetary gold reserves from the United States to other countries has also been taking place.

I do not have to remind this audience, however, that the creation of international money through the deficits of a reserve currency country can also involve problems. The overriding necessity that has for some time been apparent to restore equilibrium in the United States balance of payments, and our recent progress toward that end, make it quite unlikely that the dollar would be able to add to international liquidity over the next decade as it has over the two preceding decades. This may to some imply, of course, a possible need to find additional substitutes for gold, perhaps through finding ways for other currencies to serve as convertible monetary reserves. But the need might also point in a different direction -- toward economizing on the foreign exchange component of international reserve assets -- just as in the past the reserve currencies themselves were the means of economizing on the use of the limited supplies of gold.

There are, to be sure, a number of different ways of looking at the most recent phase of developments in international liquidity. Some observers, particularly in the academic fraternity, would stress the evidence they see of a shortage of international reserves. Others would consider that any evidence points instead to a shortfall in long-term capital flows, and would regard liquidity as superabundant. And there are, of course, many other variants. For myself, I have begun to wonder whether the international economy may not presently be completing a phase of concentration on the build-up of primary reserve assets and whether perhaps it is now entering a phase in which this supply of primary reserves can, without further substantial increases, at least for a time, serve as a reasonably adequate basis for the gradual erection of a somewhat larger credit structure.

Perhaps, if some of the developed countries are coming to consider their present reserves of gold and dollars as reasonably sufficient, they might wish instead, with proper safeguards, to use some part of any additional surpluses for extending credit to others. On the part of the less developed countries, while some may have additional scope for holding reserves, there are not many which can afford further sizeable accumulations to be held idle in reserves for very much of the time. They need only the minimum that will serve for working capital purposes and as a base to support borrowing. In other words, the problem lying directly ahead of us may not necessarily involve a need for more dollars, nor for the immediate creation of another international money to supplement them, but it may instead call for greater use of credit facilities and the international money substitutes that are created as such credit facilities are utilized.

This interpretation does not imply any fundamental change in the role of gold and the reserve currencies in our international monetary system, either as a means of international settlement or as international stores of value. It does not imply changes in the customary uses of currencies in private transactions. Nor does it imply that there are necessarily any natural limits upon the use of these familiar arrangements. There would be ample room in official reserves for -- hopefully -- an increased volume of newly available gold at the continuing fixed price of $35 an ounce and for additional holdings of acceptable currencies, depending on the free choice of each of the individual countries concerned.

If this should be the phase of development that our international monetary system has reached, countries would increasingly come to regard their primary reserve assets as a base upon which credit -- in many different possible forms -- might be granted or received. In effect, for example, a country's reserves might decline somewhat less at times of strain than in the past because more of the customary drains upon reserves would be met by credits -- credits made credit-worthy, in part, by the reserve assets still being held by the affected country. And conversely, surplus countries, instead of piling up more and more reserves, might accept in some form the credits needed by the deficit countries.

In many respects, under conditions of this kind, we would have reached a stage in the international area that was reached in several of the national financial systems seventy-five to one hundred or more years ago, when the transition began from exclusive reliance on hand-to-hand currencies to a system which involved the use of a credit expansion process and the creation of money substitutes by financial intermediaries. As now developed, greater reliance on facilities for creating money substitutes and supplements within individual nations has made possible a much more intensive use of the money supply itself. To an important degree, credit arrangements that increase, in effect, the velocity of money do reduce the scale of needed increases in the money supply.

It is essential in such an appraisal, too, to distinguish carefully between the needs of the private sector and the underlying needs for official reserves. Much, if not most, of the discussion of international liquidity is carried on in terms of the public sector. But it is proper to remind ourselves that the ultimate aim of all that we do is to ensure that the liquidity needs of the private sector can be met. This, of course, involves most of the same questions which the monetary authorities in each country must face in determining domestic financial policy -- questions as to the relationships between domestic liquidity, growth, employment, price stability, and the balance of payments. In part the problem is one of assuring adequate facilities for the working balances needed to carry on trade and payments abroad. In part, too, the problem is one of access to international credit and, particularly for countries where money markets are not well developed, it includes a need for holding secondary reserve assets abroad. But above all, there is the need for assuring ready convertibility at a stable price among the various currencies used to finance the flow of current payments for trade and services, to cover new investments abroad, and to service old ones.

The actual operating needs of the private sector are serviced by an efficient complex of private banking and credit institutions, many of them national in origin but international in the scope of their operations. As representatives of such institutions, you are confident, I am sure, as you should be, that existing facilities for private credit, at least at short term, are adequate to meet the challenge of a growing world economy. And wherever they may tend to lag behind, competition will, within the open environment of free convertibility, set in motion forces to widen appropriately the scope of such facilities.

But underneath all of the structure and processes of private credit lies the capacity of the monetary authorities of the individual countries to meet, at their posted exchange rates, the composite of drains arising from all of the private transactions that affect them. If inflows do not balance outflows, national policy changes may be needed to bring adjustment, but meanwhile any adverse flow must be financed. Adjustment and financing are sometimes contrasted in ways which make them seem antithetical. But I am sure that the monetary authorities -- and particularly those of the leading financial countries that have made such pioneering efforts in the area of cooperative action in past years -- are alert to the need to respond to the disciplinary warnings that are sounded when an individual country's payments position leads to inroads on official liquidity.

We are, however, still in the process -- and it will certainly be a continuing one -- of developing arrangements to ensure that when the clustering of payments shifts heavily for or against an individual country, the necessary means of payment can be made available in ways that will set in motion forces that will assist in the return to balance while avoiding abrupt interruption of domestic stability and growth. We must stress the importance of arrangements which encourage and facilitate the adjustment process. There would be serious risks for an individual country, or for an international liquidity system, that concentrated solely on ways and means of piling up primary reserves, in order to meet all possible contingencies. In those circumstances, the world might well be subjected again to the dangers of a competitive race for reserves as neighbor beggared neighbor in order to acquire and hold a mercantilist hoard of primary reserves. And as more and more reserves were created, there would be less and less assurance that the self-restraint and discipline inherent in any system that relies on credit would be brought into play. This would be true irrespective of the form of primary reserve involved. It would be true even under a full gold standard system -- for an individual country and for the system as a whole -- if the additions to holdings were large relative to internal monetary needs.

We need not, therefore, view the possible emergence of greater reliance upon a credit element in international liquidity as a weakness in our system. Instead, it may be a positive advantage -- a flexible means of creating liquidity at the times and at the points where it is needed, but a means also of preventing maladjustments from going too far and of encouraging the timely adoption of necessary policies to restore equilibrium.

The challenge to which we must respond in the international liquidity area is thus similar in many respects to the challenge faced by central banks and monetary authorities throughout the world in their respective monetary and credit spheres. It is the challenge of assuring an ample expansion of liquidity for the real economic growth that is the object of all our actions while maintaining the control necessary to keep expansion from resulting in inflation. To be sure, the more successful individual countries are in maintaining relative price stability along with achieving their desired growth and employment levels, the fewer the problems there are likely to be for international liquidity. For liquidity needs cannot be separated from the amplitude and magnitude of payment imbalances and these in turn depend on the internal circumstances of individual countries. This only means, however, that any consideration of liquidity must proceed hand-in-hand with consideration of ways and means of improving the balance of payments adjustment process and making it more efficient.

If it should be true that the present phase of international financial development involves a shift of emphasis away from primary reserves and toward more use of credit facilities, as well as toward greater reliance by creditor countries upon the supplementary reserve assets which the use of these credit facilities implies, we are left with another crucial question: What form shall these arrangements take in order to achieve our twin goals of (1) the ample financing of temporary balance of payments swings and (2) the exertion of pressure for an orderly correction of any underlying imbalances that may occur? It cannot be emphasized often enough that the function of international liquidity is not to permit countries to avoid the need to make what may sometimes be painful adjustments in domestic policies and practices. It is rather to permit those adjustments to be made in an orderly fashion and in ways that minimize the possibility of cumulative pressure on other countries and on the international system as a whole. We need liquidity so that economic ills can be cured without the use of shock treatment. We do not need, and cannot successfully use, liquidity to avoid the necessity of a cure.

I suspect that the only thing that can safely be said now about the credit facilities that will be needed to meet these ends is that they will be composed of many elements. Our own American experience of the past few years has witnessed the establishment of new facilities -- including most notably the Federal Reserve swap network and Treasury foreign currency bonds -- along with the adaptation of older arrangements to meet new needs in unexpected ways. Who, for example, could have foreseen even five years ago that the long-term loans that we extended to Europe during the period of its reconstruction would be convertible into liquidity instruments for our own use through advance debt prepayments by a number of our European partners? These have been among the fruits of international financial cooperation in the past few years, and I am sure that we will see many more.

As we look to future liquidity arrangements, and in the process take a searching look at the past and the present, I believe that we are also making healthy rediscoveries of what we already have and what we can do with our present arrangements.

Part of this process of rediscovery has been to realize the potential of the International Monetary Fund as the major international agency where credit financing and financial discipline naturally come together. Our American view of the International Monetary Fund had, in the past, been colored by the assumption, shared with us by many others, that the prime function of the Fund would be to serve as a distributor to other countries of the dollars paid in by the United States under its quota. To be sure this was expected to be a revolving fund rotating among countries with the greatest present need, but the potential usefulness of the Fund to the United States was not always fully appreciated. Many of us, at least, thought of the various quotas as drawing rights, to be used as "borrowing facilities" in case of need -- something to be considered, so to speak, as a sort of asset "below the line." We did not also think of our quotas as creating an equal opportunity for acquiring an asset "above the line" -- as our own currency was drawn from the Fund by others -- an asset that would be readily available, in turn, for us to draw upon at will if we needed to use reserves.

It did not occur to many of us in the United States that, as dollars were paid out by the International Monetary Fund over the early postwar years, we were gaining a valuable asset in the parallel increase in our "super-gold tranche" position, or, more properly, our "net creditor position" in the Fund. Then more recently, as dollar shortage gave way to dollar plenty, in some countries, debtor countries to the Fund were able to pay back the dollars they had drawn earlier. The Fund itself was thereby absorbing a significant fraction of the dollars that our payments deficit was pumping into the world -- amounting, in fact, to about $1.3 billion in the period from 1958 to 1963. Or, to put it another way, without receiving very much attention, the United States was making use of its creditor claims on the Fund, acquired in years of balance of payments strength, to meet a significant part of its reserve drain as our deficit accumulated -- consisting largely of some $304 million in 1959, $442 million in 1960 and $626 million in 1962.

At the present time, as you know, the United States is a small net user of the Fund's resources. In effect, dollars drawn by others in earlier years have been wholly repaid out of the dollars created by our more recent deficits. And now, in order to facilitate additional dollar payments to the International Monetary Fund out of the accumulated reserves of Fund debtors, the United States has itself drawn modest amounts of foreign currencies under the standby arrangement made in July, 1963.

Beginning in 1960, but increasingly in 1961 and thereafter, the Fund has filled the drawing requests of member countries by using the national currencies of those countries on the Continent that have run sizeable balance of payments surpluses. And as these currencies have been paid out, a form of reserve assets has been created for the countries supplying them -- assets that can be used as needed in other times and other circumstances. The value of these assets is becoming more and more fully recognized. Some of the Group of Ten countries already include their "super-gold tranche" claims, as well as their normal gold tranches in the Fund, among their primary reserve assets, while others consider them as a useful second line supplement. Most recently, Italy, following the pattern of the United States, has been able to use during a period of deficit the added reserves acquired a few years earlier when other countries were actively drawing lire from the Fund.

I expect that the months and years ahead will see more of a reappraisal and rediscovery of the dimensions and potentials of the International Monetary Fund for our payments system and as a center of international liquidity. The Fund's own study of liquidity will itself, I am sure, be a stimulant to our thinking and to our planning. I personally cannot visualize arrangements for the future that will not include a leading role for the Fund. For in the Fund we have an established institution that provides, through its normal operations, an accepted way of using national currencies to bolster international liquidity in a limited and systematic way.

I spoke to you in Rome two years ago of the problem of multilateralizing a part of the role performed by the key currencies. It seems to me that the International Monetary Fund has developed more and more as a mechanism where the non-reserve currency countries can share in a multilateral way the responsibilities for the financing of payments swings and thereby make a contribution to longer-run liquidity needs.

In addition, room has been found outside the Fund for other bilateral and multilateral facilities as well -- supplementing and reinforcing, but in no way supplanting, the central role of the Fund itself. We have come a long way in these past ten years, and building on our past experience we can look to the future with confidence. Over the period, as seen from the U. S. point of view, one of the major achievements has been the development of the Federal Reserve swap network. While originally designed mainly as a defense for the dollar, the reciprocal nature of the arrangements has become progressively apparent. They have proved their usefulness in economizing on primary reserves by combatting speculation and avoiding disruptive swings in reserve positions -- and have already served more importantly for other currencies at periods of great stress than for the dollar itself. Together with other mutual central bank arrangements, these swap facilities will clearly play an integral role in any liquidity system in the future. Treasury foreign currency bonds have similarly demonstrated their usefulness, not only in absorbing the temporarily large dollar accruals of some individual countries, but also in providing supplementary reserve assets for the original creditor, which he may later use in case of need -- as Italy has already done.

But these are only examples of the credit forms that make up an essential part of our present-day liquidity system. I am sure that new forms will emerge as needs appear. The emphasis I would like to place is not upon the specific instruments themselves, but on the process that has created them -- the process of evolutionary change shaped by common appraisal and cooperative action. All countries, and particularly the leading industrial countries, have not only a mutual interest but also a shared responsibility in the maintenance of an adequate and stable international monetary system. The fortunate fact is that they recognize and understand this imperative. They are, I believe, determined to find those approaches which will, while adapting to the shifting needs of the world economy, most nearly fulfill the potentialities of our international payments system.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 20, 1964

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing May 28, 1964, in the amount of $2,003,379,000, as follows:

91-day bills (to maturity date) to be issued May 28, 1964, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated February 27,1964, and to mature August 27,1964, originally issued in the amount of $901,802,000, the additional and original bills to be freely interchangeable.

183-day bills, for $900,000,000, or thereabouts, to be dated May 28, 1964, and to mature November 27, 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, May 25, 1964. 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 ustomers provided the names of the customers are set forth in such enders. 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 rom others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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AND NEW COMBINATIONS OF OLD TECHNIQUES -- TO DEAL WITH PAYMENTS DEFICITS AND SURPLUSES. WE HAVE ALSO LEARNED THAT OUR SEARCH FOR EFFECTIVE POLICIES CANNOT PROCEED IN ISOLATION. IN MOVING TO SOLVE THEIR OWN BALANCE OF PAYMENTS PROBLEMS, MAJOR COUNTRIES MU FIND WAYS TO ACHIEVE THEIR OBJECTIVES WITHOUT CREATING SERIOUS DIFFICULTIES FOR OTHERS. THE SUCCESS OF BALANCE OF PAYMENTS ADJUSTMENTS INCREASINGLY DEPENDS UPON THE COORDINATION OF NATIONAL EFFORTS. WE HAVE LEARNED THE LESSON -- PARTICULARLY IN THE SHORT-TERM CAPITAL AREA -- THAT CLOSE INTERNATIONAL COOPERATION CAN CONTRIBUTE IN VERY SPECIFIC WAYS TO THE IMPROVEM OF THE ADJUSTMENT MECHANISM.

ALTHOUGH WE HAVE MADE SUBSTANTIAL PROGRESS, MANY UNRESOLVED QUESTIONS REMAIN. NOWHERE IS THIS MORE EVIDENT THAN IN THE AREA OF LONG-TERM PORTFOLIO CAPITAL FLOWS. THE IMPORTANCE OF SOME OF THESE UNRESOLVED QUESTIONS WAS BECOMING APPARENT AT THE TIME OF YOUR CONFERENCE IN ROME TWO YEARS AGO. I SPOKE THEN OF THE DANGERS INHERENT IN THE GROWING PRESSURE OF FOREIGN BORROWERS UPON THE UNITED STATES CAPITAL MARKET. WITHIN SIX MONTHS, THOSE PRESSURES BEGAN TO MOUNT RAPIDLY AND, BY MID-1963, THE VOLUME OF NEW ISSUES IN THE NEW YORK MARKET WAS RUNNING AT MORE THAN THREE TIMES ITS PREVIOUS LEVEL. THAT, UNFORTUNATELY, LEFT US NO RECOURSE BUT DIRECT GOVERNMENTAL ACTION. ACCORDINGLY, LAST JULY, LAUNCHED AN INTENSIFIED PROGRAM TO IMPROVE OUR BALANCE OF PAYMENTS, OF WHICH THE PROPOSED INTEREST EQUALIZATION TAX IS A KEY ELEMENT.

WE LOOK UPON THAT PROPOSED TAX SOLELY AS A TRANSITIONAL MEASURE. IT MUST NOT BE ALLOWED TO OBSCURE THE DESIRABILITY OF WORKING OUT MEASURES THAT CAN PERMENENTLY STRENGTHEN THE INTERNATIONAL ADJUSTMENT MECHANISM, NOR OUR OWN NEED VIGOROUSLY TO PURSUE OTHER ELEMENTS OF OUR BALANCE OF PAYMENTS PROGRAM, SUCH AS THE REDUCTION OF GOVERNMENT EXPENDITURES OVERSEAS AND THE PURSUIT OF APPROPRIATE FISCAL AND MONETARY POLICIES. BUT THE NECESSITY FOR INTEREST EQUALIZATION TAX HIGHLIGHTS THE SERIOUS PROBLEMS THAT HAVE ARISEN IN ATTEMPTING TO RECONCILE FREEDOM OF CAPITAL MOVEMENTS WITH THE HARSH NECESSITIES OF BALANCE OF PAYMENTS ADJUS-MENT.

IF LONG-TERM PORTFOLIO CAPITAL FLOWS ARE TO MAKE THEIR MAXIMUM CONTRIBUTION TO OUR MUTUAL GROWTH AND WELFARE, THEY SHOULD BE PERMITTED TO RESPOND FREELY TO SHIFTING PATTERNS OF TRADE, TO

FOR RELEASE: A.M. NEWSPAPERS
THURSDAY, MAY 21, 1964

REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES
BEFORE THE 11TH ANNUAL INTERNATIONAL MONETARY CONFERENCE
OF THE AMERICAN BANKERS ASSOCIATION
AT THE PALAIS SCHWARTZENBERG, VIENNA, AUSTRIA
THURSDAY, MAY 21, 1964, 12:30 P.M.

I am very pleased to be with you at another of your Annual International Monetary Conferences, which offer such a unique and valuable opportunity to confer with one another and with our European friends.

All of us recognize the need to improve the process of balance of payments adjustment among the free industrial nations. We have found that the old "rules of the game" -- whatever their values in the past -- are no longer adequate. For instance, the classical presumption that balance of payments deficits call for the restriction of domestic economic activity has had little relevance to the situation facing the United States in recent years. Nor has the other side of the classical coin -- easy monetary policies designed to stimulate demand -- been any more appropriate as an antidote for recent European payments surpluses.

The selection of suitable international payments policies has also become more difficult because domestic economic policies now encompass so many more objectives than they once did. For example, the promotion of full employment has come to be accepted as a high priority responsibility of governments throughout the free world. Price stability, the promotion of international trade, and the stimulation of overall economic growth, all now occupy prominent places in national policy objectives.

All of this means that we have had to seek new techniques and new combinations of old techniques -- to deal with payments deficits and surpluses. We have also learned that our search for effective policies cannot proceed in isolation. In moving to solve their own balance of payments problems, major countries must find ways to achieve their objectives without creating serious difficulties for others. The success of balance of payments adjustments increasingly depends upon the coordination of national efforts.

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We have learned the lesson -- particularly in the short-term capital area -- that close international cooperation can contribute in very specific ways to the improvement of the adjustment mechanism.

Although we have made substantial progress, many unresolved questions remain. Nowhere is this more evident than in the area of long-term portfolio capital flows. The importance of some of these unresolved questions was becoming apparent at the time of your Conference in Rome two years ago. I spoke then of the dangers inherent in the growing pressure of foreign borrowers upon the United States capital market. Within six months, those pressures began to mount rapidly and, by mid-1963, the volume of new issues in the New York market was running at more than three times its previous level. That, unfortunately, left us no recourse but direct governmental action. Accordingly, last July, we launched an intensified program to improve our balance of payments, in which the proposed interest equalization tax is a key element.

We look upon that proposed tax solely as a transitional measure. It must not be allowed to obscure the desirability of working out measures that can permanently strengthen the international adjustment mechanism, nor our own need vigorously to pursue other elements of our balance of payments program, such as the reduction of government expenditures overseas and the pursuit of appropriate fiscal and monetary policies. But the necessity for the interest equalization tax highlights the serious problems that have arisen in attempting to reconcile freedom of capital movements with the harsh necessities of balance of payments adjustment.

If long-term portfolio capital flows are to make their maximum contribution to our mutual growth and welfare, they should be permitted to respond freely to shifting patterns of trade, to differentials in profit opportunities, and to the basic capacity o various nations to save. But if they are not to undermine the adjustment mechanism, long-term portfolio capital movements must also be responsive to the balance of payments position of borrowers and lenders alike.

The difficulties inherent in accomplishing both of these goals simultaneously become clear when we consider the kinds of problems that have recently plagued us in the area of international flows of portfolio capital. Countless borrowers and lenders are constantly making decisions to buy or sell foreign securities on the basis of price and yield differentials and availabilities of funds, as these factors are reflected in the market place. But we have no assurance that these decisions will, at any given time, reflect basic differences in the underlying capacity of various countries to provide capital for domestic uses -- much less their capacities to transfer that capital abroad. Instead -- in the case of more than one country -- flows of portfolio capital have recently shown a disturbing tendency to seriously aggravate imbalances in payments, rather than to assist in their adjustment. The greatest difficulties on this score have arisen for countries which do not have controls on their capital markets -- Germany and the United States.

In our case, it was necessary to reduce an excessive net outflow of portfolio capital, while the German problem has been the reverse one of discouraging an excessive net inflow. Our approach was the proposed interest equalization tax to increase the effective cost of foreign borrowing in our markets. The German approach -- in some ways complementary -- was to propose a withholding tax on non-resident purchasers of German interest bearing securities, thereby lowering the after-tax yield to some foreign investors and thus tending to discourage capital inflows. Perhaps even more significant in terms of progress toward more efficient capital markets, the German authorities coupled this with an important structural reform, in the proposal to remove the 2-1/2 percent tax on the purchase of newly issued securities -- a step designed to offer encouragement to new capital issues, both foreign and domestic.

The fact that a country as basically committed to the free flow of funds as is the United States found it necessary to propose the interest equalization tax underscores the importance of achieving a better balance in the structure and efficiency of world capital markets. Until that better balance is achieved, it will be difficult, or even impossible, to influence the direction and amount of long-term portfolio capital flows through the normal action of monetary policy, without the help of special measures aimed at encouraging or discouraging such movements. Consequently, progress in improving the free world's capital markets has become essential if the uninhibited flow of long-term international portfolio capital is not to be a disturbing element in the quest for payments equilibrium.

In seeking the reasons why portfolio capital flows have become disturbing to payments equilibrium, one is immediately struck by the current wide disparity between European long-term interest rates and our own. Long-term interest rates in Europe have been very high throughout the postwar period. Although conditions vary from country to country, Europe can generally be characterized as having been on something close to a "6 percent basis" since

World War II. Certainly, in the light of past experience, 6 percent is an unusually high level of long-term interest rates for Europe. Throughout the 19th century, the annual average of prime long-term bond yields in continental Europe was only slightly above 4-1/4 percent. In England, it was just under 3-1/2 percent. And, during the early decades of this century, the overall averages, with the sole exception of Germany, were little, if any, higher.

Because of the vast needs of postwar reconstruction and, more recently, of rapid economic growth, reasons can be found to justify the current high level of European long-term interest rates. In addition, relatively recent experience with inflation has discouraged postwar European investors from the purchase of bonds. But these transitory conditions do not suggest that 6 percent is desirable as a permanent level, or that it is likely to be maintained over any very long period of time. History would seem clearly to indicate otherwise.

While the prevention of inflation remains vitally necessary, in Europe as well as elsewhere, current inflationary threats appear to be different from those of the immediate postwar period. There now seems to be much greater ground for the use of income policies to restrain upward pushes on the cost-price structure, and much less reason to place primary reliance on high and inflexible levels of long-term interest rates. I do not suggest that the necessity for interest rate variation is at all diminished. I only question whether it is desirable, as a long run proposition, that European interest rates should continue to fluctuate around levels so much higher than their historic averages. While the immediate and visible threat of such high rates is to international payments balance, one can reasonably expect that the maintenance of sustained growth in Europe itself will, in time, require appreciably lower long-term rates of interest.

Even with due allowance for the special factors that I have mentioned, the question arises as to the extent to which institutional frictions and government restrictions are to be held accountable both for the current high level of long-term interest rates in Europe and for other impediments to the availability of funds. Throughout history, efficient capital markets have tended to produce lower rate structures and, conversely, inadequate capital markets have generally bred high interest rates. European capital markets once led the world, but in the postwar period they have fallen far behind the needs of the times, particularly in the access they offer to foreign borrowers. This is partly because government intervention and controls have impeded the development of broad and integrated capital markets in Europe, and partly because private financial institutions have sometimes been slow to adapt imaginatively to changing situations.

A broad and responsive capital market helps to insure that temporary influences can be readily and rapidly absorbed within an acceptably narrow range of changes in security prices and yields. However, where governments follow the practice of pre-empting and channelling large proportions of the funds potentially available, it becomes difficult to provide sufficient breadth in the private sector of the market. Unless security prices and yields are free to react to changing patterns of supply and demand, and to respond to broad and vigorous competition among private financial institutions, the prospects for the development of truly efficient capital markets cannot be bright.

The failure of European capital markets to keep pace with the expanding capital requirements of the industrialized world has been a major factor in stimulating pressures upon the New York capital market. The imbalance has been so large that the greater availability of funds to potential borrowers in New York has often seemed more important than interest rate considerations.

With such wide disparities in market capacity and accessibility, there is no use looking to relatively minor international variations in long-term interest rates to guide the flow of capital and to encourage balance of payments adjustment. And the major variations in interest rates that would be required to bring long-term portfolio capital flows into better balance do not seem possible for either Europe or the United States. The heavy accumulations of savings in the United States make it doubtful that even an extremely restrictive monetary policy could cause our long-term interest rates to approach the European level -- and any such extreme monetary policy would clearly run counter to our current domestic need for fuller employment and higher utilization of our industrial capacity. In Europe, on the other hand, efforts to reduce long-term interest rates cannot hope to achieve really significant success until broader and more active capital market facilities come into being.

It is encouraging that this need is now recognized on all sides. During recent years, Europe has taken significant steps toward improving her capital markets. The increasing economic integration of Europe offers an opportunity for much greater progress in the future, and it is imperative that the opportunity be seized. Recent experimentation in achieving a broad European market for security flotations deserves to be carried further despite the difficulties that have been encountered. The increase in dollar-denominated loans under the stimulus of the proposal for the interest equalization tax, the use of unit of account loans, and the proposal by Dr. Hermann Abs for separate national shares in large European security flotations, are all developments of considerable significance

I recognize that institutional changes of the required scope cannot be achieved easily or quickly. However, there are promising signs of progress. The task now is to push ahead vigorously in a concerted effort to enlarge and improve European capital markets as a necessary prerequisite to our common effort, within a framework of free markets, to harness long-term portfolio capital flows to the stark realities of balance of payments imperatives. Until this has been successfully accomplished, it must be recognized that portfolio capital calls on the New York market from abroad will, in some fashion or another, have to be contained within the limits set by our own overall balance of payments situation.

This is, for us, a new and unpleasant fact of life, but it is one with which our European friends have long learned to live. And it is only one of many ways in which we must accommodate our policies to the exigencies of our international payments situation. We must continue to reduce our military expenditures overseas, as well as the dollar cost of our foreign aid programs. We must continue vigorously to press the sale of advanced military equipment to help offset the cost of maintaining our forces abroad. We must continue to increase the attractiveness of direct investment in the United States. And, above all, we must continue to seek out ways of enlarging our exports while maintaining price stability at home.

Until our payments deficit is entirely removed, and our gold losses halted, our work will be unfinished. The past ten months have seen a dramatic improvement in our payments situation, stemming in good part from the intensified action program introduced last July, but also from a noticeable longer term improvement in our underlying competitive position. The seasonally adjusted annual rate of deficit on regular transactions during the second quarter of 1963 was swollen by massive foreign borrowing in our markets and exceeded $5 billion. This rate of deficit was cut sharply to a little under $2 billion in the third quarter of 1963, and to a little over $2 billion in the fourth quarter. Preliminary data for the first quarter of this year indicate that after seasonal adjustment our deficit on regular transactions has declined even further to an annual rate of about $550 million.

But it must be recognized that these first quarter results overstate the actual improvement. There is evidence of a substantial temporary inflow of short-term funds from Canada during March -- an inflow that was completely reversed early in April. Even so, after taking this into account, the first quarter still weighed in as our best quarter since 1957. On an overall basis and without allowance for favorable seasonal influences, our international payments so far this year have been in approximate balance. This cannot be expected to continue as seasonal effects will soon shift against us. But although 1964, as a whole, is expected to record another sizeable deficit on regular transactions, there are excellent reasons to hope that it will be sharply reduced from the levels of the past six years. We have, therefore, every right to be encouraged.

But we must remember that a good part of our recent progress is due to the proposal for the interest equalization tax. By the end of 1965, when this tax is scheduled to expire, a secure payments equilibrium will require a much better balanced international flow of long-term portfolio capital than characterized late 1962 and the early months of 1963. Specifically, this means that United States portfolio capital in large amounts should not be asked to support the expansion of developed areas with strong balance of payments positions. Increasingly flexible and efficient capital markets in Europe -- capable of supplying funds at reasonable rates of interest -- will remove one major source of difficulty. It is then that opportunities should emerge for long-term capital movements to contribute more actively to the process of balance of payments adjustment among nations.

We do not by any means have all the answers in the long-term capital area. But as international capital markets achieve a better balance, both in terms of interest rates and of lending capacity, it should prove possible to apply in the long-term capital area some of the lessons we have learned in the short-term area.

A narrowing of existing differences in long-term interest rates among industrialized countries, together with wider access of borrowers and lenders to a variety of national markets, implies a growing sensitivity of long-term portfolio capital flows to relatively minor interest rate variations. This sensitivity can be turned to our mutual advantage, for it will provide opportunities for governments to make greater use of acceptable variations in monetary policy to influence these flows in the interest of balance of payments adjustment, without violating their own domestic needs. It suggests another way in which we can all work together to strengthen the adjustment process, while continuing our progress toward a world of free capital movements and ever freer trade and payments.

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FORMULATION OF FEDERAL BUDGETARY POLICIES

ADDRESS OF ROBERT A. WALLACE, ASSISTANT SECRETARY OF THE TREASURY,
BEFORE THE 14TH ANNUAL NATIONAL CONFERENCE OF THE
BUDGET EXECUTIVES INSTITUTE, BELLEVUE-STRATFORD HOTEL
PHILADELPHIA, PENNSYLVANIA, MAY 21, 1964
9:30 A.M.

ALL BUDGETS ARE ALIKE IN REPRESENTING A PLAN FOR RELATING SOURCES AND USES OF FUNDS DURING AN ACCOUNTING OR PLANNING PERIOD. ALL BUDGETS ARE ALIKE IN THAT THEY MUST TAKE ACCOUNT NOT ONLY OF CURRENT REQUIREMENTS BUT ALSO OF LONG-TERM CAPITAL NEEDS. IN ADDITION ALL BUDGETS ARE ALIKE IN THAT BOTH RECEIPTS AND EXPENDITURES INVOLVE ESTIMATES WHICH CAN SOMETIMES BE QUITE ACCURATE BUT WHICH AT OTHER TIMES MAY INVOLVE UNCERTAIN JUDGMENTS AS TO MARKETS OR TO BROAD ECONOMIC TRENDS OR TO THE STATE OF THE ENTIRE NATIONAL ECONOMY.

IN THESE RESPECTS THE FEDERAL BUDGET DOES NOT BASICALLY DIFFER FROM THE BUDGETS OF, SAY, A FAMILY, THE UNIVERSITY OF PENNSYLVANIA, UNITED STATES STEEL CORPORATION, OR THE STATE OF PENNSYLVANIA. NONETHELESS, THERE IS IN THE FEDERAL BUDGET AND IN THE FEDERAL BUDGETARY PROCESS A UNIQUE ELEMENT, SOMETHING THAT GOES BEYOND SIMPLY A MATCHING OF RECEIPTS AND EXPENDITURES TO DETERMINE THE FEDERAL SURPLUS OR DEFICIT, AND THAT IS THE RELATIONSHIP BETWEEN THE FEDERAL BUDGET AND THE NATION'S ECONOMIC HEALTH.

THE ECONOMIC OBJECTIVES OF FEDERAL BUDGETARY POLICY, AND OTHER FEDERAL POLICIES AS WELL, ARE SPELLED OUT IN THE EMPLOYMENT ACT OF 1946 WHICH DIRECTS THE FEDERAL GOVERNMENT TO USE EVERY POSSIBLE MEANS TO "PROMOTE MAXIMUM EMPLOYMENT, PRODUCTION, AND PURCHASING POWER".

I ALSO EMPHASIZE THESE INTERRELATIONSHIPS AND THE VARIETY OF OUR ECONOMIC OBJECTIVES BECAUSE THEY REPRESENT THE ENVIRONMENT WITHIN WHICH FEDERAL BUDGETARY POLICY IS MADE.

ANOTHER FACT OF LIFE IS THAT WHILE TAX AND EXPENDITURE POLICIES ARE POWERFUL, THEY CAN BE USED WITH ONLY LIMITED FLEXIBILITY. MAJOR EXPENDITURE PROGRAMS RELATE TO SPECIFIC NATIONAL OBJECTIVES AND MUST MEET THE REQUIREMENTS OF EFFICIENCY. IT IS HARD TO BRING ABOUT SUDDENLY MAJOR CHANGES IN ONGOING BUDGETARY PROGRAMS, AND PROGRAM NEEDS OR DEMANDS SOMETIMES CAN BECOME DIFFICULT TO RECONCILE WITH INCOME AND EMPLOYMENT GOALS. IT SHOULD BE REMEMBERED THAT A FEDERAL BUDGET IS PREPARED TWO YEARS BEFORE THE END OF ITS FISCAL YEAR.

MOREOVER, THE LEGISLATION NEEDED TO IMPLEMENT FISCAL POLICIES IS THE PREROGATIVE OF CONGRESS AND FOR A VARIETY OF REASONS CONGRESS MAY BE UNWILLING OR UNABLE TO MOVE WITH THE SPEED AND FLEXIBILITY WHICH OUTSIDE OBSERVERS OR THE ADMINISTRATION MAY FEEL IS REQUIRED AT ANY PARTICULAR TIME. FISCAL POLICY PLANNING IS THUS NOT AS EASY IN THIS COUNTRY AS IT IS IN A PARLIAMENTARY SYSTEM. IN WESTERN EUROPEAN COUNTRIES, FOR EXAMPLE, THE GOVERNMENT'S PROGRAM IS ENACTED OR THE WHOLE GOVERNMENT FALLS, AND THIS IS A POWERFUL SPUR TO PARTY DISCIPLINE.

NOW WHAT IS THE RELATIONSHIP BETWEEN FISCAL POLICY AND OUR ECONOMIC OBJECTIVES? IN THE SIMPLE TEXTBOOK TERMS, AN INCREASE IN EXPENDITURES OR A REDUCTION IN TAX RATES WILL TEND TO RAISE INCOMES WHILE A REDUCTION IN EXPENDITURES OR AN INCREASE IN TAX RATES WILL TEND TO REDUCE INCOMES. THUS, WHEN THE ECONOMY IS SUFFERING UNEMPLOYMENT OF MEN AND RESOURCES, THE TEXTBOOK FISCAL SOLUTION IS SIMPLY TO LOWER TAXES OR INCREASE EXPENDITURES OR BOTH.

WITH THESE WORDS OF GENERAL INTRODUCTION, I WOULD LIKE TO TURN NOW TO A REVIEW OF THE PROCEDURES THAT WE FOLLOW IN SETTING FEDERAL BUDGETARY POLICIES. INSTITUTIONALLY, THIS IS A RATHER SIMPLE MATTER. THE BUREAU OF THE BUDGET, IN CONSULTATION WITH THE AGENCIES AND THE PRESIDENT, DEVELOPS ESTIMATES OF THE REQUIREMENTS FOR EACH AGENCY AND THE TOTAL EXPENDITURE NEEDS FOR OPERATING THE FEDERAL GOVERNMENT. THESE EXPENDITURE ESTIMATES ARE SUBMITTED TO THE CONGRESS BY THE PRESIDENT IN JANUARY OF EACH YEAR FOR THE FISCAL YEAR BEGINNING 6 MONTHS LATER. AT THE SAME TIME THE PRESIDENT ALSO PROVIDES THE CONGRESS WITH ESTIMATES OF REVENUES FOR THE COMING FISCAL YEAR. CONGRESS REVIEWS THESE REQUESTS, AMENDS THEM AS IT SEES FIT, AND ENACTS THE APPROPRIATION BILLS WHICH GIVE THE AGENCIES THEIR AUTHORITY TO SPEND AND THESE ENACTED APPROPRIATIONS ARE THEN APPORTIONED THROUGH THE YEAR TO THE AGENCIES BY THE BUREAU OF THE BUDGET. SUBSEQUENTLY THE EXPENDITURES OF THE AGENCIES ARE SUBJECT TO A POST-AUDIT BY THE GENERAL ACCOUNTING OFFICE, WHICH IS AN ARM OF THE CONGRESS, NOT OF THE EXECUTIVE.

THIS IS THE INSTITUTIONAL PROCESS IN A NUT SHELL, BUT SUCH A BARE-BONES DESCRIPTION IS ONLY A MINOR PART OF THE STORY.

THE BEGINNING POINT WITH ALL OF OUR BUDGET PLANNING IS THE ECONOMIC OUTLOOK, WHICH INDICATES WHETHER BUDGETARY POLICY SHOULD BE DIRECTED TOWARD EXPANSION OR TOWARD RESTRAINT -- WHETHER OUR PROBLEMS IN THE COMING FISCAL YEAR WILL BE PROBLEMS OF UNDER-UTILIZATION OF MEN AND RESOURCES, OR INFLATION AND EXCESSIVE DEMAND. IT IS NOT ENOUGH, HOWEVER, SIMPLY TO HAVE QUALITATIVE ESTIMATES ON WHICH TO BASE THESE JUDGMENTS. WE HAVE TO PREDICT NOT ONLY WHETHER BUSINESS WILL BE GOOD OR BAD BUT ALSO JUST HOW GOOD OR BAD IT IS LIKELY TO BE. THIS ESSENTIAL ROLE, THAT OF PROVIDING THE PRESIDENT WITH

AFTER FURTHER DISCUSSION AT THIS LEVEL, AT WHICH AGAIN MOST REMAINING DIFFERENCES OF OPINION ARE RESOLVED, THERE IS A FURTHER REVIEW BY SECRETARY DILLON, BUDGET DIRECTOR KERMIT GORDON, AND CHAIRMAN WALTER HELLER OF THE COUNCIL OF ECONOMIC ADVISERS. THIS TOP-POLICY GROUP THEN MEETS WITH THE PRESIDENT TO PRESENT A CONSIDERED JUDGMENT WHICH HAS BEEN ARRIVED AT THROUGH THIS LENGTHY PROCESS.

IT IS PERHAPS IMMODEST AS A PARTICIPANT IN THIS REVIEW PROCESS TO CALL ATTENTION TO THE GENERAL EXCELLENCE OF THE RESULTS. IT IS, HOWEVER, I THINK, ONLY FAIR TO OBSERVE THAT THE FEDERAL ECONOMIC FORECASTS HAVE COMPARED VERY FAVORABLY WITH PRIVATE FORECASTS, WHETHER THOSE MADE BY BUSINESS OR ACADEMIC ECONOMISTS.

PERHAPS UNFORTUNATELY, THE PROOF OF BUDGETARY AND FISCAL WISDOM IS NOT THE ACADEMIC NICETY OF THE ANALYSIS, BUT THE RESULTS. WITHOUT WANTING TO CLAIM UNDUE CREDIT FOR THE INFLUENCE OF THE ECONOMIC ANALYSIS FOR WHICH THE THREE AGENCIES -- TREASURY, BUDGET BUREAU, AND CEA -- HAVE BEEN RESPONSIBLE, LET US LOOK AT WHAT THESE POLICIES HAVE BEEN AND WHAT HAS BEEN ACCOMPLISHED IN THE PAST 3-1/2 YEARS.

IN RETROSPECT, IT IS ALREADY DIFFICULT, EVEN WITH FULL ACCESS TO THE RECORDS OF THE TIME, TO RECONSTRUCT MENTALLY THE SITUATION IN 1961. UNSUPPORTED RECOLLECTIONS ARE EVEN LESS TRUSTWORTHY, WHILE A COLD RECITAL OF THE FACTS DOES NOT DO JUSTICE TO THE HEAT OF THE SITUATION.

-- A HIGHER MINIMUM WAGE WITH EXPANDED COVERAGE

-- ASSISTANCE TO AREAS OF CHRONIC UNEMPLOYMENT, AND

-- INCREASED FEDERAL AIDS FOR HOUSING.

AS A RESULT OF THESE MEASURES, STIMULATING AND SUPPORTING THE NATURAL RECOVERY FORCES WITHIN THE ECONOMY, THE RECESSION WAS REVERSED AND A STRONG RECOVERY MOVEMENT GOT UNDERWAY.

AT THE SAME TIME THE ADMINISTRATION WAS MOVING TO GET THE NATION OUT OF A RECESSION, WE ALSO MOUNTED A GOVERNMENT-WIDE ATTACK TO REDUCE THE BALANCE OF PAYMENTS DEFICIT AND STEM THE GOLD OUTFLOW. TO RESTORE CONFIDENCE IN THE DOLLAR PRESIDENT KENNEDY RESTATED EMPHATICALLY THE U. S. COMMITMENT TO MAINTAIN THE PRICE OF GOLD AT $35 AN OUNCE. THEN HE ASKED OUR NATO ALLIES TO PUT UP A GREATER SHARE OF THE COST IN MAINTAINING THE DEFENSES OF THE FREE WORLD AND REQUIRED MORE OF OUR FOREIGN AID DOLLARS TO BE SPENT IN THE UNITED STATES. SHORT TERM CAPITAL FLOWS ABROAD WERE SLOWED DOWN BY UPWARD ADJUSTMENT IN SHORT TERM INTEREST RATES IN THE UNITED STATES TO BRING THEM INTO LINE WITH SHORT TERM RATES ELSEWHERE AND, LATER, A PROGRAM TO REDUCE LONG TERM CAPITAL OUTFLOWS THROUGH AN INTEREST EQUALIZATION TAX ON FOREIGN SECURITIES WAS PROPOSED.

AS THE NATION MOVED OUT OF THE RECESSION, OUR ATTENTION TURNED TO THE LONGER RANGE PROBLEM OF SLOW GROWTH. FOR, DESPITE THE RECOVERY, EXCESSIVE UNEMPLOYMENT AND UNDER-UTILIZATION OF PLANTS PERSISTED. THUS THE GROUNDWORK WAS LAID FOR WHAT I FIRMLY BELIEVE IS THE MOST SIGNIFICANT CHANGE IN THE THRUST OF FISCAL POLICY THAT MANY OF US ARE LIKELY EVER TO EXPERIENCE -- BY THIS I MEAN THE DECISION TO BASE AN EXPANSIONARY FISCAL POLICY ON TAX REDUCTION RATHER THAN ON EXPENDITURE INCREASES.

I BEGAN BY NOTING THAT THE BUDGETARY OBJECTIVES OF THE FEDERAL GOVERNMENT ARE NOT THE SAME AS THOSE OF A PROFIT MAKING BUSINESS CORPORATION. THE FEDERAL BALANCE SHEET IS MEASURED BY OTHER ACCOMPLISHMENTS.

SINCE EARLY 1961 THE AMERICAN ECONOMY HAS REALIZED THE LARGEST SUSTAINED GROWTH IN NATIONAL OUTPUT IN OUR PEACETIME ECONOMIC HISTORY. IN THREE AND ONE-HALF YEARS OF UNBROKEN EXPANSION, WHICH IS ITSELF A RECORD, LET US SEE WHAT HAS HAPPENED.

- -- TOTAL NATIONAL PRODUCTION HAS INCREASED OVER $100 BILLION.
- -- NON-FARM EMPLOYMENT IS UP OVER 4 MILLION JOBS.
- -- UNEMPLOYMENT HAS DROPPED FROM 7 PERCENT TO LESS THAN 5-1/2 PERCENT, DESPITE A 2-1/2 MILLION INCREASE IN THE SIZE OF THE LABOR FORCE.
- -- PERSONAL INCOME IS UP MORE THAN $75 BILLION.
- -- PRICES HAVE REMAINED MORE STABLE THAN IN ANY OTHER INDUSTRIAL COUNTRY OF THE FREE WORLD.
- -- THE BALANCE OF PAYMENTS DEFICIT WAS REDUCED FROM $3.9 BILLION IN 1960 TO A PROSPECTIVE LEVEL OF UNDER $2 BILLION IN 1964.
- -- THE WORLD HAS REGAINED FULL CONFIDENCE IN THE STRENGTH AND STABILITY OF THE U. S. DOLLAR.

AND, HOW BUSINESS HAS FARED?

- -- CORPORATE PROFITS BEFORE TAXES HAVE INCREASED BY $18 BILLION, OR ALMOST 50 PERCENT. AFTER-TAX PROFITS HAVE INCREASED FROM $22 BILLION REPORTED IN 1961 TO $24-1/2 BILLION IN 1962, AND $27 BILLION IN 1963 -- WITH A YEAR-END RATE OF NEARLY $29 BILLION.

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 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 June 2, 1964.

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

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 21, 1964

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 June 2, 1964, and will mature May 31, 1965, 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 Daylight Saving time, Wednesday, May 27, 1964. 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 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

D-1234

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, May 26, 1964.

May 25, 1964

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 27, 1964, and the other series to be dated May 28, 1964, which were offered on May 20, were opened at the Federal Reserve Banks on May 25. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $900,000,000, or thereabouts, of 183-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 27, 1964		183-day Treasury bills maturing November 27, 1964	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.124	3.465%	98.176 a/	3.588%
Low	99.120	3.481%	98.170	3.600%
Average	99.121	3.475% 1/	98.172	3.595% 1/

a/ Excepting one tender of $150,000
78% of the amount of 91-day bills bid for at the low price was accepted
20% of the amount of 183-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	$ 20,880,000	$ 10,844,000	$ 2,465,000	$ 2,465,000
New York	1,535,675,000	845,055,000	1,274,414,000	660,214,000
Philadelphia	26,805,000	11,805,000	8,646,000	3,226,000
Cleveland	16,602,000	16,580,000	11,884,000	11,644,000
Richmond	9,295,000	9,141,000	3,119,000	2,910,000
Atlanta	24,655,000	20,150,000	10,807,000	8,487,000
Chicago	215,314,000	142,792,000	182,901,000	79,401,000
St. Louis	30,862,000	23,418,000	9,133,000	7,133,000
Minneapolis	17,431,000	11,991,000	6,091,000	3,091,000
Kansas City	26,843,000	24,843,000	22,486,000	22,406,000
Dallas	18,108,000	11,108,000	9,209,000	4,209,000
San Francisco	130,532,000	72,332,000	167,995,000	94,855,000
Totals	$2,073,002,000	$1,200,059,000 b/	$1,709,150,000	$900,041,000 c/

Includes $197,121,000 noncompetitive tenders accepted at the average price of 99.121
Includes $51,843,000 noncompetitive tenders accepted at the average price of 98.172
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 3.71%, for the 183-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semi-annual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON. D.C.

May 27, 1964

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,100,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing June 4, 1964, in the amount of $2,101,772,000, as follows:

91-day bills (to maturity date) to be issued June 4, 1964, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated March 5, 1964, and to mature September 3,1964, originally issued in the amount of $ 902,448,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 900,000,000, or thereabouts, to be dated June 4, 1964, and to mature December 3, 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, June 1, 1964. 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.

TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
rsday, May 28, 1964.

May 27, 1964

RESULTS OF TREASURY'S ONE-YEAR BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,000,000, thereabouts, of 363-day Treasury bills to be dated June 2, 1964, and to mature May 31, 5, which were offered on May 21, were opened at the Federal Reserve Banks on May 27.

The details of this issue are as follows:

Total applied for - $2,207,571,000
Total accepted - 1,000,141,000 (includes $18,127,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 96.259	Equivalent rate of discount approx.	3.710%	per annum
Low	- 96.246	" " " " "	3.723%	" "
Average	- 96.250	" " " " "	3.719%	" " 1/

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 48,300,000	$ 11,195,000
New York	1,711,373,000	798,198,000
Philadelphia	10,639,000	639,000
Cleveland	69,547,000	16,547,000
Richmond	585,000	585,000
Atlanta	5,765,000	1,765,000
Chicago	209,612,000	134,512,000
St. Louis	5,370,000	2,370,000
Minneapolis	8,785,000	2,785,000
Kansas City	4,930,000	3,430,000
Dallas	16,255,000	4,205,000
San Francisco	116,410,000	23,910,000
TOTAL	$2,207,571,000	$1,000,141,000

ı a coupon issue of the same length and for the same amount invested, the return on hese bills would provide a yield of 3.88%. Interest rates on bills are quoted in erms of bank discount with the return related to the face amount of the bills payable t maturity rather than the amount invested and their length in actual number of days elated to a 360-day year. In contrast, yields on certificates, notes, and bonds are omputed in terms of interest on the amount invested, and relate the number of days emaining in an interest payment period to the actual number of days in the period, ith semiannual compounding if more than one coupon period is involved.

Fund. This drawing, like the first drawing on February 13, 1964, is being made under the standby arrangement for $500 million which was announced July 18, 1963. After this drawing, $250 million will still remain available under the one year standby arrangement.

The U. S. drawing is being made in Deutschemarks and French francs in amounts equivalent to $70 million and $55 million, respectively. The drawing will replenish currencies previously used out of Treasury stocks to facilitate repayments by members to the Fund and will cover contemplated requirements for this purpose over the next few months. By this drawing the U. S. obtains currencies from the Fund which it can sell for dollars to other members for their use in making repayments to the Fund. Other members can therefore continue, in effect, to use their dollar holdings to settle their obligations to the Fund.

TREASURY DEPARTMENT

WASHINGTON, D.C.

May 28, 1964

FOR RELEASE: A.M. NEWSPAPERS
FRIDAY, MAY 29, 1964

TREASURY ANNOUNCES SECOND U. S. DRAWING
FROM THE INTERNATIONAL MONETARY FUND

Secretary of the Treasury Douglas Dillon announced today a second drawing of foreign currencies equivalent to $125 million by the U. S. from the International Monetary Fund. This drawing, like the first drawing on February 13, 1964, is being made under the standby arrangement for $500 million which was announced July 18, 1963. After this drawing, $250 million will still remain available under the one year standby arrangement.

The U. S. drawing is being made in Deutschemarks and French francs in amounts equivalent to $70 million and $55 million, respectively. The drawing will replenish currencies previously used out of Treasury stocks to facilitate repayments by members to the Fund and will cover contemplated requirements for this purpose over the next few months. By this drawing the U. S. obtains currencies from the Fund which it can sell for dollars to other members for their use in making repayments to the Fund. Other members can therefore continue, in effect, to use their dollar holdings to settle their obligations to the Fund.

(Previous releases and background are attached)

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D-1238

TREASURY DEPARTMENT

WASHINGTON, D.C.

February 13, 1964

FOR RELEASE: A.M. NEWSPAPERS
FRIDAY, FEBRUARY 14,1964

TREASURY ANNOUNCES FIRST U. S. DRAWING FROM IMF

Secretary of the Treasury Douglas Dillon announced today that the United States has made its first drawing of foreign currencies from the International Monetary Fund. The drawing is being made under the standby agreement for $500 million which was announced by President Kennedy in his Balance of Payments Message last July 18. The value of the currencies drawn is equivalent to $125 million.

The Secretary said that the drawing was designed to meet a special situation in the Fund's operations anticipated last July, and is intended to facilitate repayments by other nations to the Fund. The Secretary explained that foreign countries over the past several years have been repaying more dollars to the International Monetary Fund than the Fund has been paying out in new drawings. As a result, the Fund's holdings of dollars now equal the amount which the United States has paid into the Fund in dollars as part of its quota. At this point, the Fund under its rules can no longer accept dollars in repayment. Repayment must instead be either in gold or in other convertible currencies of which the Fund holds less than the normal quota. The United States will draw such currencies from the Fund and sell them for dollars to other members for their use in making repayments to the Fund. In this way, other members will be able to continue, in effect, to use their dollar holdings to settle their obligations to the Fund.

The United States drawing will be made primarily in Deutschemarks and French francs -- in equal amounts. A small portion, equivalent to $5.5 million, will, however, be in Italian lire to replace lire sold from existing Treasury stocks in January to enable Fund members to make several small repayments to the Fund in lire at that time. The present drawing does not relate to any single repayment by another country but is designed to cover a number of transactions which are expected to take place in the coming weeks.

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D-113

TREASURY DEPARTMENT

WASHINGTON, D.C.

Background

July 17, 1963

U.S. Stand-by Arrangement with the International Monetary Fund

The United States has just obtained agreement of the International Monetary Fund (IMF) to a stand-by arrangement in the amount of $500 million for a period of one year, beginning July 22, 1963. Since the amount requested is well within the U.S gold tranche (of $1,031.25 million) at the IMF, the proposed arrangement does not raise any problems in relation to IMF policies on drawings.

The principal use of the stand-by arrangement foreseen by the United States is for operations to facilitate solution of a technical problem jointly faced by the Fund, many of its members with drawings outstanding, and the United States. This is the problem of repurchases at the Fund by countries which hold their official foreign exchange balances largely or exclusively in U.S. dollars.

The Articles of Agreement of the Fund prevent the Fund from accepting holdings of any currency above 75 per cent of that country's quota except through the initiative of that country to make a drawing of other currencies. From the time the IMF first began operations until quite recently, the U.S. dollar holdings of the Fund were well below 75 per cent of the U.S. quota, because most drawings (as well as repurchases) at the Fund were in U.S. dollars and cumulative repurchases did not reach the level of cumulative drawings. In the past four years, the previous situation for Fund holdings of U.S. dollars has been substantially changed, especially since the IMF drawing of the equivalent of $1.5 billion by the United Kingdom in August-September 1961. First, the volume of repurchases at the Fund, while never reaching the cumulative amount of drawings, has been much higher since 1958 than at any time before; a relatively large proportion of these higher repurchases has continued to be made with U.S. dollars. Second, with the achievement of convertibility by the main European currencies, a significant portion of new drawings from the Fund have utilized these currencies. As a result, the Fund's holdings of U.S. dollars have been fairly close to 75 per cent of the U.S. quota since July 1962 and since the end of April 1963 those holdings have been practically at 75 per cent.

For countries holding official reserves in U.S. dollars, this situation presents a difficulty when they wish to make repurchases at the Fund. The Fund's ability to accept U.S. dollars in repurchase is practically nil owing to the 75 per cent of quota constraint. Countries wishing to repay the Fund can offer other convertible currencies or gold to discharge their repurchase obligations. It is very doubtful that a net transfer of gold to the Fund is desirable at present from the viewpoint of the international payments mechanism as a whole. Also, in order to offer other convertible currencies in repurchase, the countries concerned often need to undertake administrative arrangements that are unusual and unfamiliar to them, and such currencies must usually be purchased (against dollars) at prices

EXCERPT FROM INTERNATIONAL MONETARY FUND,
PRESS RELEASE, WASHINGTON, D.C., JULY 18, 1963

"The International Monetary Fund has entered into a stand-by arrangement that authorizes the United States to draw the currencies of other members of the Fund up to an amount equal to $500 million during the next 12 months. The quota of the United States in the Fund is $4,125 million, of which $1,031 million has been paid in gold. The amount of the stand-by arrangement represents a little less than half the amount the United States could draw on a virtually automatic basis under Fund practice.

"The United States has not previously made use of the Fund's resources. Drawings of U. S. dollars from the Fund by other members have amounted to approximately $4.2 billion since the Fund's operations began in 1947. In recent years, Fund policy has encouraged drawings in non-dollar currencies and repayments to the Fund in U. S. dollars. This policy has provided assistance in financing the U. S. balance of payments deficit. As a result of repayments, the Fund's dollar holdings are now almost at the subscription level, which is 75 per cent of quota or about $3 billion, and the Articles of Agreement prevent repayment to the Fund with U. S. dollars beyond that level. In these circumstances the stand-by arrangement, which is available for general balance of payments needs, is intended to facilitate repayments by other members. This would be accomplished through U. S. drawings of other convertible currencies, which would be sold to Fund members for dollars and used by them to make repayments to the Fund."

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 28, 1964

FOR RELEASE: A.M. NEWSPAPERS
MONDAY, JUNE 1, 1964

TREASURY INVITES COMMENTS ON CANADIAN AUTO AND PARTS EXPORT MEASURE

The Treasury Department today sent to the Federal Register a notice inviting comments and views of all interested persons relating to complaints arising from the recent Canadian Order-in-Council on the export of motor vehicles and motor vehicle parts from Canada. A copy of the notice is attached.

The Canadian Government, in a press release dated October 25, 1963, described the Canadian system as follows:

> "The new measures provide for the remission of duties paid on importations of vehicles and parts for vehicles for use in the manufacture of motor vehicles in Canada.
>
> "The remission of duties on imports may be earned through exports of vehicles or parts in excess of exports made during the twelve months ending October 31, 1962. Exports to any country are eligible to earn a credit for remission of duties. Credits may be earned by vehicle manufacturers through exports by themselves or by the parts makers. One dollar of exported Canadian content will earn the remission of duties on one dollar of dutiable imports."

Complaints have been received by the Treasury Department to the effect that the Canadian move involves the bestowal of grants or bounties so as to make Canadian exports to the United States of motor vehicles and motor vehicle parts subject to the imposition of countervailing duties under the provisions of United States law.

The notice states that the U.S. Bureau of Customs is giving consideration to this question. The comments and views invited may also relate to the net amount of the grant or bounty which any interested person believes to be bestowed. The notice points out that if it should be determined that a grant or bounty is bestowed it is proposed that a countervailing duty order would be issued.

Under present law, countervailing duties may be imposed "whenever any country... shall pay or bestow, directly or indirectly, any bounty or grant upon the manufacture or production or export of any article ... and such article or merchandise is dutiable."

Thirty days has been set as the period within which comments and views should be submitted to the Commissioner of Customs, Washington, D. C.

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DEPARTMENT OF THE TREASURY
BUREAU OF CUSTOMS

INVESTIGATION OF SUSPECTED BOUNTY OR GRANT

NOTICE OF OPPORTUNITY TO PRESENT VIEWS ON THE QUESTION WHETHER CERTAIN ACTION BY CANADA CONSTITUTES PAYMENT OR BESTOWAL OF A BOUNTY OR GRANT WITHIN THE MEANING OF SECTION 303, TARIFF ACT OF 1930, UPON EXPORTS OF MOTOR VEHICLES AND MOTOR VEHICLE PARTS FROM CANADA

Notice is hereby given that the Bureau of Customs has received information that Canada has adopted measures, which became effective on November 1, 1963, under which amounts measured by the duties paid on imports into Canada of "motor vehicles" and "motor vehicle parts" (as described in Canadian Order-in-Council P. C. 1963 - 1/1544 of October 22, 1963) are to be paid directly or indirectly upon exports to any country of "motor vehicles" and "motor vehicle parts." Such amounts are to be paid in connection with total exports which exceed total exports made during the twelve months ending October 31, 1962. The Canadian Order-in-Council is appended hereto as Appendix A.

This information raises the question whether this action by Canada constitutes payment or bestowal of a bounty or grant, directly or indirectly, within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) upon the manufacture, production or export of the vehicles and parts to which the Canadian Order-in-Council relates. This question is now under consideration.

If it should be determined that a bounty or grant is paid or bestowed in connection with any such manufacture, production or export, it is proposed that an appropriate countervailing duty order would be issued and published in accordance with section 16.24 of the Customs Regulations (19 CFR 16.24).

It is contemplated that if such an order should be issued it would:

(1) relate to all categories of merchandise encompassed within the Canadian Order-in-Council; the status of particular articles under the Tariff Schedules of the United States will be irrelevant, except that articles which are duty free under the Schedules would not be subject to the order.

(2) provide that liquidation shall be suspended as to all articles affected by the Canadian Order-in-Council imported from Canada (except articles which are free of duty under the Tariff Schedules of the United States) which are entered or withdrawn from warehouse for consumption after the 30th day after the date of publication of that order in the Federal Register.

(3) provide that, in accordance with said section 303, the net amount of such bounty or grant shall be such amount as the Commissioner of Customs shall from time to time ascertain and determine, or estimate, and publish in the Federal Register, and that the suspension of liquidations shall terminate when the Commissioner of Customs shall, for the first time, ascertain, determine or estimate and publish the net amount of such bounty or grant.

Before a determination is made consideration will be given to any relevant data, views or arguments with respect to the existence or non-existence, and the net amount of a bounty or grant, which are submitted in writing to the Commissioner of Customs, Bureau of Customs, Washington, D. C., 20226, and received not later than 30 days from the date of publication of this notice in the Federal Register. No hearing will be held.

(R. S. 251, sec. 303, 624, 46 Stat. 687, 759; 19 U.S.C. 66, 1303, 1624.)

Philip Nichols Jr

Commissioner of Customs

Approved: MAY 27 1964

Assistant Secretary of the Treasury

P.C. 1963 - 1/1544

APPENDIX A

CANADA

PRIVY COUNCIL

October 22, 1963.

AT THE GOVERNMENT HOUSE AT OTTAWA

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL

His Excellency the Governor General in Council, pursuant to Section 22 of the Financial Administration Act, is pleased hereby to order as follows, in accordance with the following minute of the Treasury Board:

T.B. 617086

FINANCE
INDUSTRY

The Board recommends that Your Excellency in Council be pleased to order as follows:

ORDER

1. (1) In this Order,

(a) "designated period" means any following period, namely

(i) November 1, 1963 to October 31, 1964,
(ii) November 1, 1964 to October 31, 1965, or
(iii) November 1, 1965 to October 31, 1966;

(b) "motor vehicle" means vehicles that, if imported into Canada, would be classified under any of Tariff items 410a(iii), 424 and 438a;

(c) "motor vehicle parts" means parts that, if imported into Canada, would be classified under any of Tariff items 410a(iii), 424 and 438a to 438u inclusive, and includes the following motor vehicle parts and accessories, namely, ball and roller bearings, radios, heaters, die castings of zinc, electric storage batteries, and parts of which the component material of chief value is wood or rubber, but does not include tires or tubes.

(2) A reference in this Order to the value for Customs duty purposes of any goods shall be construed as a reference to the value for Customs duty purposes of such of those goods as were subject to Customs duties specified in Schedule A to the Customs Tariff.

2. All Customs duties specified in Schedule A to the Customs Tariff payable in respect of the following goods, namely:

(a) motor vehicles imported or taken out of warehouse by a motor vehicle manufacturer in Canada during any designated period, and

(b) motor vehicle parts for use as original equipment for motor vehicles, imported or taken out of warehouse by or on behalf of such manufacturer during that designated period,

are remitted to the extent of the duties so payable on such part of the value for Customs duty purposes of those goods as does not exceed the amount (hereinafter referred to as the "excess value") by which

(c) the Canadian content value, as established to the satisfaction of the Minister of National Revenue, of motor vehicles and motor vehicle parts exported by such manufacturer during that designated period,

exceeds

(d) the Canadian content value, as established to the satisfaction of the Minister of

National Revenue, of motor vehicles and motor vehicle parts exported by such manufacturer during the period Novnmber 1, 1961 to October 31, 1962,

and where the excess value exceeds the value for Customs duty purposes of the goods so imported or taken out of warehouse during that designated period, the amount of such excess may be added to the Canadian content value, as established to the satisfaction of the Minister of National Revenue, cf motor vehicles and motor vehicle parts exported by such manufacturer during the immediately preceding period of twelve months in determining the amount of Customs duties specified in Schedule A to the Customs Tariff that may be remitted under this Order or under Order in Council P.C. 1962-1/1536 in respect of goods imported or taken out of warehouse during that preceding period.

3. For the purposes of this Order,

(a) a manufacturer is a motor vehicle manufacturer in Canada during any relevant period only if such manufacturer produces in Canada during that period motor vehicles the total number of which so produced is not less than forty per cent of the total number of motor vehicles sold by such manufacturer during that period;

(b) motor vehicle parts that are produced in Canada by a parts manufacturer and exported and that can be identified as being for use in the manufacture, repair or maintenance of motor vehicles produced by an affiliate outside Canada of a motor vehicle manufacturer in Canada may be considered to have been exported by such motor vehicle manufacturer; and

(c) motor vehicle parts exported for incorporation into motor vehicles to be shipped to Canada shall be deemed not to have been exported if the value of such parts may be taken into account for Customs duty remission purposes under any Order other than this Order upon the subsequent importation of such vehicles.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 28, 1964

For Release After 4:00 P.M.
Thursday, May 28, 1964

Secretary Dillon Sells New
Savings Bonds to Top NASA Officials

Treasury Secretary Douglas Dillon, in a ceremony at National Aeronautics and Space Administration headquarters, at 4:00 p.m. today, exchanged 59 new $75 Series E Savings Bonds for the personal checks of Administrator James E. Webb and his top officials.

The occasion highlighted NASA's current campaign as part of the interdepartmental program to increase total federal employee participation in the payroll savings plan. The bonds are of the denomination which bears the portrait of former President John F. Kennedy.

"The example that you and your key officials are setting here, with this ceremony, is one of the most significant that we have noted to date in our interdepartmental effort to increase the purchase of U. S. Savings Bonds. It is matched only by the pace you have set in developing the world's biggest and best space vehicles. It should encourage other top Government officials to take similar steps.

"There are approximately $47½ billion outstanding in Series E and H Savings Bonds. This represents more than twenty percent of the publicly held portion of the national debt. Because it represents real savings -- savings that come out of earned income -- it is a hard core of non-inflationary borrowing upon which our debt management can rely. It is the cornerstone upon which the entire debt structure rests.

"I assure you that the investment of your time, your talent, and your money in this project will serve as a special example to the American public -- just as your success in our space efforts has spurred the determination of all Americans to lead in this great journey into the future."

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 28, 1964

FOR IMMEDIATE RELEASE

TREASURY STATEMENT ON PRESS REPORT OF
CREDIT TO UAR

The Treasury Department today issued the following statement in response to inquiries concerning an article in a morning newspaper regarding an International Monetary Fund standby credit to the United Arab Republic:

The article alleges that the agreement in question violated the basic principles of the International Monetary Fund and was purportedly "forced through" the Fund by the U. S. Department of State over the opposition of the U. S. Treasury Department and of other countries.

The facts are that this standby was made in the normal couse of IMF operations. It was negotiated over a period of months between the management of the Fund and the United Arab Republic and is subject to the fulfillment of a series of financial undertakings agreed between the Fund and the United Arab Republic. It was in no sense instigated or "forced through" by the United States.

When the agreement was presented to the board of executive directors by the managing director, Mr. Pierre-Paul Schweitzer, the United States executive director took the position that since the managing director of the Fund had carefully considered the matter and recommended the agreement, the executive directors should support the position of the managing director. The U. S. executive director received his instructions from the National Advisory Council in the usual way and there were no differences of view between the Departments of State and Treasury. After full consideration, the recommendation of the managing director was accepted by all concerned and the standby was adopted by the IMF board of executive directors.

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D-1241