U.S. Treasury Dept.

Press Releases

747-288
TREASURY

1663

Treasury Dept

747-288

United States Savings Bonds Issued and Redeemed Through August 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	$ 4,992	$ 12	.24
Series F & G-1941 - 1952	29,521	29,403	117	.40
UNMATURED				
Series E: 3/				
1941	1,837	1,564	273	14.86
1942	8,114	6,935	1,180	14.54
1943	13,060	11,187	1,872	14.33
1944	15,222	12,876	2,346	15.41
1945	11,919	9,860	2,059	17.27
1946	5,361	4,222	1,140	21.26
1947	5,057	3,805	1,252	24.76
1948	5,213	3,820	1,393	26.72
1949	5,132	3,676	1,456	28.37
1950	4,477	3,130	1,347	30.09
1951	3,877	2,703	1,174	30.28
1952	4,060	2,779	1,281	31.55
1953	4,620	3,022	1,599	34.61
1954	4,703	2,892	1,811	38.51
1955	4,848	2,890	1,958	40.39
1956	4,651	2,784	1,867	40.14
1957	4,371	2,547	1,824	41.73
1958	4,229	2,320	1,909	45.14
1959	3,956	2,122	1,834	46.36
1960	3,939	1,981	1,958	49.71
1961	3,952	1,796	2,156	54.55
1962	3,802	1,600	2,202	57.92
1963	4,213	1,375	2,838	67.36
1964	1,925	286	1,639	85.14
Unclassified	530	547	-16	-
Total Series E	133,070	92,718	40,352	30.32
Series H (1952 - Jan. 1957) 3/ ..	3,670	1,543	2,128	57.98
H (Feb. 1957 - 1964)	6,317	859	5,458	86.40
Total Series H	9,987	2,402	7,586	75.96
Total Series E and H	143,057	95,120	47,938	33.51
Series J and K (1952 - 1957)	3,717	2,211	4/ 1,506	40.52
All Series: Total matured	34,524	34,395	129	.37
All Series: Total unmatured	146,774	97,331	49,444	33.69
All Series: Grand Total	181,298	131,726	49,573	27.34

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

BUREAU OF THE PUBLIC DEBT

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

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BUREAU OF THE PUBLIC DEBT

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, August 4, 1964.

August 3, 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 May 7, 1964, and the other series to be dated August 6, 1964, which were offered on July 29, were opened at the Federal Reserve Banks on August 3. 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 November 5, 1964		:	182-day Treasury bills maturing February 4, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.122 a/	3.473%	:	98.192	3.576%
Low	99.116	3.497%	:	98.184	3.592%
Average	99.118	3.488% 1/	:	98.186	3.5[illegible]8% 1/

a/ Excepting one tender of $200,000
72 percent of the amount of 91-day bills bid for at the low price was accepted
82 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 33,286,000	$ 20,486,000	:	$ 13,270,000	$ 6,434,000
New York	1,542,551,000	810,411,000	:	1,305,553,000	607,330,000
Philadelphia	28,220,000	12,220,000	:	8,505,000	2,47[illegible],000
Cleveland	23,938,000	23,938,000	:	35,688,000	23,[illegible],000
Richmond	18,098,000	15,538,000	:	10,111,000	4,111,000
Atlanta	25,252,000	22,608,000	:	11,054,000	[illegible],027,000
Chicago	183,902,000	121,582,000	:	188,324,000	120,[illegible],000
St. Louis	34,047,000	26,711,000	:	32,844,000	30,144,000
Minneapolis	21,709,000	15,149,000	:	7,637,000	5,137,000
Kansas City	32,969,000	32,689,000	:	9,004,000	[illegible],[illegible]66,000
Dallas	25,218,000	16,938,000	:	10,157,000	5,977,000
San Francisco	111,971,000	81,951,000	:	118,740,000	76,179,000
TOTALS	$2,081,161,000	$1,200,221,000 b/		$1,750,887,000	$900,[illegible]41,000 c/

b/ Includes $233,542,000 noncompetitive tenders accepted at the average price of 99.118
c/ Includes $58,219,000 noncompetitive tenders accepted at the average price of 98.186
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 3.71%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semi-annual compounding if more than one coupon period is involved.

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WASHINGTON, D.C.

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Average	99.118	3.488% 1/	:	98.186	3.588% 1/

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Chicago	183,902,000	121,582,000	:	188,324,000	120,850,000
St. Louis	34,047,000	26,711,000	:	32,844,000	30,144,000
Minneapolis	21,709,000	15,149,000	:	7,637,000	5,137,000
Kansas City	32,969,000	32,689,000	:	9,004,000	8,986,000
Dallas	25,218,000	16,938,000	:	10,157,000	5,977,000
San Francisco	111,971,000	81,951,000	:	118,740,000	76,179,000
TOTALS	$2,081,161,000	$1,200,221,000 b/		$1,750,887,000	$900,541,000 c/

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D-1301

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.

~~DATA - MODIFIED~~

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated May 14, 1964, (91 days remaining until maturity date on November 12, 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 August 13, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 13, 1964. Cash

~~Exhibit 2-A~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 5, 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 August 13, 1964 , in the amount of $ 2,101,434,000 , as follows:

91 -day bills (to maturity date) to be issued August 13, 1964 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated May 14, 1964 , and to mature November 12, 1964 , originally issued in the amount of $ 900,452,000 (an additional $100,086,000 was issued July 29, 1964), the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated August 13, 1964 , and to mature February 11, 1965 .

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, August 10, 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- 1302

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 May 14, 1964, (91 days remaining until maturity date on November 12, 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 August 13, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 13, 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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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE August 5, 1964

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

Reports received from the Federal Reserve Banks show that subscriptions total about $14,818 million for the offering of $4.0 billion, or thereabouts, of 3-7/8 percent Treasury Notes of Series C-1966, due February 15, 1966. The total amount of subscriptions accepted is about $4,032 million.

The Treasury will allot in full, as provided in the offering circular, about $1,949 million of subscriptions from States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Government Investment Accounts, and the Federal Reserve Banks, where the subscriber made the required certification of ownership of securities maturing on August 15, 1964.

On subscriptions received subject to allotment, the Treasury will allot in full subscriptions up to $100,000 and other subscriptions will be subject to a 15 percent allotment with a minimum allotment of $100,000 per subscription. Reports received thus far from the Federal Reserve Banks show that subscriptions subject to allotment total about $7,546 million from commercial banks for their own account and $5,323 million from all others.

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

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D-1303

he advanced to the position of Assistant Chief Disbursing Officer in 1947, becoming Chief in 1954. In 1962 Treasury Secretary Douglas Dillon conferred upon Mr. Cannon the Department's Exceptional Service Award in recognition of his outstanding leadership and service in behalf of the Treasury.

Under Mr. Cannon's leadership, the Division of Disbursement has pioneered in industry techniques in the discharge of its duties. Most of the work in preparing the checks is now done by electronic equipment which has resulted in greater efficiency and lower costs. During the past ten years the workload of the Division has increased 76 percent, yet this work is now being done by ~~43~~ 42 percent fewer individuals. In dollar terms, today's annual disbursing costs would be almost $6 million more ~~than it was~~ under the methods existing at the time Mr. Cannon took charge.

Mr. Cannon's early government employment included positions in the Post Office Department, the Department of Agriculture and Department of Interior. In 1935 he was appointed Disbursing Officer in charge of the Treasury's Disbursement Office in Atlanta, Georgia. ~~Six~~ Five years later, in ~~1941~~ 1940, he joined the central office staff in Washington of the Chief Disbursing Officer of the Treasury where

August 7, 1964

IMMEDIATE RELEASE
Friday, August 7, 1964

~~DRAFT RELEASE~~

TREASURY DEPARTMENT'S CHIEF
DISBURSING OFFICER RETIRES

Mr. Julian F. Cannon, Chief Disbursing Officer of the U. S. Treasury Department's Bureau of Accounts, will retire August 31 after more than 41 years of service for the United States Government. He has been in his present position since July 1954.

Over the last ten years, it is estimated that almost three billion government checks, made out to Federal employees, and for Social Security, ~~and~~ veterans annuitants and tax refunds along with the thousands of other individuals and companies doing business with the government, have been issued under Mr. Cannon's direction.

As Chief Disbursing Officer and head of the Division of Disbursement, Mr. Cannon has been responsible for disbursing funds for virtually all civilian executive departments and agencies.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 7, 1964

IMMEDIATE RELEASE
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D-1304

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areas for production.

Other projects compatible with short-term measures called for by the stabilization program of the Dominican Government are being studied. These projects will be implemented as the studies are completed and in coordination with the stabilization effort. At the same time, United States technical assistance is being increased to complement current and future development programs in the Dominican Republic.

The stabilization effort will be reflected principally in greater austerity affecting virtually all the Dominican people. As such internal sacrifices pave the way for achieving new financial stability, United States and other external funds can help support Dominican investment for development. That investment will in the long run form the basis of sound economic growth and steady improvement in the standard of living and well being of all Dominicans.

The U.S. agreements with the Dominican Republic supplement the resources available to the Dominican Republic under a $25 million stand-by arrangement announced by the International Monetary Fund on August 5, 1964.

The exchange agreement with the U.S. Treasury is effective for a one year period. It, like the AID loan, is designed to assist the Dominican Republic in its efforts to promote economic stability and freedom in its trade and exchange system and to restore full convertibility of the peso.

JSBradshaw:fls - 8/6/64

Clearance: R.E. Lippincott - CAR (draft)
Mr. Costanzo - Treasury (draft)

Also announced by the
U.S. Embassy in
Sa… Domingo

14 August 10, 1964

Release AM Newspapers
Sunday, Aug. 11, 1964

The United States today announced that it is concluding a $10,250,000 program of assistance for the Dominican Republic. This includes a $6,250,000 exchange agreement with the U. S. Treasury and a $4,000,000 loan from the Agency for International Development.

The assistance is being made in support of the financial stabilization program being undertaken by the Dominican Government to provide a sound foundation for economic and social development of the country.

In addition, the Embassy and the Dominican Government are currently reviewing various projects which will further the program of the Dominican Government to achieve for the Dominican people, under the Alliance for Progress, the long range goals of the Charter of Punta del Este.

Among projects under study are those aimed at increased and more varied agricultural production; accelerated agrarian settlement; broadened and improved educational opportunities for the people at large; promotion of private industry, particularly in the processing and distribution of agricultural products; and expansion of the road network to open up new

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, August 11, 1964

August 10, 1964

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Other projects compatible with short-term measures called for by the stabilization program of the Dominican Government are being studied. These projects will be implemented as the studies are completed and in coordination with the stabilization effort. At the same time, United States technical assistance is being increased to complement current and future development programs in the Dominican Republic.

The stabilization effort will be reflected principally in greater austerity affecting virtually all the Dominican people. As such internal sacrifices pave the way for achieving new financial stability, United States and other external funds can help support Dominican investment for development. That investment will in the long run form the basis of sound economic growth and steady improvement in the standard of living and well being of all Dominicans.

The U. S. agreements with the Dominican Republic supplement the resources available to the Dominican Republic under a $25 million

(OVER)

stand-by arrangment announced by the International Monetary Fund on August 5, 1964.

The exchange agreement with the U. S. Treasury is effective for a one year period. It, like the AID loan, is designed to assist the Dominican Republic in its efforts to promote economic stability and freedom in its trade and exchange system and to restore full convertibility of the peso.

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OFFICE OF
FISCAL ASST. SECRETARY

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TREASURY DEPARTMENT

TREASURY DEPARTMENT

16

WASHINGTON, D.C.

August 10, 1964

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN JULY

During July 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 $28,679,000.00.

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D-1305

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 10, 1964

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D-1305

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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 May 14, 1964, and the other series to be dated August 13, 1964, which were offered on August 5, were opened at the Federal Reserve Banks on August 10. 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 November 12, 1964			182-day Treasury bills maturing February 11, 1965	
	Price	Approx. Equiv. Annual Rate		Price	Approx. Equiv. Annual Rate
High	99.118 a/	3.489%		98.186 b/	3.588%
Low	99.111	3.517%		98.170	3.620%
Average	99.113	3.510% 1/		98.174	3.611% 1/

a/ Excepting one tender of $300,000; b/ Excepting one tender of $200,000
69 percent of the amount of 91-day bills bid for at the low price was accepted
54 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted		Applied For	Accepted
Boston	$ 43,489,000	$ 27,289,000		$ 4,566,000	4,474,000
New York	1,487,775,000	763,545,000		1,263,425,000	670,165,000
Philadelphia	33,465,000	19,845,000		9,334,000	4,334,000
Cleveland	25,887,000	25,887,000		44,229,000	39,229,000
Richmond	14,398,000	14,398,000		2,002,000	2,002,000
Atlanta	37,754,000	33,872,000		13,924,000	10,924,000
Chicago	174,729,000	136,714,000		123,294,000	60,774,000
St. Louis	34,318,000	28,698,000		8,738,000	7,008,000
Minneapolis	24,246,000	19,926,000		6,423,000	4,923,000
Kansas City	33,383,000	32,228,000		10,949,000	10,949,000
Dallas	32,499,000	24,879,000		9,369,000	8,909,000
San Francisco	155,601,000	73,491,000		100,100,000	71,200,000
TOTALS	$2,097,344,000	$1,200,772,000 c/		$1,596,353,000	$900,891,000 d/

c/ Includes $257,912,000 noncompetitive tenders accepted at the average price of 99.113
d/ Includes $62,718,000 noncompetitive tenders accepted at the average price of 98.174
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.59%, 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 semi-annual compounding if more than one coupon period is involved.

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D-1306

TREASURY DEPARTMENT

STATEMENT OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
OF THE HOUSE OF REPRESENTATIVES
(SUBCOMMITTEE ON INTERNATIONAL FINANCE)
AUGUST 11, 1964, 10:00 A.M.

Mr. Chairman and Members of the Committee:

I am happy to appear before you today in connection with the participation of the United States in the proposed expansion of the Fund for Special Operations (FSO) of the Inter-American Development Bank (IDB). This represents another important step forward in United States support for the Bank -- and for the Alliance for Progress.

The legislation before you would authorize the Secretary of the Treasury as U. S. Governor of the IDB to vote in favor of an increase equivalent to $900 million in the resources of the FSO and would authorize the appropriation without fiscal year limitation of $750 million as the U. S. share of this increase. The payments would be made in three annual installments, of $250 million each, in fiscal 1965, 1966 and 1967, and would be in the form of non-interest bearing notes rather than cash. Separate appropriation legislation would be sought for each year's payments. The

Latin American members of the IDB would contribute $50 million a year in their own currencies. The proposal would be effective when approved by 14 countries with total contributions amounting to the equivalent of $860 million.

Increased U. S. participation in the FSO under this proposal would be in lieu of any further contributions to the Social Progress Trust Fund.

The National Advisory Council on International Monetary and Financial Problems has considered this proposal and has issued a Special Report strongly recommending Congressional approval. Copies of the Report are before you.

Background of the Proposal

I would like to recall briefly, Mr. Chairman, the history and structure of the Inter-American Development Bank and the scope of the United States' participation in this institution and its activities. The IDB came into legal existence on December 30, 1959 and began operations in the fall of 1960. Even though the IDB was established prior to the Act of Bogota and the Charter of Punta del Este, it has become the key link in the emerging pattern of close cooperation between the United States and the Latin American republics. It is "the Bank of the Alliance" and is clearly fulfilling this role with great success. As the principal financial institution of the Inter-American system, the IDB constitutes one of the most essential operating elements of our concerted drive toward economic and social development in Latin America. All of the countries of Latin America are members of the IDB, with the sole exception of Cuba, which is no longer eligible to join.

The Bank has up to now carried on its financing operations through three "windows." The first of these, Ordinary Capital, provides development funds on conventional terms in much the same manner as the World Bank. It commenced operations with governmental subscriptions but now obtains its funds from private financial markets in the same manner as does the World Bank. The second "window" of the Bank is its Fund for Special Operations, designed to offer financing where, for balance of payments or other reasons lending on conventional terms is not appropriate. The FSO's loans on easy repayment terms are made entirely from resources provided by the United States and the Latin American members of the Bank. In addition, since mid-1961 the Bank has acted as Administrator of the Social Progress Trust Fund (SPTF), which amounts to $525 million, all of which has been provided by the United States. Loans from the SPTF are repayable on easy terms and are made for four important areas of social development -- water supply and sanitation, advanced education, housing, and land settlement and improved land use.

It is with the second of these windows, the Fund for Special Operations, that we are concerned today. The initial resources of the FSO amounted to $146 million, of which the United States provided $100 million and the Latin American countries provided $46 million. Last year, as an interim measure, the member governments agreed on a $73 million increase in FSO resources, $50 million from the United States and $23 million from the Latin American members. Thus the total resources of the FSO now amount to $219 million, of which the United States has contributed $150 million. Payment of these contributions by members was made one-half in U. S. dollars and one-half in national currency -- which in our case meant that our entire contribution was in dollars. All installments have been fully paid by all member countries.

By July 31, 1964, $136 million of FSO resources had been committed for loans and technical assistance. Further, the management of the Bank estimates that the remainder of the Fund's resources, approximately $85 million, will be fully committed by the spring of next year. By July 31, 1964 only $114 million remained uncommitted in the SPTF and it is also expected to be fully committed in the near future.

Reasons for the Proposal

After approximately two years of operations with its three windows, the IDB's Board of Governors concluded that the Bank had reached a point in its development at which it would be appropriate to consider the simplification and strengthening of its structure. Moreover, it was evident that the scope and importance of the financing operations carried on by the Bank on an easy repayment basis would soon require major additions to the amount of capital available for these purposes. Accordingly, at the Fourth Annual Meeting in Caracas, Venezuela, in April 1963, the Governors asked the Executive Directors to prepare a study of the future relationships of the FSO to other activities of the Bank and of the sufficiency of the Fund's resources.

At the Annual Meeting held in Panama this past April, the Executive Directors reported to the Governors recommending an expansion of the resources of the FSO and a broadening of its functions to include those previously carried on by the SPTF. The recommendation assumed that, concurrent with the expansion of the FSO, the United States would discontinue further contributions to the SPTF. I have made it clear to the other Governors that this would in fact be the case. Thus, the Bank's existing three windows would be reduced to two. One -- the Ordinary Capital, obtaining its funds in the private capital markets -- would make loans on conventional repayment terms; the other -- the FSO, obtaining its funds from member contributions -- would make loans on easy repayment terms. This arrangement would be quite similar to that of the World Bank and IDA.

The advantage of such a consolidation of functions within the Bank is readily apparent. Administration will be more efficient and economical. The pattern of loan terms offered by the Bank will be more uniform, and the countries borrowing from the Bank will find that loan procedures are simpler and more understandable. From the United States point of view, the expansion of the FSO to include the functions of the SPTF -- and the termination of further contributions to the SPTF -- means that funds hitherto provided entirely by the United States will hereafter be provided in part by the Latin American countries.

Under the proposal of the Executive Directors, which the Bank's Governors have unanimously referred to their governments for appropriate legislative action, the member governments of the Bank would contribute $300 million per year to the FSO in their own national currencies in each of the fiscal years 1966, 1967, and 1968. The United States share of this annual contribution would be $250 million, all payable in non-interest bearing notes which would not be cashed until the Bank required the funds for disbursements. The Latin American members of the Bank would contribute $50 million each year in their own national currencies.

For comparison purposes the combined totals of past contributions to the FSO and SPTF have been as follows (in millions of dollars):

Calendar Year	United States	Other Countries
1961-62	$494	$46
1963	0	0
1964	181	23

1961 and 1962 are lumped together since the United States made a contribution of $394 million to the SPTF in 1961 with the understanding that it would cover both 1961 and 1962. Contributions that had originally been planned for 1963 were actually approved by the Congress -- and the resources made available to the Bank -- in January 1964.

From these totals it can be seen that the \$250 million annual contribution proposed for the United States closely approximates our annual contributions in 1961 and 1962 and exceeds our 1964 contribution by 38%. On the other hand, the contributions by the Latin American countries will be considerably more than twice their previous annual contributions.

In considering the need for funds to be lent on easy repayment terms, the Bank's Board of Executive Directors has taken account of Latin America's minimum needs for external funds to implement the Charter of Punta del Este, of the development programs which have been prepared by individual countries, of the magnitude and types of loan applications and inquiries made to the Bank, and of the Bank's capacity for processing loan applications and controlling disbursements. The Bank has also taken account of the balance-of-payments and external debt problems of Latin America and the continuing need -- as borne out by the experience of other lending institutions -- for credit on special terms such as can be offered by the FSO. Taking account of these varied considerations, the Bank regards a lending level equivalent to \$300 million a year, for loans on easy repayment terms, as desirable and feasible in order for it to meet its minimum responsibilities under the Alliance for Progress.

With the combined availabilities of the FSO and the SPTF the Bank succeeded in achieving almost a $250 million annual lending rate in the year 1962. With the resources now being proposed, the Bank will be able to reach and to maintain a slightly higher lending level. Moreover, with the assured availability of funds for a three-year period, the Bank will be able to avoid sharp year to year variations in the level of lending -- such as have occurred over the past few years because of uncertainties in the timing and amount of new funds provided to the FSO and SPTF. Loans from the two funds aggregated $164 million in 1961, rose to $246 million in 1962, and then fell to $80 million in 1963. It seems clear that the efficiency of the Bank's operations and its relationships with borrowers would be greatly improved by the approval of the three-year program now proposed.

Proposed Operations of the Expanded FSO

The operations of the expanded FSO will follow closely many of the patterns and practices successfully established in the past by the separate operations of the FSO and the SPTF.

The expanded FSO will continue to provide essential financial assistance for high-priority development projects in the economies of the Latin American members of the IDB. The type of projects which will be financed include -- in addition to such basic projects as roads, dams, water facilities and industrial development projects -- programs in the fields of low-income housing, improved land utilization, land settlement schemes, and agricultural credit programs. It is also expected that the Bank through the FSO will furnish assistance for the expansion of higher education facilities in Latin America by making loans to provide for the construction and equipment of facilities at universities and technical institutions. These loans will provide training in the technical and managerial skills so desperately needed if Latin America is to achieve meaningful development of its society and resources. Technical assistance loans and the financing of studies of basic sectors of the economy will also be provided.

In its administration of the proposed expanded FSO, the Bank will continue to take into account the institutional improvements which the borrowing country is undertaking, the specific steps initiated to achieve the success of the project proposed for financial assistance from the FSO, the extent to which local contributions are made available for financing the project, and, lastly but perhaps most important of all, Mr. Chairman, the extent and effectiveness of the over-all self-help practices of the borrower in conformity with the principles established by the Charter of Punta del Este.

Through new institutional arrangements in the Bank, a senior official will advise the President of the Bank on the formulation and review of development objectives, policies, plans and programs. This official -- who will be a United States citizen -- and his staff will serve as the Bank's liaison with the Inter-American Alliance for Progress Committee (CIAP), the important new organ of Inter-American economic cooperation. This advisory office will coordinate the effective programming of the Bank's resources, and maintain close contact with other sources of foreign capital, including our own AID administration. The Bank's efforts to program its resources to achieve maximum results will be greatly assisted by the assured availability of funds for a three-year period, as now proposed.

Turning now, Mr. Chairman, to questions of operational procedure, there are two matters I would like to review briefly with you. First, the question of loan terms for the expanded FSO. The Resolution to be voted on by the Board of Governors of the IDB does not specifically state the terms on which future loans from the expanded FSO are to be made. The Resolution states, however, that the Board of Executive Directors of the IDB "in establishing financing policies for the (FSO) shall take into consideration the policies which have guided the operations of the Social Progress Trust Fund." I expect, therefore, that policy on loan terms would be generally comparable to present policies for the FSO and the SPTF.

On loans made by the SPTF interest rates of from 2 to 3-1/2 percent have been applicable, depending upon the nature of the project. Maturities have been from 20 to 30 years including a grace period with repayment of principal and interest in the currency of the borrower, but with provision for maintenance of value and with optional payment in U.S. dollars. The interest rates I have mentioned include a 3/4 percent per annum service charge which is payable in U.S. dollars. FSO loans have been made on basically similar terms although the interest rate has usually been 4 percent and there is no separate service charge. Some loans made by the FSO have required payment of amortization and interest in the currencies lent.

The second matter I wish to review is the question of procurement policy. Previous U.S. contributions to the FSO have been available for world-wide procurement, while U.S. contributions to the SPTF were available only for U.S. procurement or procurement in other member countries of the IDB. Under this new proposal, the U.S. contribution to the expanded FSO will be available on the same basis as the SPTF procurement in the past, that is, only for the purchase of goods and services in the United States or from the country of the borrower; or in some cases, from other member countries of the Bank if such a transaction would be advantageous to the borrower. On the basis of past experience with the SPTF this would mean that well over 80 percent of future U.S. contributions to an expanded FSO would be utilized to finance U.S. exports.

<u>Effect of Proposal on the U.S. Balance of Payments</u>

This leads us directly to the matter of the effect of this proposal upon the balance-of-payments position of the United States. As I have indicated earlier, the entire U.S.

contribution to the expanded resources of the FSO will be in the form of non-interest bearing notes rather than cash and consequently will have no immediate impact upon our balance of payments. These notes will only be encashed later by the Bank as funds are required for disbursement. Consequently, the balance-of-payments impact of these transactions will not be reflected in our international accounts until the cash is paid over to the Bank -- well after the funds have been appropriated. And when the balance-of-payments effect is felt, the fact that over 80 percent of the expenditures from the FSO will be made in the United States will mean that the impact of our contribution will be minimal.

Relationship to U.S. Bilateral Aid Policies

Both the manner in which the proposed contribution to the expanded FSO will be utilized, and the over-all policies of the IDB are fully in accord with the major policy guidelines established by Congress for the U.S. bilateral aid program. The availability of funds in the expanded FSO for the furtherance of Alliance objectives will be fully taken into account in the preparation of U.S. bilateral economic assistance programs to Latin American nations, as is the availability of funds from other international lending agencies. No funds to be provided to the expanded FSO will be available to Communist bloc countries, as membership in the IDB is limited to Latin American nations, and Cuba has never joined the Bank and is no longer eligible for membership. With respect to the expropriation of private property without compensation, it should be noted that in no case has it been necessary to invoke the "Hickenlooper Amendment" in Latin America requiring the suspension of U.S. assistance. If circumstances should arise requiring such measures by the United States, parallel action could easily be taken in the Fund for Special Operations, since the U.S. vote of 42 percent is necessary to obtain the two-thirds majority that is required for favorable consideration of any loan made by the Fund for Special Operations.

Proposed Legislative Action

The proposed legislation for which favorable committee action is requested would: (1) authorize the Secretary of the Treasury as U.S. Governor of the IDB to vote in favor of the Resolution calling for a $900 million increase in the resources of the FSO and, upon adoption of the Resolution by the Board of Governors, to agree on behalf of the United States to a subscription of $750 million in accordance with the terms of the Resolution, (2) authorize the appropriation without fiscal year limitation of $750 million, and (3) delete certain technical provisions in the existing language which limit the total of non-interest bearing notes which may be issued to the total of previous subscriptions and contributions to the Ordinary Capital and the FSO. This last action will permit substitution of notes for the full amount to be authorized under the proposed increase.

The Governors of the IDB contemplated that action would be taken by members by December 31, 1964, although the Executive Directors are authorized to extend the timetable as necessary. The need for the first installment of $250 million was taken into account in formulating the current budget and a formal appropriation request will be submitted upon approval by Congress of the authorizing legislation. Two further annual requests will be made in the normal manner for fiscal 1966 and 1967.

Conclusion

In conclusion, Mr. Chairman, I would like to reiterate that the Inter-American Development Bank is a vital part of the financial structure of the Alliance for Progress. Therefore, it is most important that the Bank have not only adequate resources, but also the structure most suitable to accomplish the tasks facing it. The administrative advantages of simplifying the Bank's structure through consolidation of the operations of the FSO and the SPTF are clear. The boundaries between lending for social development and lending for economic development are indistinguishable and, therefore, provide no reason to continue the maintenance of separate financing sources which are inseparable in practice.

The FSO's resources will be exhausted in early 1965 and are in need of replenishment. The resources of the SPTF are also nearing exhaustion. This provides a desirable opportunity to terminate further contributions to the Social Progress Trust Fund and to make future contributions only to an expanded Fund for Special Operations. The proposed U.S. contribution of $250 million per year for the three years 1965, 1966 and 1967 will permit the Inter-American Development Bank to finance a level of lending on easy repayment terms which is appropriate to fulfill Alliance objectives and necessary if these objectives are to be met.

I urge that you act favorably on this bill.

Thank you, Mr. Chairman.

Two other coin presses, previously owned by the Mint, have been reacquired. They have been reconditioned and will be making coins this month at Denver.

In December, proof coin production in Philadelphia will cease and the presses, space and personnel of that operation will be used in regular coin production.

Congress has now approved funds to keep both Mints on a 24-hour day, 7-day week schedule. Funds for the new Mint in Philadelphia, $16,500,000, have also been approved by Congress. Land has been set aside and the General Services Administration is rushing plans for construction.

August 11, 1964

FOR RELEASE A.M. NEWSPAPERS
Wednesday, August 12, 1964

COIN PRODUCTION UP 77 PERCENT

The Treasury Department today reported the first month's results of its crash program to double coin production during the current fiscal year.

In July, the two Mints in Philadelphia and Denver turned out 458.4 million coins -- 77% higher than the same month last year. Production of quarters was 165% higher. Dime production rose 265%.

Still larger increases are expected this fall. The Denver and Philadelphia Mints are converting to additional coin press operations the space and facilities formerly used for production of nickel and bronze "strip". The latter materials are now being bought from private industry.

Space in the San Francisco Mint building, which was closed as a coinage Mint in 1955, is being cleared for the production of nickel and bronze "blanks" ready for final stamping into nickels and cents at the Denver Mint.

Facilities of the Frankford Arsenal in Philadelphia are being utilized to anneal and clean coin blanks for the Philadelphia Mint.

The Mint presently has 60 coin presses. This number will be doubled by early next year.

Eleven new coin presses are being built and will begin producing coins in November at both Mints.

Bids to furnish still another 15 coin presses have been received and orders will be placed this week for delivery beginning in January 1965.

Sixteen surplus presses, formerly used by the Department of Defense to manufacture ammunition, are being converted to coin production. The first of these will be installed and operating in October, and the rest in November.

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D-1308

Two other coin presses, previously owned by the Mint, have been reacquired. They have been reconditioned and will be making coins this month at Denver.

In December, proof coin production in Philadelphia will cease and the presses, space and personnel of that operation will be used in regular coin production.

Congress has now approved funds to keep both Mints on a 24-hour day, 7-day week schedule. Funds for the new Mint in Philadelphia, $16,500,000, have also been approved by Congress. Land has been set aside and the General Services Administration is rushing plans for construction.

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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.

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 X(16)X or less for the additional bills dated May 21, 1964 X(17), (91 (18)X days remaining until maturity date on November 19, 1964 X(19)X) and noncompetitive tenders for $ 100,000 XX(20)XX or less for the 182 (21)X -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 August 20, 1964 (22), in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 20, 1964 XX(23)XX. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

August 12, 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 August 20, 1964 , in the amount of $ 2,103,036,000 , as follows:

91 -day bills (to maturity date) to be issued August 20, 1964 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated May 21, 1964 , and to mature November 19, 1964 , originally issued in the amount of $ 900,490,000 (an additional $100,086,000 was issued July 29, 1964), the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated August 20, 1964 , and to mature February 18, 1965 .

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, August 17, 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.
August 12, 1964

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91-day bills (to maturing date) to be issued August 20, 1964, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated May 21, 1964, and to mature November 19, 1964, originally issued in the amount of $900,490,000, (an additional $100,086,000 was issued July 29, 1964) 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 customers provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury 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 May 21, 1964, (91 days remaining until maturity date on November 19, 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 August 20, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 20, 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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Commodity	Period and Quantity		Unit of Quantity	Imports as of August 1, 19
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil..................	Calendar Year	1,200,000	Pound	Quota Filled
Fibers of cotton processed but not spun................	12 mos. from Sept. 11, 1963	1,000	Pound	530
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)........................	12 mos. from August 1, 1963	1,709,000	Pound	Quota Filled
	12 mos. from August 1, 1964	1,709,000	Pound	382,494 [2]

1/Imports through August 10, 1964.

2/Imports through August 7, 1964.

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE D-1310

THURSDAY, AUGUST 13, 1964

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 August 1, 1964:

Commodity	Period and Quantity		Unit of Quantity	Imports as of August 1, 196
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	651,308
Whole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	43
Cattle, 700 lbs. or more each (other than dairy cows).......	July 1, 1964-Sept. 30, 1964	120,000	Head	680
Cattle less than 200 lbs. each...	12 mos. from April 1, 1964	200,000	Head	49,739
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.......	Calendar Year	24,861,670	Pound	Quota Filled 1/
Tuna Fish........................	Calendar Year	60,911,870	Pound	21,726,482
White or Irish potatoes:				
Certified seed.................	12 mos. from Sept. 15, 1963	114,000,000	Pound	73,808,110
Other..........................	12 mos. from 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 18,646,252 pounds during the first nine months of the calendar year.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE D-1310

THURSDAY, AUGUST 13, 1964

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 August 1, 1964:

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Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.......	Calendar Year	24,861,670	Pound	Quota Filled 1/
Tuna Fish........................	Calendar Year	60,911,870	Pound	21,726,482
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	73,808,110
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 18,646,252 pounds during the first nine months of the calendar year.

Commodity	Period and Quantity		Unit of Quantity	Imports as of August 1, 1
Absolute Quotas:				
Butter substitutes containing over 45% of butterfat, and butter oil..................	Calendar Year	1,200,000	Pound	Quota Fille
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 Fille
	12 mos. from August 1, 1964	1,709,000	Pound	382,494

1/Imports through August 10, 1964.

2/Imports through August 7, 1964.

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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 August 10, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to August 10, 1964
United Kingdom	4,323,457	1,087,369	1,441,152	287,669
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	1,741,897	1,599,886	342,820

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

THURSDAY, AUGUST 12, 1964 D-1311

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by Presidential Proclamation No. 2351 of September 5, 1939, as amended, and as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

(The country designations in this press release are those specified in the appendix to the Tariff Schedules of the United States. There is no political connotation in the use of outmoded names.)

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1963 - August 10, 1964

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	628,215	Honduras	752	-
Peru	247,952	24,045	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 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.

Staple Length	Allocation	Imports Year ended July 31, 1964	Imports Aug. 1, 1964, to Aug. 10, 1964
1-3/8" or more	39,590,778	39,590,778	39,590,778
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	282,597	-
1-1/8" or more and under 1-3/8"	4,565,642	4,565,642	956,016

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

THURSDAY, AUGUST 12, 1964 D-1311

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by Presidential Proclamation No. 2351 of September 5, 1939, as amended, and as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

(The country designations in this press release are those specified in the appendix to the Tariff Schedules of the United States. There is no political connotation in the use of outmoded names.)

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1963 - August 10, 1964

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	628,215	Honduras.....................	752	-
Peru.......................	247,952	24,045	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 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.

Staple Length	Allocation	Imports Year ended July 31, 1964	Imports Aug. 1, 1964, to Aug. 10, 1964
1-3/8" or more	39,590,778	39,590,778	39,590,778
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	282,597	
1-1/8" or more and under 1-3/8"			

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 August 10, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to August 10, 1964
United Kingdom	4,323,457	1,087,369	1,441,152	287,669
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	1,741,897	1,599,886	342,820

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

D-1312

THURSDAY, AUGUST 13, 1964

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1964, to August 1, 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 August 1, 1964
Buttons..............	680,000	Gross	123,745
Cigars...............	160,000,000	Number	9,239,954
Coconut oil..........	358,400,000	Pound	289,296,249
Cordage..............	6,000,000	Pound	4,368,141
Tobacco..............	5,200,000	Pound	2,901,845

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

D-1312

THURSDAY, AUGUST 13, 1964

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1964, to August 1, 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 August 1, 1964
Buttons..............	680,000	Gross	123,745
Cigars...............	160,000,000	Number	9,239,954
Coconut oil..........	358,400,000	Pound	289,296,249
Cordage..............	6,000,000	Pound	4,368,141
Tobacco..............	5,200,000	Pound	2,901,845

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, AUGUST 13, 1964

D-1313

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD - July 1, 1964 - September 30, 1964

IMPORTS - July 1, 1964 - August 7, 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	9,320,970	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	***4,003,500	-	-	-		-	-
Canada	13,440,000	***1,829,528	15,920,000	9,574,095	66,480,000	66,480,000	37,840,000	12,776,182
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	17,348,274	70,480,000	30,202,773	6,320,000	3,199,259
Peru	16,160,000	16,160,000	12,880,000	4,251,486	35,120,000	16,382,135	3,760,000	3,182,361
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	***3,536,118	-	-	-	-
All other countries (total)	6,560,000	***1,207,483	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 August 10, 1964.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, AUGUST 13, 1964

D-1313

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD - July 1, 1964 - September 30, 1964

IMPORTS - July 1, 1964 - August 7, 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	9,320,970	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	***4,003,500	-	-	-		-	-
Canada	13,440,000	***1,829,528	15,920,000	9,574,095	66,480,000	66,480,000	37,840,000	12,776,182
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	17,348,274	70,480,000	30,202,773	6,320,000	3,199,259
Peru	16,160,000	16,160,000	12,880,000	4,251,486	35,120,000	16,382,135	3,760,000	3,182,361
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	***3,536,118	-	-	-	-
All other countries (total)	6,560,000	***1,207,483	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 August 10, 1964.

PREPARED IN THE BUREAU OF CUSTOMS

FOR IMMEDIATE RELEASE August 14, 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 3-7/8% Treasury Notes of Series C-1966, due February 15, 1966.

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	$ 510,192,000	$ 81,488,000
New York	8,202,811,000	2,850,438,000
Philadelphia	259,647,000	44,272,000
Cleveland	756,829,000	123,998,000
Richmond	329,107,000	55,530,000
Atlanta	454,101,000	98,553,000
Chicago	1,585,851,000	273,976,000
St. Louis	316,222,000	60,570,000
Minneapolis	182,960,000	35,977,000
Kansas City	366,145,000	83,884,000
Dallas	258,684,000	46,479,000
San Francisco	1,620,282,000	278,440,000
Treasury	9,535,000	6,305,000
Totals	$14,852,366,000	$4,039,910,000

Subscriptions by investor classes:

States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States which received full allotment ----------------	$ 82,606,000
Commercial Banks (own account) ---------	7,578,804,000
All Others ----------------------------	5,324,006,000
Total	$12,985,416,000
Fed. Res. Banks & Govt. Inv. Accts. ----	1,866,950,000
Grand Total	$14,852,366,000

TREASURY DEPARTMENT

WASHINGTON, D.C.

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D-1314

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, August 18, 1964.

August 17, 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 May 21, 1964, and the other series to be dated August 20, 1964, which were offered on August 12, were opened at the Federal Reserve Banks on August 17. 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 November 19, 1964		182-day Treasury bills maturing February 18, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.115	3.501%	98.171	3.618%
Low	99.111	3.517%	98.161	3.638%
Average	99.112	3.511% 1/	98.163	3.634% 1/

81% of the amount of 91-day bills bid for at the low price was accepted
5% 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	$ 37,81[illegible],000	$ 25,747,000	$ 19,474,000	$ 6,138,000
New York	1,503,917,000	806,087,000	1,619,212,000	75[illegible],598,000
Philadelphia	36,969,000	16,969,000	9,954,000	3,[illegible]49,000
Cleveland	25,287,000	2[illegible],160,000	42,582,000	7,682,000
Richmond	11,930,000	11,930,000	6,649,000	6,649,000
Atlanta	37,484,000	30,148,000	12,730,000	[illegible],530,000
Chicago	19[illegible],[illegible]94,000	14[illegible],05[illegible],000	162,068,000	50,[illegible]77,000
St. Louis	33,256,000	2[illegible],[illegible]68,000	10,097,000	8,097,000
Minneapolis	19,942,000	13,972,000	5,772,000	3,272,000
Kansas City	34,71[illegible],000	30,[illegible]51,000	14,485,000	9,338,000
Dallas	23,534,000	15,344,000	9,181,000	4,077,000
San Francisco	110,342,000	55,257,000	128,897,000	32,447,000
TOTALS	$2,070,892,000	$1,200,292,000 a/	$2,041,1[illegible]1,000	$ 901,4[illegible]4,000 [illegible]

a/ Includes $216,2[illegible]2,000 noncompetitive tenders accepted at the average price of 99.112
b/ Includes $62,843,000 noncompetitive tenders accepted at the average price of 98.163
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.59%, 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 semi-annual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

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TOTALS	$2,070,892,000	$1,200,292,000 a/	$2,041,101,000	$ 901,454,000 b/

Includes $246,252,000 noncompetitive tenders accepted at the average price of 99.112
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On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.59%, 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 semi-annual compounding if more than one coupon period is involved.

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industry, and by making the American economy continually more attractive to both foreign and domestic investment. At the same time -- while these long-run policies are gradually taking hold -- we must continue our efforts to hold down our current international deficit. We cannot relax until balance is achieved.

Both in our home economy and in our international accounts, our policies over the last three and a half years have borne abundant fruit. There is no reason why the next three and a half years -- and beyond -- should not hold equal, or greater, accomplishments in store, if only we build upon the policies which have proven so successful. We must continue to be flexible, affirmative and prudent. Thus, and thus only, can our nation continue to move forward in full strength and full stride -- creating its full share of abundance for all Americans.

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returned to the levels prevailing just prior to the outbreak of the Second World War.

While we have been strengthening our economy at home -- and putting the nation's financial affairs on a sound and viable basis -- we have also made real and lasting progress in bringing our international accounts into balance. During the three years 1961-63 -- compared with the preceding three years -- we have cut the balance of payments deficit by 33 percent, the gold outflow by 59 percent, net military expenditures abroad by 17 percent, and we have increased exports by 20 percent and our favorable trade balance by 62 percent. Thus we have substantially strengthened our national security. For a sound and strong dollar is as essential to the defense of freedom throughout the world as it is to our prosperity here at home.

We must continue to employ long-run policies that will bring lasting progress in our balance of payments by encouraging exports and price stability, by increasing the competitiveness of American

industry,

creating inflationary pressures. Despite the steady advance in business activity and the enormous growth in the demand for credit, the long-term interest rates important to home buyers, consumers, state and local governments, and businesses, are generally lower today than they were three and a half years ago in the depths of a recession.

At the same time, by effective management, we have prudently lengthened the average maturity of the federal debt, in marked contrast to the continual shortening that characterized the 1950's.

And, finally, we have reduced the real burden of our public debt. As is true in the case of a private debt, the burden of the national debt can be measured accurately only in relation to the income of the debtor. Today, at 50% of our current gross national product, down from the post-war peak of 128%, the relationship of our national debt to our national product has, for the first time, Vital as it is, however, expenditure control alone cannot in the long run assure us of a balanced budget -- if, indeed, it can in the short run. Our only sure road to a balanced budget is through both expenditure control and rising Federal revenues -- which can only be generated by strong and balanced economic growth. That is the road we have followed during the last three and a half years -- the road that has brought us within sight of a balanced budget in a balanced economy -- the road we must continue to follow in the years ahead.

We have accepted the transitional deficits entailed by tax reduction as the temporary and unavoidable price of enlarging the role of the private economy, of breaking the pattern of successively shorter and weaker recoveries, and of reducing unemployment.

We have financed these deficits -- and the public debt -- without constricting the flow of credit to other borrowers or

creating inflation

the first time that has been done since 1956, when the budget first listed overall employment figures. The cost reduction program at the Defense Department last year produced identifiable and verified savings of $2.5 billion, more than half its ultimate cost reduction goal of $4.6 billion annually. In the Post Office, employment in June, 1964, was 3,200 less than in June, 1962, although mail volume was greater by 3.7 billion pieces. From fiscal 1961 through fiscal 1964, the Treasury's Division of Disbursement increased its productivity per employee by 64% -- equivalent to a savings of 855 employees. And one could multiply these examples throughout every Government department.

I personally venture to say that never has our Government pursued a program of expenditure control with such vigor and persistence as during the last three and a half years. It is essential that our Government continue to pursue that program with all the strength at its command.

Vital as it is,

risen by $2.1 billion less than during the preceding four years. In this fiscal year -- fiscal 1965 -- Federal spending will account for a smaller portion of our national output than in any year since 1951. And in this fiscal year, the rigid economy program in effect throughout the Federal Government will enable us to finance urgently needed new programs, such as the war on poverty, without spending one cent more of Federal money than during the last fiscal year -- and this despite much needed pay increases for federal officials, higher interest costs on the public debt, and other virtually automatic increases.

Throughout the Government an unrelenting economy drive is continually cutting costs and raising efficiency -- resulting in greater output from fewer employees. At the end of the past fiscal year -- 1964 -- Government employment was 22,000 below a year earlier, and The fiscal 1965 budget provides for an actual drop in Federal civilian employment.

repeal of a few of these taxes is no solution. Action should be based on a comprehensive study of them all. The Treasury Department has just such a study underway. It will benefit enormously from the evidence amassed by the House Ways and Means Committee during the public hearings that have just ended. Once the job of revising excise taxes has been completed, continued economic growth should permit additional reductions in income taxes in the years ahead.

The record on expenditure control is equally clear. We have accompanied tax reduction for economic abundance by a most stringent and sustained exercise in fiscal discipline -- a thrifty management of the public business without profligate disregard of essential public needs. The facts simply cannot be denied: the last three and a half years have witnessed a control upon government expenditure that has been both undeviatingly strict and demonstrably successful.

Except for the imperative demands of defense and space, all budget expenditures for the four fis[illegible] years 1961-1965 will have risen by contained important reforms which reduced the tax burden by three-quarters of a billion dollars for many upon whom it weighed unfairly

We have, in short, done more to improve our tax system -- in terms both of fairness and of economic growth -- in the last three and a half years than in any other period of our history. We must build on that record, for there is more to be done in improving the equity of our tax system -- and in cutting taxes even further as warranted by our economic and budgetary position.

In looking ahead to further tax reduction, it would appear that high priority should be given to a thorough overhaul of the hodge-podge of excise taxes remaining from World War II days. Many of these taxes no longer serve their original purpose. Instead they increase business costs, weigh unevenly on consumers and are often an unnecessary nuisance to taxpayers and government alike. There are about 75 categories of such taxes on the books today. Random

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prime mover in our economic life. The tax cut enacted this year was the largest reduction in individual and corporate taxes in our history, adding roughly $11.5 billion annually to the take-home pay of Americans in every income group and to the profitability of American business, large and small. The tax measures adopted in 1962 -- the 7 percent investment tax credit and the revised rules for the tax treatment of depreciation, enhanced the profitability of investment in new equipment by more than 20 percent -- an amount equivalent, in terms of incentives to invest, to a cut in the corporate profits tax from 52 percent to about 40 percent. Structural reforms in our tax laws in 1962 and 1964 raised government revenues by $1.7 billion annually -- three times more than the revenue raised by all other tax law reforms since 1950, and nine times more than was raised in the years 1953 through 1960. The 1964 Act also

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very largely upon fiscal policy -- upon tax and expenditure policy. The question was: Should we embark upon large government spending programs, or should we cut taxes? Should we enlarge the role of the private sector of our economy or of the public sector? Early in 1961, we made our basic decision: to rely mainly on tax policy to expand the role of the private sector of our economy as the primary force in achieving our national economic goals.

These, then, have been our basic policy decisions. Let me briefly review their results in four key areas: tax policy, expenditure control, the management of our public debt, and our balance of payments.

We have enacted the most comprehensive program of income tax reduction and reform in our nation's history -- a program that, by freeing the private economy from unduly high tax rates, has given new vigor and buoyancy to our free enterprise system as the

prime mover in

We based our policies upon the certainty that a strong and growing domestic economy was itself the essential solution, not only to chronic unemployment, under-investment, and budget deficits but to our international payments needs as well.

In 1961 -- as now -- the differing demands made upon monetary policy by our home economy and by our international accounts ruled out both very low short-term interest rates and high long-term rates. Very low short-term rates would have invited massive outflows of short-term capital -- with great harm to the strength of the dollar, while high long-term rates would have stifled an already languishing domestic economy. The job of monetary policy, in short, was as limited as it was crucial and clearly defined: to nourish investment at home without provoking outflows of capital abroad.

The task, therefore, of expanding the domestic economy fell

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realistic, both flexible in techniques and firm in purpose, both frugal in expenditures and responsible to national needs.

There were many who claimed that we could not expand our economy at home hand-in-hand with progress in our balance of payments. Some demanded that we restrain credit and raise the general level of interest rates to improve our balance of payments. But this would have increased unemployment at home and stunted or prevented recovery. Others insisted that for the sake of our domestic economy we indulge in huge new domestic spending programs over and above the necessary build up of our military defenses. But this would have put us on the road to inflation, deeper deficits in our balance of payments, and even larger losses of gold and of confidence in the dollar. Both of these prescriptions were extreme and both would have courted disacter.

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REMARKS BY THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE DEMOCRATIC PLATFORM COMMITTEE
AT THE SHERATON-PARK HOTEL, WASHINGTON, D. C.,
TUESDAY, AUGUST 18, 1964, 10:15 A.M., EDT

I am happy to appear before this Committee, whose challenging assignment is to recommend a program for America's future. Such a program must recognize where we now are and how we got here.

In this prosperous year of 1964, it is important to recall that only three and a half years ago, our economy was bogged down in its fourth postwar recession. Today, we are in the middle of our fourth year of continued economic advance -- the period of peacetime prosperity in our entire modern history.

I cite this contrast simply because it tells us graphically how sound have been our economic policies during the past three and a half years.

The success of those policies has one simple source: we have rejected extremes -- and have, instead, been both creative and

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While we have been strengthening our economy at home -- and putting the nation's financial affairs on a sound and viable basis -- we have also made real and lasting progress in bringing our international accounts into balance. During the three years 1961-63 -- compared with the preceding three years -- we have cut the balance of payments deficit by 33 percent, the gold outflow by 59 percent, net military expenditures abroad by 17 percent, and we have increased exports by 20 percent and our favorable trade balance by 62 percent. Thus we have substantially strengthened our national security. For a sound and strong dollar is as essential to the defense of freedom throughout the world as it is to our prosperity here at home.

We must continue to employ long-run policies that will bring lasting progress in our balance of payments by encouraging exports and price stability, by increasing the competitiveness of American industry, and by making the American economy continually more attractive to both foreign and domestic investment. At the same time -- while these long-run policies are gradually taking hold -- we must continue our efforts to hold down our current international deficit. We cannot relax until balance is achieved.

Both in our home economy and in our international accounts, our policies over the last three and a half years have borne abundant fruit. There is no reason why the next three and a half years -- and beyond -- should not hold equal, or greater, accomplishments in store, if only we build upon the policies which have proven so successful. We must continue to be flexible, affirmative and prudent. Thus, and thus only, can our nation continue to move forward in full strength and full stride -- creating its full share of abundance for all Americans.

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IMMEDIATE RELEASE
~~Tuesday, August 18, 1964~~
~~DRAFT PRESS RELEASE~~

August 18, 1964

GERARD M. BRANNON NAMED ASSOCIATE DIRECTOR
OF TREASURY'S OFFICE OF TAX ANALYSIS

The Treasury announced today the appointment of Gerard M. Brannon as Associate Director of the Office of Tax Analysis.

In his new capacity, Mr. Brannon will assist the Deputy Assistant Secretary (Tax Policy), who is also Director of the Office, in directing the preparation of economic, statistical, and technical analyses relating to Federal tax policies.

Mr. Brannon has served as Assistant to the Director and Chief of the Special Studies Staff for the Office since May 1963. Prior to joining the Treasury in 1963, he was for six years the economist on the staff of the House Ways and Means Committee, and before that for six years he was an economist on the Staff of the Joint Committee on Internal Revenue Taxation. In both positions he was responsible for analyses on the entire range of tax issues involved in legislative ~~controversy~~ consideration.

Prior to 1951, Mr. Brannon was Assistant Professor of Economics at the University of Notre Dame. Since 1951 he has been a Lecturer at the Graduate School of Georgetown University.

Born in 1922 in Manila, Philippines Islands, Mr. Brannon holds A.B. and M.A. degrees from Georgetown University and a Ph.D. degree from Harvard University where he was a Littauer Fellow.

Mr. Brannon is married to the former Frances Maguire. They have five children and make their home at 4813 North 24th Street, Arlington, Virginia.

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D-1317

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 18, 1964

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D-1317

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 May 28, 1964, (92 days remaining until maturity date on November 27, 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 August 27, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 27, 1964. Cash

~~Exhibit 2-A~~

~~XXXXXXXXXXXX~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 19, 1964

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
X(1)X

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 (XX(2)X), or thereabouts, for cash and in exchange for Treasury bills maturing August 27, 1964 (X(3)X), in the amount of $ 2,101,786,000 (XX(4)X), as follows:

92 (X(5)) -day bills (to maturity date) to be issued August 27, 1964 (XX(6)X), in the amount of $ 1,200,000,000 (X(7)X), or thereabouts, representing an additional amount of bills dated May 28, 1964 (X(8)X), and to mature November 27, 1964 (XX), originally issued in the amount of $ 900,091,000/ (X10X) (9) (an additional $100,086,000 was issued July 29, 1964), the additional and original bills to be freely interchangeable.

182 (X(11)) -day bills, for $ 900,000,000 (X(12)), or thereabouts, to be dated August 27, 1964 (X13X), and to mature February 25, 1965 (X14X).

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, August 24, 1964 (X(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.

August 19, 1964

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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 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-1318

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 May 28, 1964 (92 days remaining until maturity date on November 27, 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 August 27, 1964 in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 27, 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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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

FOR IMMEDIATE RELEASE, August 19, 1964

TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $ 1,000,000,000 , or thereabouts, of 365 -day Treasury bills, for cash and in exchange for Treasury bills maturing August 31, 1964 , in the amount of $ 1,001,143,000 , to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated August 31, 1964 , and will mature August 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, Tuesday, August 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. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than

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WASHINGTON, D.C.
August 19, 1964

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"Storekeepers, cashiers and tellers who cash checks or bonds without requiring proper identification from the holders are inviting their own losses," Chief Rowley warned.

The Chief's report gave highlights of the principal counterfeiting and forgery cases in which the Service was involed during the year. It also credited local, State and other Federal law enforcement agencies and individual citizens for their part in helping the Secret Service suppress these crimes.

The report cited the development of graphic arts and improved printing equipment as the reasons for the increase in counterfeiting, and said that the incidence of all crimes over which the Secret Service has investigative jurisdiction "remains generally consistent with the nationwide crime trend."

A copy of the Secret Service's Annual Report is attached.

Att.

August 21, 1964

RELEASE AM NEWSPAPERS
MONDAY, AUGUST 24, 1964

COUNTERFEITING REMAINS HIGHLY
UNPROFITABLE TO CRIMINALS, SECRET SERVICE REPORT SHOWS

Counterfeiting of U. S. currency increased during the past year, but hope for illicit profits by counterfeiters continued to fade, according to James J. Rowley, Chief of the United States Secret Service.

Chief Rowley's annual report to Treasury Secretary Douglas Dillon, released today, revealed that the Service seized a record amount of $7.2 million in bogus money before it could be passed on to the public. It also stated that only one out of every 12 known counterfeits manufactured resulted in a loss to the public, and 98 percent of all the cases of counterfeiting, forgery of government checks and bonds and other miscellaneous crimes brought to trial by the Secret Service resulted in convictions.

In dollar terms, of the $7,752,450 ~~$7,730,417~~ face value of counterfeits taken by the Secret Service, only $530,484 ~~$510,618~~ resulted in loss to the public.

Forgeries of government checks continued to be a major enforcement problem for the Secret Service, Chief Rowley reported, although the number of cases investigated declined. During the past fiscal year, more than 41,000 cases involving more than $4.1 million were investigated, and 3,192 persons were arrested.

D-1320

TREASURY DEPARTMENT

WASHINGTON, D.C.
August 21, 1964

FOR RELEASE A.M. NEWSPAPERS
MONDAY, AUGUST 24, 1964

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In dollar terms, of the $7,752,450 face value of counterfeits taken by the Secret Service, only $530,434 resulted in loss to the public.

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Attachment

TREASURY DEPARTMENT

UNITED STATES SECRET SERVICE

WASHINGTON, D.C. 20220

OFFICE OF THE CHIEF

August 18, 1964

MEMORANDUM TO THE SECRETARY

Attention: Mr. Robert A. Wallace
Assistant Secretary

From: Mr. James J. Rowley
Chief, U. S. Secret Service

Subject: Secret Service Annual Report

The Annual Report of the activities and accomplishments of the U. S. Secret Service for the Fiscal Year ended June 30, 1964, is herewith submitted.

James J. Rowley

U. S. Secret Service
Annual Report
Fiscal Year Ended June 30, 1964

The major functions of the United States Secret Service defined by Section 3056, Title 18, United States Code, are the protection of the President of the United States, the members of his immediate family, the President-elect, the Vice President or other officer next in the order of succession to the office of President, and the Vice President-elect; protect a former President, at his request, for a reasonable period after he leaves office; the detection and arrest of persons committing any offenses against the laws of the United States relating to obligations and securities of the United States and of foreign governments; and the detection and arrest of persons violating certain laws relating to the Federal Deposit Insurance Corporation, Federal land banks, and Federal land bank associations.

By long-standing custom, the Service does not make public reports concerning its assignment of providing protection for the President and Vice President and their families. The protective responsibilities of the Service were broadened this past year by the action of the Congress in authorizing protection for the widow of President Kennedy.

During fiscal year 1964 Special Agents of the United States Secret Service seized a record amount of $7.2 million dollars in counterfeit currency before it could be passed on to unsuspecting citizens. Only one out of every 12 known counterfeits manufactured resulted in a loss to the public.

The seizures reflected increased counterfeiting activity which the Secret Service charged to three major factors: First, the growth in the crime rate and the fact that the constant pressure on gambling and other illegal activities have driven criminals from these fields into other illegal enterprises, such as counterfeiting. Second, the development of the graphic arts and improved printing equipment have enabled individuals to turn out counterfeits more easily and faster. And third, certain supposedly trusted employees, who have access to costly printing equipment used for legitimate purposes, are manufacturing counterfeit after normal working hours without the knowledge of their employers. In addition, pseudo legitimate printing shops are often used for this illegal purpose.

This past fiscal year 737 persons were arrested for counterfeiting offenses and 44 counterfeit plants were seized. Counterfeit currency received during the past year amounted to $7,752,450, with only $530,434 resulting in a loss to the public. Special Agents of the Secret Service seized the record amount of $7,222,015 in counterfeit.

This year, as in the past, the bulk of bogus money was seized before it became a financial threat to the American public. It is necessary for the Secret Service to take quick and effective action to suppress counterfeiting at its source because today counterfeit notes are rapidly manufactured and distributed. The following counterfeiting case summaries include prime examples of why this crime showed small profits in fiscal year 1964:

During June 1963 nine men joined forces in San Francisco and produced more than two million dollars in counterfeit

$20 and $50 Federal Reserve Notes. This group included two tavern owners, a proprietor of a mailing service, three commercial printers, a lithographer, an electronics technician and a truck driver. Three of the men had prior felony convictions.

The photographic work was done in a small private house rented specifically for this purpose. The counterfeit plates were made in the offices of the mailing service operated by one of the defendants and the printing was done in the print shop of a nearby California State College where one of the defendants was employed. The notes were taken to the rented house where they were treated to give them an aged appearance. Then the group began looking for prospective customers among their underworld contacts.

One of their first customers was an individual who agreed to buy one-half million dollars of these counterfeits from one of the tavern owners. In reality this customer was an undercover Secret Service Agent, and on July 3, 1963, prior to completing the transaction, several of the defendants were arrested and $446,000 was seized. The remaining conspirators were quickly apprehended and a total of $2,163,040 in the counterfeits was seized, with less than $2,000 being passed on the public.

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In July 1961 a man was released from prison after serving a sentence for burglary. From that time, until February of 1963, he toured the country stealing from poor boxes in churches, accumulating a saving of $4,500 which he used to set up a counterfeiting plant.

He attended a school specializing in offset printing in March 1963, but remained only one week as he was dissatisfied with the instruction. The next month he settled in Frankfort, Indiana, and began purchasing the equipment necessary to operate his plant. At this time because of certain suspicious actions on his part, he came to the attention of the Secret Service office in Indianapolis and immediately became a subject of surveillance. It readily became apparent that he was not using his equipment for any normal legitimate purposes and the investigation was intensified to determine his interest in the printing trade.

On July 30, 1963, he returned his press to the supplier, stating he was going out of the printing business. Special Agents, who had followed him to the store, approached his car and found $1,712,000 in counterfeit $10 Federal Reserve Notes, together with 194 counterfeit plates, stored in the trunk. He admitted manufacturing the notes and said he had finished his work "and was on his way to pass the notes" when he was arrested. He had worked 12 hours a day for three months to perfect his notes, all of which were seized before any had been passed on the public.

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On July 26, 1963, the Secret Service received information indicating that a proprietor of a small printing shop in Delaware, Ohio, intended to manufacture counterfeit $20 Federal Reserve Notes and was looking for customers.

The Secret Service was able to arrange a meeting between the proprietor and a prospective buyer. The buyer was actually one of our Special Agents acting in an undercover role. The print shop owner told the undercover agent that he could print any amount of counterfeit notes and agreed to sell him $250,000 in counterfeits for $30,000 in genuine currency. During their negotiations, the proprietor took the agent to his plant and allowed him to act as lookout while he printed the notes.

On September 8, 1963, shortly before delivery of the notes to the Agent, the printer was arrested and $278,800 in counterfeit $20 Federal Reserve Notes was seized before any had been passed on the public. A complete counterfeiting plant, including press, plates, and negatives was confiscated, and the counterfeiter is now serving a 20-year prison sentence.

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A new deceptive counterfeit first appeared on May 10, 1962, when several mutilated notes were found near a "sump pump" at a service station in Detroit, Michigan. The notes soon began appearing throughout the country and it was determined that they were being distributed by a criminal element in Detroit. Our investigation was intensified in that area and to date 90 persons have been arrested for passing and distributing this particular counterfeit note. Five persons were arrested in Los Angeles while in possession of $45,000 of the notes. They had recently passed counterfeits at "Disneyland" in California.

The arrest of a distributor in Detroit enabled the Secret Service to seize $211,960 in these notes. In another instance, two men were arrested for selling these notes to undercover agents and $250,000 was seized. Finally, in June 1964, $812,000 in counterfeits was seized from a Detroit food importer, described as the "Kingpin" of this organization. The importer and two associates were immediately arrested.

To date, $1,494,680 of this particular counterfeit note has been seized with $92,100 having been placed in circulation. With the most recent seizure it is believed the back has been broken on this counterfeit money operation. Investigation has determined that the counterfeit plates and other paraphernalia had been previously destroyed.

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During May 1963 an experienced offset printer took a second part-time job as a bartender in a cafe in Little Rock, Arkansas, to supplement his income. While working in the cafe, he met three men who exhibited an interest in his printing experience and a conspiracy developed between the four to print counterfeit money.

The printer experimented with various methods of reproducing notes for the next several months, and finally on June 20, 1963, he printed between $50,000 and $70,000 in counterfeit $10 Federal Reserve Notes. After examining the notes more closely, the group destroyed all but about $15,000 as being unfit for passing. Three of the "partners" then drove to St. Louis, where they passed about $100 in counterfeit. However, when they returned to Little Rock they decided the notes were not good enough to pass and they destroyed the plates, negatives and about $8,500 in the notes.

One of the men kept about $6,500 of the counterfeits and made a trip to Jackson, Mississippi, during which he passed 15 notes. At Jackson he decided to telephone an alleged bootlegger named Harold Spencer (fictitious name) at Memphis, Tennessee, whom he had never met, but who had been recommended to him as a possible customer for the notes. Through a coincidence, he was connected with the wrong Spencer in Memphis, and unknowingly offered his illegal proposition to an honest citizen. Spencer accepted the proposition and asked him to come immediately to Memphis. He then informed our Memphis office of this proposition and when the counterfeiter arrived in Memphis he made a deal to sell all of the notes to a "friend" who was actually an undercover Secret Service Agent. This man was arrested that same night, but not before he had told his entire story to the "customer" and had identified his associates and the location of the plant. The printer and the other members of the group were quickly arrested and this plant was silenced before it could reopen with a new issue counterfeit.

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In August 1961 a new issue counterfeit $20 Federal Reserve Note appeared in Little Rock, Arkansas. It was one of the most deceptive counterfeits produced in recent years, and the victims who had accepted these notes were unable to identify the passer. The counterfeiter traveled throughout the country, passing his notes in very limited numbers in 40 of the 50 states.

Through research, Secret Service Agents determined that the quality of this note was quite similar to the work of a former counterfeiter who was at that time serving the remaining year of a 15-year sentence for a previous money making venture. Records disclosed that he schooled a nephew in his trade; therefore, the investigation centered upon locating this man. This proved difficult since he was "on the move" with few close associates and no fixed address.

On February 4, 1964, two men entered a department store in Tacoma, Washington, and proceeded to make several small purchases from various cashiers. They soon aroused the suspicion of the floor manager, as in making each purchase, one man would approach the clerk, pay for the item, and then return to his partner and deposit the item in a bag he carried. The man would then approach another clerk and repeat the process. The "customers" finally noticed they were being watched by the floor manager and fled from the store. Although they were followed by store employees, they managed to elude their pursuers and disappeared on the city streets. In retracing their movements in the store, the manager found that these men had used separate $20 notes in making each purchase. Suspecting that the notes might be counterfeit, our Seattle office was contacted. All of the $20 notes passed were of this type counterfeit, and for the first time in two years we had witnesses who could identify the passer.

The moment of truth arrived when the agent exhibited a group of photographs of known counterfeiters to the store clerks, including those of our suspect and a known associate. The clerks not only identified the suspect but also positively identified his friend as the man who actually passed the notes.

The suspect's partner was located when he surrendered to authorities on a stolen car violation. Although he would not admit being involved with this counterfeit, he admitted knowing the suspect and said he "hoped we would never find him." However, he was found in April, 1964, in Seattle, Washington. In searching his car incident to the arrest, agents found $17,600 in the counterfeit $20 notes which had been secreted inside a rear door panel behind the automatic window motor. The counterfeiter then decided to cooperate and drew a map of the location of his plant which he had buried on the side of a mountain near San Gabriel, California. Special Agents located it the following day.

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The following table is a summary of the seizures of counterfeit notes and coins during the fiscal years 1963 and 1964:

Counterfeit Currency	1963	1964
Loss to the Public	$ 564,321.91	$ 530,434.45
Seized before Circulation	2,848,005.31	7,222,015.78
TOTAL	$3,412,327.22	$7,752,450.23

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Forgery of government checks remains a major enforcement problem for the Secret Service. During the past fiscal year the Secret Service investigated 41,236 cases involving the amount of $4,121,346.02 and a total of 3,192 persons were arrested for check forgery offenses during the year.

The Secret Service also investigated 5,795 cases involving the forgery of U. S. Savings Bonds, representing a maturity value of $730,457.62. During the year 74 persons were arrested for bond forgery offenses.

Storekeepers, cashiers and tellers who cash checks or bonds without requiring proper identification from the holders are inviting their own losses.

The following case summaries are representative of the various types of people involved in this crime and the varying size of their forgery violations:

Two men in New York City, both narcotic addicts, were arrested July 1963 for stealing, forging and cashing 131 U. S. Treasurer's checks totaling $17,472.82. These two forgers, one a repeater, used fictitious bank account numbers as a part of the endorsements to create the illusion that they were regular customers. The proceeds of the forged checks were divided by the two men and for the most part were used to purchase narcotics to satisfy their addiction. In October 1963 the defendants were each sentenced to serve 18 months to be followed by 18 months probation.

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A husband and wife forgery team traveled almost constantly from April 1961 until June 1963 when they were arrested for the forgery and negotiation of over 100 U. S. Treasurer's checks. These violations were committed during their travels through Texas, Arkansas, Tennessee, Missouri, Oklahoma, Kansas, Colorado, Wyoming, Utah, Idaho and Montana. The two defendants were sentenced in Federal Court, Boise, Idaho; the wife was placed on probation for two years while the husband was sentenced to serve five years.

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Three men were arrested and convicted through the mutual efforts of the Secret Service and Postal Inspectors. On December 31, 1963, the three defendants stole three pouches of mail at Wadena, Minnesota, which included, among other items, approximately 150 U. S. Treasurer's checks. Thirty-two of the stolen Treasurer's checks were forged and cashed by the defendants in various cities in Minnesota, Milwaukee, Wisconsin, and in Chicago, Illinois, and they burned the remainder. The three defendants were sentenced on May 1, 1964, in Federal Court, Minneapolis, Minnesota; two received five-year prison sentences and the third was sentenced to serve three years.

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Two men and two women were arrested during September 1963 by the Secret Service at Little Rock, Arkansas, for the forgery and negotiation of one U. S. Treasurer's check. The two men stole the check in the course of burglarizing the payee's home, and in their attempt to conceal the burglary, set fire to the house, later returning to the scene to be spectators as the home burned. The men then enlisted the assistance of the two women to forge and cash the check. The payee made claim for a duplicate check, thinking at that time that the check had burned along with her home. The subsequent investigation of the original check established not only the details of the forgery and negotiation but the disclosure of the burglary, and that which previously had been a fire of unknown origin was determined to be arson. The defendants were turned over to local authorities for prosecution of the burglary and arson offenses.

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A check thief was arrested at Cleveland, Ohio, on July 25, 1963, for the theft, forgery and negotiation in the Cleveland area of 34 U. S. Treasurer's checks involving in excess of $3,500. He had a lengthy criminal record dating back to 1937 which included a previous arrest by the Secret Service in 1944 for similar offenses. In most instances he stole the checks from mailboxes. He was sentenced on September 20, 1963, in Federal Court, Cleveland, to serve four years.

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During the night of February 10, 1959, the walk-in vault of a lumber company in Kansas was burglarized. Among the items stolen were 159 U. S. Savings Bonds registered to a woman.

On March 12, 1963, a man and woman representing themselves to be husband and wife, opened an account in the registered owner's name and rented a safe deposit box at a bank in Mississippi. On April 2, 1963, the woman forged the above 159 bonds at the bank and deposited the proceeds, $3,634.44 to her account, from which she immediately withdrew $3,600 to purchase a cashiers check payable to the man passing as her husband. To accomplish the redemption of the bonds, she convinced the bank employees that her maiden name was that of the registered owner.

She was arrested on December 5, 1963, at Jacksonville, Florida. Investigation also disclosed the man's true name, which revealed him to be an ex-convict with a lengthy criminal record extending back to 1945. He was arrested on September 10, 1963, for other offenses and is presently serving a 15-year sentence in the Atlanta Penitentiary.

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Three men and a woman were arrested in New York City in October 1963 for forging and uttering 897 U. S. Savings Bonds having a redemption value of $167,238. The bonds were taken in eight different burglaries, six of which occurred in either homes or offices in New York or Chicago, and two in banks located in Illinois and Texas. In the bank burglaries a large number of safe deposit boxes were rifled. The bonds were cashed in Dallas, Fort Worth, and San Antonio, Texas; Detroit, Michigan; Warren, Girard, Niles and Youngstown, Ohio; Gardiner, Freeport, and Portland, Maine; Utica and New York City, New York; and Kansas City, Missouri.

It is believed that they and their associates are responsible for the theft of bonds registered to 118 owners and having a maturity value of $577,369. To date, 4,032 of the bonds have been cashed for a value of $348,557.

The following table shows the number of criminal and non-criminal investigations completed by the Secret Service in fiscal years 1963 and 1964. This table reflects the arrest of 171 persons in fiscal year 1964 for crimes other than counterfeiting and forgery, bringing the total of persons arrested to 4,174 in fiscal year 1964. Cases of all types investigated by the Secret Service, totaled 72,015.

Cases Investigated	FY 1963	FY 1964
Counterfeiting	10,378	12,166
Forged Government Checks	47,505	41,236
Forged Government Bonds	7,169	5,795
Miscellaneous Criminal	1,080	2,217
Miscellaneous Non-Criminal	5,837	10,601
Total	71,969	72,015

Arrests		
Counterfeiting	662	737
Forged Government Checks	3,343	3,192
Forged Government Bonds	81	74
Miscellaneous Crimes	121	171
Total	4,207	4,174

A total of 3,609 persons were convicted for offenses investigated by the Secret Service. Of all Secret Service cases brought to trial in the past fiscal year, 98.0% resulted in convictions.

The incidence of crimes over which the Secret Service has investigative jurisdiction remains generally consistent with the nationwide crime trend.

Local, state and Federal law enforcement agencies deserve much credit for their part in assisting the Secret in the suppression of counterfeiting and government check forgeries. The interest and assistance of citizens also aided immeasurably.

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve
ks and Branches, following which public announcement will be made by the Treasury
artment of the amount and price range of accepted bids. Those submitting tenders
l be advised of the acceptance or rejection thereof. The Secretary of the Treasury
ressly reserves the right to accept or reject any or all tenders, in whole or in part,
his action in any such respect shall be final. Subject to these reservations, non-
petitive tenders for $ 200,000 or less without stated price from any one
lder will be accepted in full at the average price (in three decimals) of accepted
petitive bids. Payment of accepted tenders at the prices offered must be made or
pleted at the Federal Reserve Bank in cash or other immediately available funds on
ptember 2, 1964

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

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 21, 1964

TREASURY OFFERS $1 BILLION IN MARCH TAX BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,00 or thereabouts, of 201 -day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this ser will be designated Tax Anticipation Series, they will be dated September 2, 1964 and they will mature March 22, 1965. They will be accepted at face value in payment of income ~~and profits~~ taxes due on March 15, 1965, and to the extent t are not presented for this purpose the face amount of these bills will be payable with out interest at maturity. Taxpayers desiring to apply these bills in payment of March 1965, income ~~and profits~~ taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before March 15, 1965, and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before March 15, 1965, to the District Direct of Internal Revenue for the District in which such taxes are payable. The bills will l 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, Wednesday, August 26, 1964. Tenders wi not be received at the Treasury Department, Washington. Each tender must be for an ev multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 21, 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

D-1321

amount of Treasury bills applied for, unless the tenders are accompani 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 announcemen 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 expres 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 September 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 Section 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.

FOR R[illegible] [illegible] NEWSPAPERS,
Tuesday, August 25, 1964.

August 24, 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 May 28, 1964, and the other series to be dated August 27, 1964, which were offered on August 19, were opened at the Federal Reserve Banks on August 24. Tenders were invited for $1,200,000,000, or thereabouts, of 92-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:	92-day Treasury bills maturing November 27, 1964		182-day Treasury bills maturing February 25, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.106 a/	3.498%	98.166	3.628%
Low	99.100	3.522%	98.158	3.64[illegible]%
Average	99.102	3.513% 1/	98.160	3.639% 1/

a/ Excepting two tenders totaling $3,796,000
57% of the amount of 92-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	$ 34,3[illegible]9,000	$ 30,5[illegible]7,000	12,31[illegible]	1,[illegible]9,000
New York	1,464,360,000	765,850,000	1,505,96[illegible]	[illegible]7,46[illegible],000
Philadelphia	35,391,000	19,101,000	9,5[illegible]	4,5[illegible],000
Cleveland	2[illegible],[illegible]6,000	20,966,000	56,99[illegible]	[illegible],695,000
Richmond	12,236,000	12,238,000	3,[illegible]	3,[illegible]
Atlanta	25,558,000	21,065,000	10,801,000	[illegible],001,000
Chicago	190,[illegible],000	119,640,000	143,001,000	2[illegible],[illegible]66,000
St. Louis	35,719,000	27,053,000	7,16[illegible]	[illegible],633,000
Minneapolis	22,086,000	19,226,000	[illegible]	[illegible]
Kansas City	24,609,000	22,706,000	[illegible]	[illegible],255,000
Dallas	30,426,000	20,428,000	8,2[illegible]	[illegible]3,223,000
San Francisco	153,177,000	102,634,000	199,600,000	11[illegible],770,000
TOTALS	$2,049,479,000	$1,201,256,000 b/	$1,962,021,000	$9[illegible],924,000 c/

b/ Includes $2[illegible]1,731,000 noncompetitive tenders accepted at the average price of 99.102
c/ Includes [illegible]6,030,000 noncompetitive tenders accepted at the average price of 98.160
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.59% for the 92-day bills, and 3.76% 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.

)R RELEASE A. M. NEWSPAPERS,
uesday, August 25, 1964.

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Average	99.102	3.513% 1/	98.160	3.639 1/

'Excepting two tenders totaling $3,796,000
57% of the amount of 92-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.

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 34,399,000	$ 30,099,000	$ 12,316,000	$ 1,849,000
New York	1,464,360,000	785,880,000	1,505,965,000	667,485,000
Philadelphia	35,391,000	19,101,000	9,534,000	4,534,000
Cleveland	20,966,000	20,966,000	56,995,000	44,895,000
Richmond	12,238,000	12,238,000	3,010,000	3,010,000
Atlanta	25,558,000	21,085,000	10,801,000	8,801,000
Chicago	190,548,000	119,840,000	143,001,000	34,466,000
St. Louis	35,719,000	27,053,000	7,102,000	4,633,000
Minneapolis	22,086,000	19,226,000	5,818,000	4,983,000
Kansas City	24,609,000	22,706,000	8,656,000	8,255,000
Dallas	30,428,000	20,428,000	8,223,000	3,223,000
San Francisco	153,177,000	102,634,000	190,600,000	115,770,000
TOTALS	$2,049,479,000	$1,201,256,000 b/	$1,962,021,000	$901,904,000 c/

Includes $221,731,000 noncompetitive tenders accepted at the average price of 99.102
Includes $56,030,000 noncompetitive tenders accepted at the average price of 98.160
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.59% for the 92-day bills, and 3.76% for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 24, 1964

FOR IMMEDIATE RELEASE

United States and Israel to Discuss New
Income Tax Convention

Discussions are to be held in the near future between the United States and Israel for the purpose of entering into a tax convention between the two countries for the avoidance of double taxation and to facilitate trade and investment.

A proposed convention between the two countries was signed several years ago but was never made effective, because it contained a so-called tax sparing clause under which the United States would have been obligated to allow a credit to its taxpayers for taxes given up by Israel under its investment promotion law. A new convention, it is contemplated, would not contain such a provision.

In general, any new convention agreed upon is expected to be similar to other tax treaties, and will be concerned with the tax treatment of trading and other business enterprises, investment income and income from services.

Persons in the United States desiring to make suggestions as to provisions that should be considered for inclusion in a convention are invited to submit their views to Stanley S. Surrey, Assistant Secretary of the Treasury, Washington 25, D.C. Deadline for the receipt of comments is September 10.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 24, 1964

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Income Tax Convention

Discussions are to be held in the near future between the United States and Israel for the purpose of entering into a tax convention between the two countries for the avoidance of double taxation and to facilitate trade and investment.

A proposed convention between the two countries was signed several years ago but was never made effective, because it contained a so-called tax sparing clause under which the United States would have been obligated to allow a credit to its taxpayers for taxes given up by Israel under its investment promotion law. A new convention, it is contemplated, would not contain such a provision.

In general, any new convention agreed upon is expected to be similar to other tax treaties, and will be concerned with the tax treatment of trading and other business enterprises, investment income and income from services.

Persons in the United States desiring to make suggestions as to provisions that should be considered for inclusion in a convention are invited to submit their views to Stanley S. Surrey, Assistant Secretary of the Treasury, Washington 25, D.C. Deadline for the receipt of comments is September 10.

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D-1323

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, August 26, 1964.

August 25, 1964

RESULTS OF REFUNDING OF $1 BILLION OF ONE-YEAR BILLS

The Treasury Department announced last evening that the tenders for $1,000,000,000, or thereabouts, of 365-day Treasury bills to be dated August 31, 1964, and to mature August 31, 1965, which were offered on August 19, were opened at the Federal Reserve Banks on August 25.

The details of this issue are as follows:

Total applied for - $1,940,054,000
Total accepted - 1,000,214,000 (includes $40,009,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 96.270	Equivalent rate of discount approx.	3.679% per annum
Low	- 96.252	" " " " "	3.697% " "
Average	- 96.260	" " " " "	3.688% " "

(82% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 30,558,000	$ 9,468,000
New York	1,484,392,000	764,692,000
Philadelphia	12,933,000	1,933,000
Cleveland	85,623,000	38,823,000
Richmond	2,795,000	2,795,000
Atlanta	5,202,000	4,202,000
Chicago	175,437,000	95,487,000
St. Louis	9,536,000	4,936,000
Minneapolis	9,400,000	4,100,000
Kansas City	11,486,000	9,986,000
Dallas	21,424,000	5,064,000
San Francisco	91,268,000	58,728,000
TOTAL	$1,940,054,000	$1,000,214,000

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 3.85%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
[T]uesday, August 26, 1964.

August 25, 1964

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Richmond	2,793,000	2,793,000
Atlanta	5,202,000	4,202,000
Chicago	175,437,000	95,487,000
St. Louis	9,538,000	4,938,000
Minneapolis	9,400,000	4,100,000
Kansas City	11,486,000	9,986,000
Dallas	21,424,000	5,064,000
San Francisco	91,268,000	58,728,000
TOTAL	$1,940,054,000	$1,000,214,000

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D-1324

FOR IMMEDIATE RELEASE

109

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

Representatives of the United States are expected to meet with representatives of the Portuguese government in the near future to resume discussions on a possible income tax convention to avoid double taxation of income and promote trade and investment between the two countries. Discussions previously held were suspended pending Portuguese revision of its tax laws. The revision has now been completed.

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

Persons in the United States who desire to submit comments on the scope of the discussions or to submit information relating to the subjects mentioned are invited to send their views to Mr. Stanley S. Surrey, Assistant Secretary of the Treasury, Washington 25, D. C. Persons who sent in ~~communicated~~ their views in connection with the earlier discussions need not repeat them. The deadline for receipt of comments is September 15 ~~10~~, 1964.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 26, 1964

FOR IMMEDIATE RELEASE

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

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

Persons in the United States who desire to submit comments on the scope of the discussions or to submit information relating to the subjects mentioned are invited to send their views to Mr. Stanley S. Surrey, Assistant Secretary of the Treasury, Washington 25, D.C. Persons who sent in their views in connection with the earlier discussions need not repeat them. The deadline for receipt of comments is September 15, 1964.

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D-1325

~~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.

~~REM MODIFIED~~

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated June 4, 1964, (91 days remaining until maturity date on December 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 September 3, 1964 , in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 3, 1964 . Cash

~~Exhibit 2-A~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 26, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two seri of Treasury bills to the aggregate amount of $ 2,100,000,000 , or thereabouts, fo cash and in exchange for Treasury bills maturing September 3, 1964 , in the amou of $ 2,104,412,000 , as follows:

91 -day bills (to maturity date) to be issued September 3, 1964 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated June 4, 1964 , and to mature December 3, 1964 , originally issued in the amount of $ 904,729,000/ (an additional $100,086,000 was issued July 29, 1964) , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated September 3, 1964 , and to mature March 4, 1965 .

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, August 31, 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.

August 26, 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 September 3,1964, in the amount of 2,104,412,000, as follows:

91-day bills (to maturity date) to be issued September 3, 1964, in the amount of $1,200,000,000, or thereabouts, representing an dditional amount of bills dated June 4, 1964, and to mature ecember 3, 1964, originally issued in the amount of $904,729,000 (an dditional $100,086,000 was issued July 29, 1964), the additional and riginal bills to be freely interchangeable.

182-day bills, for $900,000,000, or thereabouts, to be dated eptember 3, 1964, and to mature March 4, 1965.

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

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Banking institutions generally may submit tenders for account of 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-1326

FOR RELEASE A. M. NEWSPAPERS,
Thursday, August 27, 1964.

August 26, 1964

RESULTS OF TREASURY'S $1 BILLION 201-DAY TAX ANTICIPATION BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,000,000, or thereabouts, of Tax Anticipation Series 201-day Treasury bills to be dated September 1964, and to mature March 22, 1965, which were offered on August 21, were opened at the Federal Reserve Banks on August 26.

The details of this issue are as follows:

Total applied for -	$2,234,744,000	
Total accepted -	1,000,715,000	(includes $28,944,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (excepting one tender of $200,000)

High	- 98.012	Equivalent rate of discount approx.	3.561% per annum
Low	- 97.998	" " " " "	3.586% " "
Average	- 98.001	" " " " "	3.580% " " 1/

(29% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 20,810,000	$ 560,000
New York	1,743,175,000	793,355,000
Philadelphia	21,000,000	3,000,000
Cleveland	62,355,000	8,577,000
Richmond	3,108,000	3,108,000
Atlanta	2,365,000	2,365,000
Chicago	233,873,000	149,863,000
St. Louis	6,595,000	2,595,000
Minneapolis	8,810,000	2,310,000
Kansas City	3,783,000	1,712,000
Dallas	35,970,000	970,000
San Francisco	92,900,000	32,300,000
TOTAL	$2,234,744,000	$1,000,715,000

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 3.70%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Thursday, August 27, 1964.

August 26, 1964

RESULTS OF TREASURY'S $1 BILLION 201-DAY TAX ANTICIPATION BILL OFFERING

The Treasury Department announced last evening that the tenders for $1,000,000,000, or thereabouts, of Tax Anticipation Series 201-day Treasury bills to be dated September 2, 1964, and to mature March 22, 1965, which were offered on August 21, were opened at the Federal Reserve Banks on August 26.

The details of this issue are as follows:

Total applied for - $2,234,744,000
Total accepted - 1,000,715,000 (includes $28,944,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting one tender of $200,000)

High	- 98.012	Equivalent rate of discount approx.	3.561% per annum
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(29% of the amount bid for at the low price was accepted)

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Richmond	3,108,000	3,108,000
Atlanta	2,365,000	2,365,000
Chicago	233,873,000	149,863,000
St. Louis	6,595,000	2,595,000
Minneapolis	8,810,000	2,310,000
Kansas City	3,783,000	1,712,000
Dallas	35,970,000	970,000
San Francisco	92,900,000	32,300,000
TOTAL	$2,234,744,000	$1,000,715,000

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 3.70%. 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-1327

1511

Joint Statement on the United States - Philippine Tax Treaty

Delegations from the United States and the Philippines, having met in Washington, D.C. from August 17 to August 28, 1964, have reached agreement on the content of an income tax convention between the two countries to avoid double taxation and prevent fiscal evasion, to facilitate trade and investment between the two countries, and to encourage joint ventures. The convention incorporating the principles agreed upon is in the process of preparation. This will be submitted to the respective governments for formal signature. It will become effective after the Senate of the United States and the Senate of the Philippines each give their consent to ratification.

It has been agreed that a business enterprise of one country shall not be subject to tax in the other country on its industrial or commercial profits unless it operates there through a permanent establishment. Temporary visits to one country by residents of the other will be permitted without tax being imposed on their earnings if they remain there for less than 90 days in the course of a year and earn less than $3000. Longer stays and larger amounts of exempt income are provided for professors and others under certain circumstances.

To foster the existing ties of good will between the two countries it has been agreed that United States taxpayers who make contributions to nonprofit institutions in the Philippines may, subject to the limitations of United States law, claim a deduction for such contributions in determining their tax liability.

Income derived by a resident of one country from the rental of buildings in the other, it has been agreed, will be taxable on a net basis rather than on a gross basis.

A set of rules to determine the geographic source of income under different circumstances has been agreed to. These rules will be used in determining which country has a prior right to tax the income from certain transactions and which country shall give a credit for the tax. The agreement reaffirms that neither country will discriminate against citizens and corporations of the other resident within its borders.

Provision has been made for exchanges of information and consultation between the authorities of the two countries.

The respective delegations were headed by Rufino G. Hechanova, Secretary of Finance of the Philippines and Stanley S. Surrey, Assistant Secretary of the Treasury of the United States.

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August 28, 1964

Joint Statement on the United States - Philippine Tax Treaty

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August 28, 1964

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, September 1, 1964.

August 31, 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 June 4, 1964, the other series to be dated September 3, 1964, which were offered on August 26, were opened at the Federal Reserve Banks on August 31. 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 December 3, 1964		:	182-day Treasury bills maturing March 4, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.115	3.501%	:	98.171	3.618%
Low	99.110	3.521%	:	98.161	3.638%
Average	99.112	3.512% 1/	:	98.165	3.629% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 31,394,000	$ 16,394,000	:	$ 17,451,000	$ 12,451,000
New York	1,542,543,000	782,168,000	:	1,130,468,000	603,268,000
Philadelphia	36,211,000	15,984,000	:	10,774,000	9,444,000
Cleveland	28,692,000	27,915,000	:	52,978,000	50,778,000
Richmond	13,406,000	13,056,000	:	5,414,000	5,414,000
Atlanta	30,423,000	26,138,000	:	9,741,000	8,469,000
Chicago	213,574,000	159,199,000	:	169,703,000	1[illegible],603,000
St. Louis	38,362,000	30,752,000	:	8,663,000	7,163,000
Minneapolis	20,490,000	16,340,000	:	6,709,000	6,209,000
Kansas City	32,486,000	29,986,000	:	8,884,000	8,804,000
Dallas	25,981,000	16,431,000	:	9,995,000	9,995,000
San Francisco	115,483,000	65,928,000	:	91,702,000	77,602,000
TOTALS	$2,129,045,000	$1,200,291,000 a/		$1,522,482,000	$[illegible],280,000

a/ Includes $236,842,000 noncompetitive tenders accepted at the average price of 99.11
b/ Includes $63,455,000 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 3.59%, for the 91-day bills, and 3.7[illegible]%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semi-annual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

OR RELEASE A. M. NEWSPAPERS,
uesday, September 1, 1964.

August 31, 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 June 4, 1964, and he other series to be dated September 3, 1964, which were offered on August 26, were pened at the Federal Reserve Banks on August 31. 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 OMPETITIVE BIDS:	91-day Treasury bills maturing December 3, 1964		:	182-day Treasury bills maturing March 4, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.115	3.501%	:	98.171	3.618%
Low	99.110	3.521%	:	98.161	3.638%
Average	99.112	3.512% 1/	:	98.165	3.629% 1/

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

OTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 31,394,000	$ 16,394,000	:	$ 17,451,000	$ 12,451,000
New York	1,542,543,000	782,168,000	:	1,130,468,000	603,268,000
Philadelphia	36,211,000	15,984,000	:	10,774,000	9,444,000
Cleveland	28,692,000	27,915,000	:	52,978,000	50,778,000
Richmond	13,406,000	13,056,000	:	5,414,000	5,414,000
Atlanta	30,423,000	26,138,000	:	9,741,000	8,469,000
Chicago	213,574,000	159,199,000	:	169,703,000	101,603,000
St. Louis	38,362,000	30,752,000	:	8,663,000	7,163,000
Minneapolis	20,490,000	16,340,000	:	6,709,000	6,209,000
Kansas City	32,486,000	29,986,000	:	8,884,000	8,884,000
Dallas	25,981,000	16,431,000	:	9,995,000	8,995,000
San Francisco	115,483,000	65,928,000	:	91,702,000	77,602,000
TOTALS	$2,129,045,000	$1,200,291,000 a/		$1,522,482,000	$900,280,000 b/

Includes $236,842,000 noncompetitive tenders accepted at the average price of 99.112
Includes $63,455,000 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 3.59%, 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 semi-annual compounding if more than one coupon period is involved.

D-1328

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

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

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

~~BETA - MODIFIED~~

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

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

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 31, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two serie of Treasury bills to the aggregate amount of $ 2,200,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing September 10, 1964 , in the amoun of $ 2,101,395,000 , as follows:

91 -day bills (to maturity date) to be issued September 10, 1964 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated June 11, 1964 , and to mature December 10, 1964 , originally issued in the amount of $ 900,518,000/ , the additional and original bills to be freely interchangeable. (an additional $100,086,000 was issued July 29, 1964)

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated September 10, 1964 , and to mature March 11, 1965 .

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, Friday, September 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.

August 31, 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-1329

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 June 11, 1964, (91-days remaining until maturity date on December 10, 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 September 10, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 10, 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.

FOR IMMEDIATE RELEASE

August 31, 1964

TREASURY TO INCREASE AMOUNT OF OFFERINGS OF 3-MONTH TREASURY BILLS MATURING DECEMBER 10-31

The Treasury announced today that it is advancing to Friday, September 4 its weekly auction of Treasury bills because of the Labor Day holiday on Monday, September 7. At the same time the Treasury announced that it will increase the amount of 3-month Treasury bills included in this auction by $100 million. The total amount offered will be $1.3 billion maturing December 10, 1964 and $900 million maturing March 11, 1965.

The Treasury further announced that it intends to increase by similar amounts of $100 million the succeeding three auctions of 3-month Treasury bills which will mature on December 17, 24 and 31, 1964. The corresponding weekly offerings of 6-month bills are expected to remain at $900 million.

The decision to increase the amount of these offerings of 3-month bills was made in order to meet the heavy seasonal demand for December maturities which has already resulted in comparatively low interest rates for the issues outstanding on those dates.

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D-1330

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 1, 1964

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES DRAWING FROM
INTERNATIONAL MONETARY FUND

TODAY

Secretary of the Treasury Douglas Dillon announced a third drawing of foreign currencies by the U. S. from the International Monetary Fund. The drawing is for $50 million and is the first under the new stand-by arrangement of $500 million announced on July 23, 1964. It brings total drawings to $300 million. two drawings of $125 million each made on February 13 and June 1 of this year. WERE NEW

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As the case the previous drawings the currencies obtained by the U. S. will be sold for dollars to other Fund members for their use in making repayments to the Fund. this drawing was occasioned by Italy's repayment of $65 million to the IMF, fully restoring quota position. The Italian repayment reflects the improved financial position of that country since March 13 when credits totaling $1 billion were made available to Italy by the United States and others in addition to the $225 million Italian Fund drawing at the end of March.

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The current U.S. drawing included for the first time the currencies of Austria, Belgium, the Netherlands and Sweden in addition to German marks which had been included in the ALSO earlier drawings. After meeting Italian requirements, a balance will remain from the proceeds of this drawing sufficient to cover other presently scheduled repayments to the Fund over the next several weeks.

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D-1331

THAT COUNTRY'S

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 1, 1964

FOR IMMEDIATE RELEASE

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D-1331

62 percent in fiscal 1964 over the previous year ~~to a total~~ TO ~~of~~ $3,477,000 and that estimated savings from all phases of Treasury's Management Improvement Program rose to an all time high of $29.5 million in fiscal year 1964.

Taking note of President Johnson's drive for further economy in Government operations, Secretary Dillon said "This is a very good record -- but it can be improved".

Secretary Dillon was himself awarded a lapel emblem for having completed 15 years of Government Service.

A Color Guard and Band from the United States Coast Guard provided the entertainment for the Ceremony.

Attached is a listing of the employees recognized and their citations.

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heroin valued at several millions of dollars -- the largest seizure ever made on the Mexican Border; and a team of two Coast Guard officers and one Coast Guardsman whose suggestion led to a conversion and improvement in existing Coast Guard and Navy aircraft radio equipment for an estimated savings of $6 million.

In his remarks, Secretary Dillon said: "On the occasion of Treasury's 175th Anniversary, it is especially appropriate that we honor employees who have made outstanding contributions to the Department. The strength and progress of the Department depends upon the kind of employee performance and ingenuity we recognize here today". He reported that estimated ~~first~~ [redacted] savings from the civilian employee contributions recognized under the Treasury's Incentive Awards Program rose

Winners of the Department's top awards spanned a wide range of job responsibilities. Included were a civilian lighthouse keeper in the United States Coast Guard; a Narcotic Agent in Rome, Italy; and a high level Internal Revenue Service official.

A wide range of job responsibilities was also found among the Treasury personnel cited for outstanding suggestions or services. These included a machinist in the Bureau of Engraving & Printing who modified a large stitching machine, thereby eliminating the need to purchase new equipment costing more than $16,000; a card punch operator in the Bureau of Public Debt, Parkersburg, West Virginia, whose average production for the past 4 years was 34 percent above the top standard range for her job; two Customs Inspectors who seized

FOR RELEASE: PM PAPERS
WEDNESDAY, SEPTEMBER 2, 1964

TREASURY HONORS 236 EMPLOYEES IN FIRST ANNUAL AWARDS CEREMONY

Treasury Secretary Douglas Dillon this morning honored more than 200 Treasury employees in the Department's first annual awards ceremony. The ceremony, held in the Departmental Auditorium, Washington, D. C., marked Treasury's 175th anniversary.

A total of 236 employees were recognized for their outstanding service and significant contributions to Treasury operations during fiscal year 1964, which ended June 30th.

Treasury's two top awards -- for Exceptional Service or Meritorious Service -- went to 44 employees. 34 employees received recognition for outstanding suggestions or service, and 14~~0~~4 in the Washington area were cited for more than 40 years of Federal service.

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 2, 1964

FOR RELEASE: P.M. NEWSPAPERS
Wednesday, September 2, 1964

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D-1332

(MORE)

In his remarks, Secretary Dillon said: "On the occasion of Treasury's 175th Anniversary, it is especially appropriate that we honor employees who have made outstanding contributions to the Department. The strength and progress of the Department depends upon the kind of employee performance and ingenuity we recognize here today". He reported that estimated savings from the civilian employee contributions recognized under the Treasury's Incentive Awards Program rose 62 percent in fiscal 1964 over the previous year to $3,477,000 and that estimated savings from all phases of Treasury's Management Improvement Program rose to an all time high of $29.5 million in fiscal year 1964.

Taking note of President Johnson's drive for further economy in Government operations, Secretary Dillon said "This is a very good record -- but it can be improved".

Secretary Dillon was himself awarded a lapel emblem for having completed 15 years of Government Service.

A Color Guard and Band from the United States Coast Guard provided the entertainment for the Ceremony.

Attached is a listing of the employees recognized and their citations.

EMPLOYEE SUGGESTIONS AND SERVICES

Recognition by the Secretary of outstanding suggestions or exemplary services which served to effect significant monetary savings, increased efficiency, or improvement in Government operations.

HENRY T. DOUMMAR, Construction Representative, Seventh Coast Guard District, Miami, Fla.

For unstinting effort and diligence in inspecting the construction of barracks at the Coast Guard Base, Charleston, S.C., which resulted in substantial monetary savings and intangible benefits. Award—$525.

JOSEPH GRUBACH, Customs Appraiser, Detroit, Mich.

For compiling and subsequently revising "Digest of Decisions and Rulings Relative to Appraisement and Classification of Imported Merchandise." Used as a daily reference book by Customs employees and as a textbook for training line examiners. Award—$1,000.

EDWARD H. GUTOSKY, Machinist, Construction and Maintenance Division, Bureau of Engraving and Printing

For adopted suggestions to modify two eight-headed stitching machines, thereby eliminating the contemplated purchase of a new stitching machine. Estimated one-time savings—$16,000. Award—$650.

JOHN O. HALLY, Attorney-Adviser, Office of the General Counsel, Office of the Secretary

For superior work in carrying out assigned responsibilities for nearly a full year as (Acting) Assistant General Counsel—a position two grades above the one he held. Award—$500.

Norman F. Lemnah, Tax Law Specialist, Tax Rulings Division, Office of the Assistant Commissioner (Technical), Internal Revenue Service

For adopted suggestion to revise Form 1128, Application for Change in Accounting Period, so it can be mailed in window envelope without an accompanying form letter. Estimated first-year savings—$8,300, plus intangible benefits. Award—$500.

David T. Link, Chief, Reports and Information Retrieval Activity, Office of the Chief Counsel, Internal Revenue Service

For developing objectives and plans for a Reports and Information Retrieval Program thereby insuring more consistent treatment of taxpayers, eliminating duplications of work, and providing a more effective legal research system. Award—$500.

Fred W. Maguire, Customs Inspector, Miami, Fla.

For effecting seizure of approximately 11 pounds of cocaine, one of the largest seizures ever made at Miami International Airport. Award—$750.

Isabel Miller, Supervisor, Administrative Unit, Plate Printing Division, Bureau of Engraving and Printing

For adopted suggestion which realined job duties, devised a new plate record system, and eliminated certain forms, thereby saving 4 man-years, or $17,760 per annum. Award—$695.

El Merito Overstreet, Chief, Accounts Maintenance Section, Collections Division, Internal Revenue Service, Jackson, Miss.

For suggested use of TY-15, Unidentified Voucher, as a posting document in lieu of preparation of an additional form, resulting in savings of $18,000 in man-hours and $1,100 in supplies. Award—$645.

M. Sue Phillips, Card Punch Operator, Bureau of the Public Debt, Parkersburg, W. Va.

For consistently and significantly exceeding required performance standards. Her average production for the past 4 years was 34 percent above top standard range. Total awards—$1,014.

GAYLE E. RUHL, Criminal Investigator, Bureau of Narcotics, Chicago, Ill.

For exceptional courage in a high speed auto chase and ensuing gun battle during which he was seriously wounded and his assailant, a notorious narcotic trafficker, killed. Award—$1,000.

IRVING SALEM, Staff Assistant to the Chief Counsel, Internal Revenue Service

For leadership and outstanding service in developing, reviewing, and rewriting rules and regulations under various sections of the Internal Revenue Code. Award—$800.

JAMES M. TINGLE, Management Analyst, Administration Division, Southeast Region, Internal Revenue Service, Atlanta, Ga.

For designing and building a mail opening and sorting table which reduced fatigue and increased production. A lighting device enables employee to check envelopes to make sure all contents have been removed. Estimated tangible savings—$57,000. Award—$935.

PATSY C. BLANKENSHIP, Formerly Clerk-Stenographer, Audit Division, National Office, Internal Revenue Service

FRED DUBITSKY, Conference Coordinator, Audit Division, Manhattan District, Internal Revenue Service

RICHARD N. FELT, Conference Coordinator, Audit Division, Salt Lake City District, Internal Revenue Service

JOE L. FINCH, Technical Advisor, Appellate Division, Central Region, Internal Revenue Service

MURRAY H. HENDEL, Coordinator, Audit Division, National Office, Internal Revenue Service

WARD E. HOLLAND, Chief, Audit Division, Jacksonville District, Internal Revenue Service

For their excellent Task Force review of the IRS Informal Conference Function and adopted recommendations resulting in clearer delineation of authority and responsibilities and substantial reduction in paper work and clerical activities. Estimated savings—$924,450, plus many intangible benefits. Group Award—$2,690.

M. Colette Bowden, Digital Computer Systems Analyst

Ralph K. Converse, Chief, Electronic Systems Staff

Walter R. Craig, Digital Computer Systems Analyst

Paul I. Howard, Digital Computer Systems Analyst

Jennings O. Yost (Retired)

Office of the Assistant Commissioner (Planning and Research), Internal Revenue Service

For integrating the computer processing for the Statistics Division Activity into the Service's 7074 System without disruption of scheduled deadlines or loss in programing efficiency. Estimated first-year savings—$230,000. Group Award—$1,500.

LCDR Alva L. Carbonette, 14th Coast Guard District, Honolulu, Hawaii

CHRELE Edward Petroski (Retired)

LCDR John Vukic (Retired)

For adopted suggestion which converted AN/ARC-38 RT-311 radio sets to single sideband operation, thus improving Coast Guard and Navy aircraft operational capabilities and saving $6 million. Initial Group Award—$1,500 paid in 1961. Supplemental Group Award $3,000.

William Greenberg, Criminal Investigator

Joseph E. Iacono, Criminal Investigator

David Reis, Inspector

Alcohol and Tobacco Tax Division, New York Regional Office, Internal Revenue Service

For breaking up an operation which involved an estimated 12,000 barrels of spurious Scotch whisky sold in the United States for approximately $21 million. Investigation covered 2½ years and resulted in an 85-count indictment of the persons involved. Group Award—$1,000.

PETER D. PARKER, Customs Inspector
HYMAN SCHERR, Customs Inspector
Port of Laredo, Laredo, Tex.

For discovery and seizure of heroin valued at millions of dollars. This was the largest seizure of heroin ever made on the Mexican border and led to arrest and indictment of members of a criminal ring. Group Award—$2,250.

LCDR M. J. REUBENS, Medical Division, Coast Guard Headquarters, Washington, D.C.
CHMACH W. A. SHAFFER, JR., 12th Coast Guard District, San Francisco, Calif.

For adopted suggestion proposing use of welded instead of seamless stainless-steel tubing for vent tubes on Coast Guard buoys. Estimated annual savings—$110,000. Group Award—$2,000.

739-618—64——2

AWARDS TO SUPERVISORS

Recognition by the Secretary of notable achievements by supervisors in encouraging employee contributions to efficiency and economy. These supervisors were selected from Bureau nominees after consideration of such factors as the size of groups supervised, the value of contributions, and the nature of action by the supervisor.

IDA F. BRENDEMIHL, Supervisor of Series H and K Subunit, Registered Accounts and Interest Section, Division of Loans and Securities, Bureau of the Public Debt, Chicago, Ill.

For exceptional supervisory abilities in maintaining excellent employee morale and operating efficiency despite heavy workload pressures.

PHILIPS P. BROOKS, Chief, Coin Branch, Cash Division, Office of the Treasurer of the United States

For ability to couple cost-consciousness with effectiveness in maintaining high morale and a sense of duty among his personnel. He effectively urged his employees to submit ideas and recognized their contributions with appropriate awards.

RUTH M. DEAN, Forewoman, Finishing Unit, Note Processing Section, Surface Printing Division, Bureau of Engraving and Printing

For outstanding leadership and stimulation of employee interest in improving work efficiency, resulting in a substantial increase in production for her Unit.

ANNA S. DOUGHERTY, Chief, Diversified Payments Branch, Philadelphia Regional Office, Bureau of Accounts

For effectiveness in training and encouraging employees to perform at a high level and providing appropriate recognition for deserving personnel under her jurisdiction.

Leo C. Inglesby, Chief, Position Programs Branch, Personnel Division, Internal Revenue Service

For outstanding contributions to management improvement through effective direction of the Internal Revenue Service Incentive Awards Program during fiscal year 1964.

Edgar M. Link, Foreman of Plate Printers, Bureau of Engraving and Printing

For initiative, resourcefulness, and effective leadership in promoting the Incentive Awards Program as manifested by many significant contributions of his employees.

A. Kathleen Martinson, Supervisor, Voucher and Check Preparation Section, Chicago Regional Office, Bureau of Accounts

For outstanding skill in training and motivating employees to a high level of production through continuing performance appraisal, counseling, and appropriate recognition of accomplishment.

Walter Panich, Administrative Officer, Bureau of Narcotics

For his excellent staff leadership in promoting effective use of the Incentive Awards Program to improve productivity and reduce operating costs within the Bureau.

James W. Polk, Assistant Collector of Customs, Buffalo, N.Y.

For notable achievements in stimulating employees to improve Customs operations, resulting in a 400-percent increase in suggestions submitted and a 250-percent increase in those adopted within his District during the second half of fiscal year 1964.

George P. Rowland, Assistant Regional Commissioner (Alcohol and Tobacco Tax), Northeast Region, Internal Revenue Service, Boston, Mass.

For outstanding effectiveness in motivating his 175 employees to participate in the Incentive Awards Program, resulting in 102 suggestions submitted and 35 adopted during fiscal year 1964, plus 4 performance awards.

PHILIP G. SEEGER, Foreman, Machine Shop, Construction and Maintenance Division, Bureau of Engraving and Printing

For his outstanding leadership in promoting employee participation in the Incentive Awards Program, resulting in his employees making substantial contributions to the improvement of work operations.

LORENZO H. WILKINS, Chief, Mail Distribution and Messenger Section, Bureau of Accounts

For exceptional ability in eliciting high production, initiative, and morale in the Section, which earned Superior Performance Awards for 83 percent of his employees during fiscal year 1964.

ROLAND V. WISE, District Director, Internal Revenue Service, Salt Lake City, Utah

For significant achievements in encouraging employees to participate fully in the improvement of government operations with the result that tangible benefits from employee suggestions increased over 100 percent in his District.

THE SECRETARY'S ANNUAL AWARDS TREASURY INCENTIVE AWARDS PROGRAM

The Secretary of the Treasury presents two honorary awards each year to recognize bureaus for outstanding participation and results in the Treasury Department's Incentive Awards Program. One is given to the bureau showing the best average results in the suggestion phase of the program and the other to the bureau showing the best average results in the performance phase of the program.

SECRETARY'S AWARD FOR PERFORMANCE PHASE OF PROGRAM

Bureau of Narcotics

For effective use of incentive awards to recognize employees who significantly exceeded normal job requirements. In recognition of such performance, 16 percent of all Narcotics personnel received cash awards and 1 percent received withing-grade pay increases for high-quality performance during fiscal year 1964.

SECRETARY'S AWARD FOR SUGGESTION PHASE OF PROGRAM

Bureau of Engraving and Printing

For outstanding achievement in the Bureau's suggestion program during fiscal year 1964. Per 100 employees on its rolls, the Bureau had 3.8 adopted suggestions and estimated savings of $1,473.

CAREER SERVICE RECOGNITION

Recognition by the Secretary of employees in the Washington, D.C., area who had attained 40 years or more of Federal service as of June 30, 1964.

50 Years of Federal Service

Alan H. Pottinger (Retired)	Bureau of Customs
William A. White	Bureau of the Public Debt

45 to 50 Years of Federal Service

Elna M. Anderson	Internal Revenue Service
Jennie Anderson	Internal Revenue Service
Mary E. Barrett	Office of the Treasurer, U.S.
Aldora Beach	Internal Revenue Service
Louise P. Bishop	Internal Revenue Service
Edna Bone	Internal Revenue Service
Louis T. Boswell	Internal Revenue Service
Leonie H. Boyd	Bureau of the Public Debt
Cornelia E. Bradbury	Bureau of Engraving and Printing
George F. Breen	Internal Revenue Service
Harry C. Broderick	Internal Revenue Service
Robert Buckner	Internal Revenue Service
Eugene L. Callaghan	Bureau of the Public Debt
Marie A. Castle	Bureau of the Public Debt
Patrick J. Cavanaugh	Internal Revenue Service
Ethel C. Cawley	Internal Revenue Service
Katherine Cleary	Bureau of the Public Debt
Marion B. Cole	Office of the Treasurer, U.S.
Harry E. Corrick	Bureau of Narcotics

Fabius H. Dailey	U.S. Coast Guard
Samuel Donelson	Internal Revenue Service
James C. Filgate	Bureau of Engraving and Printing
Burke H. Flinn	Bureau of Customs
Rachel E. Fox	Bureau of the Public Debt
Eleanor M. Gallagher	Internal Revenue Service
Virginia W. Giddings	Internal Revenue Service
Gertrude Giggard	Internal Revenue Service
T. LeRoy Greer	Office of the Treasurer, U.S.
Ruth B. Haines	Internal Revenue Service
Winifred S. Haines	Internal Revenue Service
Kenneth S. Harrison	U.S. Coast Guard
Paris Henderson	Internal Revenue Service
Thelma Herring	Internal Revenue Service
Henry J. Holtzclaw	Bureau of Engraving and Printing
Herbert B. Hunt	Internal Revenue Service
Cora L. Johnson	Bureau of Engraving and Printing
Lillian M. Kelly	Internal Revenue Service
Reuben Klaben	Bureau of Customs
Eva B. Lanahan (Retired)	Bureau of the Public Debt
Patricia R. Levin	Internal Revenue Service
Lawrence Levy	Bureau of Accounts
Madeline M. Light	Internal Revenue Service
Ferris E. Long (Retired)	Internal Revenue Service
Lillian M. Long (Retired)	Bureau of Engraving and Printing
Bessie B. Mack	Bureau of Engraving and Printing
Emma E. McGill	Internal Revenue Service
Agnes E. McLane	U.S. Coast Guard
Donald R. McLeod	Bureau of Engraving and Printing
Ivy K. McLoughlin	Internal Revenue Service
Nora T. McNulty	Internal Revenue Service
Gertrude F. Menk	Bureau of Accounts
Cecile G. Miller	Internal Revenue Service
Emory N. Miller	Internal Revenue Service
Frances Miller	Internal Revenue Service
Lawrence Montgomery	Office of the Secretary
Earl M. Morison	Internal Revenue Service

Grant R. Newton	Bureau of the Public Debt
Maurice Parshall	Internal Revenue Service
George A. Payne	Bureau of Engraving and Printing
Florence B. Pearson	Internal Revenue Service
Frank N. Proctor	Office of the Treasurer, U.S.
Mary E. Reilly	Internal Revenue Service
Eula Rorer	Internal Revenue Service
Thomas E. Shaw	Office of the Treasurer, U.S.
Eugene A. Smith	Bureau of Engraving and Printing
Cecelia Stansfield	Bureau of the Public Debt
Jesse Swain	Bureau of Engraving and Printing
Rose E. Tabb	Internal Revenue Service
Mary E. Taylor	Bureau of Engraving and Printing
Ida C. Tichner	Internal Revenue Service
Gordon Stanley Turner	Internal Revenue Service
Etoile M. Vaden	Bureau of Engraving and Printing
Percy A. Waddill	Bureau of Engraving and Printing
William Fred Wallace	Internal Revenue Service
Eleanor M. Ward	Bureau of the Public Debt
Harriet A. Ware	Bureau of Engraving and Printing
May B. Young	Bureau of the Public Debt
Joseph S. Zucker	Internal Revenue Service

40 to 45 Years of Federal Service

Joseph R. Amato	Office of the Secretary
David Beazell	Internal Revenue Service
Wright W. Betts	U.S. Secret Service
Norma L. Bigelow	Bureau of Engraving and Printing
Clarence M. Bowles	Bureau of Engraving and Printing
Thelma M. Bresnahan	Bureau of Engraving and Printing
Jesse A. Brooks	Bureau of Engraving and Printing
Leslie M. Brough	Internal Revenue Service
Helen W. Brown	Internal Revenue Service
Phyllis G. Brown	U.S. Coast Guard
Ethel V. Burr	Office of the Treasurer, U.S.

Robert W. Campbell	Bureau of Engraving and Printing
Julian F. Cannon	Bureau of Accounts
Allan Chaimas	Internal Revenue Service
Robert A. Dillon	Office of the Secretary
Wallace D. Edington	Bureau of Accounts
Arthur D. Etienne	Internal Revenue Service
Elizabeth B. Farr	U.S. Coast Guard
Matthew D. Fenton (Retired)	Bureau of Engraving and Printing
Edward Ferneyhough	Office of the Treasurer, U.S.
Gordon R. Furr	Bureau of the Public Debt
Daisy F. Gambon	Bureau of Engraving and Printing
Russell H. Gant	U.S. Coast Guard
Marian E. Goodman	Internal Revenue Service
Frank Goodyear	Internal Revenue Service
Edmond F. Harrigan	U.S. Secret Service
Rudy P. Hertzog	Internal Revenue Service
Sarah M. Hirshman	Internal Revenue Service
Marion R. Hueter	Internal Revenue Service
Bessie E. Jett	Bureau of Engraving and Printing
Elizabeth A. Jewett	Office of the Treasurer, U.S.
Laurence P. Johnson	Bureau of Customs
Elizabeth L. Kangas	U.S. Coast Guard
Sadie Lipshitch	Internal Revenue Service
Ruth E. Loveless	Bureau of Engraving and Printing
George A. Marcey	Internal Revenue Service
Esther M. Mathes	Internal Revenue Service
Earl C. McClure	Internal Revenue Service
Frederick Middleton	Bureau of Engraving and Printing
John F. Moran	Bureau of the Public Debt
Maude L. Morgan	Bureau of Engraving and Printing
Charles L. Morris	Office of the Treasurer, U.S.
William A. Mueller	Office of the Secretary
Joseph J. Murray	U.S. Coast Guard
John E. Nead	Bureau of Customs

Forrest P. Neal	Internal Revenue Service
E. Ferne Perkins	Office of the Treasurer, U.S.
Grace Price	U.S. Coast Guard
Elsie M. Ray	Bureau of Engraving and Printing
C. Maynard Robey	Bureau of Engraving and Printing
Elsie Rodenhauser	Bureau of Engraving and Printing
Eva M. Sanford	Internal Revenue Service
Helen J. Shepard	Office of the Secretary
Carl W. Staats	Bureau of Engraving and Printing
Roscoe D. Stevens	Bureau of Engraving and Printing
Edith B. Sullivan	Office of the Secretary
Olga M. Treanor	Internal Revenue Service
Raymond L. Trego	Bureau of Accounts
Jessie E. Walden	Bureau of Engraving and Printing
Rae R. Zaontz	Internal Revenue Service

MERITORIOUS SERVICE AWARD

The Meritorious Service Award is next to the highest award which may be recommended for presentation by the Secretary. It is conferred on employees who render meritorious service within or beyond their required duties.

JOHN H. ATKINS (Retired), Formerly Operating Procedures Assistant to the Commissioner of the Public Debt

For his major role in systems development which resulted in recurring annual savings of over $2½ million and significant reductions in manpower requirements related to operating procedures.

LAWRENCE BANYAS, Associate Director, Office of Debt Analysis, Office of the Secretary

For his unique skill and untiring effort in effectively resolving difficult and complex problems connected with the management of the public debt, including improvement in its maturity structure.

RAY T. BATH, Deputy Commissioner for Systems, Bureau of Accounts

For sustained leadership in achieving improved financial management in the Bureau of Accounts, Treasury Department, and the Government as a whole, including lower costs in cash financing.

ERNEST C. BETTS, Jr., Director, Office of Budget and Finance, Office of the Secretary

For positive leadership in the Department's financial management, contributing significantly both to more adequate funding support and the prevention of unwarranted increases in funds and personnel.

Sidney F. Carwile, Supervisory Auditor, Bureau of the Mint

For demonstration of unusual initiative, ingenuity, and administrative skill in coordinating all aspects of a program to more than double the coin production of the Mint.

Alwyn Cole, Examiner of Questioned Documents, Office of the Treasurer of the United States

For his invaluable service, superior skill, and devotion to duty as an Examiner of Questioned Documents which have won for him a place among the foremost experts in his field.

Jane M. Cullen, Special Assistant to the Assistant Secretary for Administration

For her high efficiency and major contributions to the effective and timely discharge of the responsibilities of the Office of the Assistant Secretary for Administration

Lawrence P. Doss, Assistant Director, Operations Division, Data Processing, Internal Revenue Service

For his major contribution toward the maintenance of voluntary taxpayer compliance through correction of deficiencies in two District Offices and the development of an improved integrity program.

Moses Douglass, Helper General, U.S. Coast Guard Aircraft Repair and Supply Center, Elizabeth City, N.C.

For his skill and careful attention to duties which consistently permitted him to produce from 20 to 50 percent more finished products than the average journeyman working in his field.

Irving Fishman, Assistant Deputy Commissioner of Customs, New York, N.Y.

For outstanding leadership and competence in establishing and administering a nationwide program to carry out the Department's statutory responsibilities for screening propaganda entering the United States.

Leon C. Green, Assistant Director, Audit Division, Internal Revenue Service

For his leadership as Chairman of an Integrity Committee in Internal Revenue appointed to restore confidence in the Service's operations and the Nation's voluntary taxpayer compliance program.

Douglass Hunt, Special Assistant to the Under Secretary

For valuable assistance to the Under Secretary and significant contributions to the Revenue Acts of 1962 and 1964, the recently enacted silver legislation, and various fields of tax administration.

Thomas L. Husselton, Director, Sales Staff Development, U.S. Savings Bonds Division

For significant contributions to the U.S. Savings Bonds program, including the initiation of a sales training program and leadership in organizing the National Conferences of Savings Bonds Volunteers.

Robert A. Klayman, Formerly Associate Tax Legislative Counsel, Office of the General Counsel, Office of the Secretary

For his outstanding contributions in recent years to major income tax revisions of vital significance to the maintenance of a sound and expanding economy.

Jackson N. Krill, Chief Inspector, U.S. Secret Service

For effective leadership of an expanded management program for the Secret Service, including introduction of electronic data processing equipment and measures to better utilize existing resources.

Amos N. Latham, Jr., Director of Personnel, Office of the Secretary

For his exemplary leadership and outstanding contributions to an effective personnel management program in the Treasury Department.

LOREN W. LOOKER (Retired), formerly Regional Disbursing Officer, Bureau of Accounts, Kansas City, Mo.

For qualities of leadership, management, and exemplary service, culminating in an exceptional record of the Kansas City Office in converting to automatic data processing without impairment of efficiency.

DANIEL D. MOORE, Deputy Administrative Assistant to the Comptroller of the Currency

For superior competence and unusual initiative in developing management improvement programs which have saved substantial funds and manpower.

DONALD T. NARIMATSU, Electronics Mechanic, U.S. Coast Guard Base, Sand Island, Honolulu, Hawaii

For consistently outstanding ability and unusual ingenuity in the field of electronics testing, development, repair and maintenance.

PHILIP B. NEISSER, Technical Consultant to the Director of the Mint

For skillful management of highly technical aspects of an emergency program to greatly increase the production of coins in the United States.

MARIAN L. O'CONNELL, Secretary to Assistant Secretary Stanley S. Surrey

For outstanding performance, over a period of years, in assisting Treasury officials concerned with tax legislation in the smooth flow of communications between the Department and the Congress.

ARTHUR B. WHITE, Special Assistant to Chief Counsel, Internal Revenue Service

For effective leadership of a task force which made a detailed analysis of legislative reference material to prepare for congressional hearings on Federal supervision of charitable trusts and foundations.

F. LISLE WIDMAN, Director, Office of Industrial Nations, Office of International Affairs, Office of the Secretary

For outstanding professional ability and creative initiative in activities supporting the wide range of Treasury interests in international economic affairs.

HARRY A. WILBUR, Civilian Lighthouse Keeper, U.S. Coast Guard

For outstanding technical and administrative skills and exemplary efficiency in operating and maintaining his station at Warwick, R.I.

HENRY F. ZIEGENFUS, Technical Assistant to the Commissioner of the Public Debt

For technical excellence, zeal, and efficiency demonstrated over a period of years in connection with administrative aspects of public debt management.

EXCEPTIONAL SERVICE AWARD

This is the highest award which may be recommended for presentation by the Secretary. The award is conferred on employees who distinguish themselves by exceptional service within or beyond their required duties.

VERNON D. ACREE, Assistant Commissioner of Internal Revenue (Inspection)

For his achievements in assuring integrity of operations by 60,000 employees engaged in annual collection of over $100 billion of revenue, resulting in increased public respect for the Service's ability to police its own affairs.

DWIGHT E. AVIS (Retired), Formerly Director, Alcohol and Tobacco Tax Division, Internal Revenue Service

For sound planning and effective leadership in directing the Alcohol and Tobacco Tax Division, resulting in improved tax collection and greatly reduced traffic in nontax liquor.

HARVEY E. BRAZER, Formerly Deputy Assistant Secretary for Tax Policy and Director, Office of Tax Analysis, Office of the Secretary

For his major role in recent tax policy development and tax legislation and achievement of high professional standards throughout the Office of Tax Analysis.

JOHN K. CARLOCK, Fiscal Assistant Secretary

For his outstanding contributions to effective and efficient management of the manifold fiscal operations of the Department during the 2 years he has served as Fiscal Assistant Secretary.

ROBERT CHAMBERS (Retired), Formerly Chief Counsel, Bureau of Customs

For significant achievements and lasting contributions to improvement, simplification, and effective administration of Customs laws and regulations.

Bertrand M. Harding, Acting Commissioner of Internal Revenue

For his leading role in the accomplishments of the Internal Revenue Service in launching a nationwide automatic data processing system; absorbing heavy workloads generated by the Revenue Acts of 1962 and 1964; and realining its field offices.

Clinton J Hill, Special Agent, U.S. Secret Service

For extraordinary courage and heroic effort in the face of maximum danger to protect the President and First Lady of the United States at the time of President John F. Kennedy's assassination in Dallas, Tex., on November 22, 1963.

Henry J. Holtzclaw, Director, Bureau of Engraving and Printing

For vigorous leadership in modernizing and improving the Bureau of Engraving and Printing, resulting in greatly increased efficiency and substantial reductions in operating costs.

Thomas F. Leahey, Assistant Director, Office of Tax Analysis, Office of the Secretary

For outstanding performance and leadership of his staff in carrying out the complex and highly important responsibility of estimating the Nation's tax revenues.

Donald C. Lubick, Formerly Tax Legislative Counsel, Office of the Secretary

For outstanding contributions to the Department and to the Nation in the indispensable applications of his talents to the passage of the Revenue Acts of 1962 and 1964.

Henry L. Manfredi, Narcotic Agent, Rome, Italy

For his productive relationships with foreign governments and his outstanding performance of investigative duties leading to curtailment of illicit international narcotic traffic.

Frank E. Morris, Formerly Assistant to the Secretary for Debt Management

For professional competence and uncommon ability in management of the public debt which served to promote economic gains for the Nation and to maintain America's leadership in international affairs.

WILLIAM H. NEAL, National Director, U.S. Savings Bonds Division

For capable leadership, initiative, and untiring efforts in promoting the sale of U.S. Savings Bonds. Since taking office $20.7 billions of Series E and H Bonds have been sold and the volume outstanding has increased $5.04 billions.

PHILIP NICHOLS, Jr., Commissioner of Customs

For his exceptional leadership and success as Commissioner of Customs in modernizing the U.S. Customs Service to cope with the demands of ever-growing and increasingly complex international travel and commerce.

R. DUANE SAUNDERS, Director, Office of Debt Analysis, Office of the Secretary

For his effective leadership and distinctive contributions in formulating Treasury Department policies and decisions in the management of the public debt and broadening public understanding of debt management.

SIDNEY S. SOKOL, Assistant Commissioner of Accounts

For outstanding management ability in stimulating high quality performance within the Bureau and for distinctive service as a Treasury representative on the Joint Financial Management Committee.

DAVID B. STRUBINGER (Retired), Formerly Assistant Commissioner of Customs

For his consistent record of achievements and lasting contributions to the effective administration of the U.S. Customs Service and the competent performance of its mission.

FREDERICK W. TATE, Assistant Director of the Mint

For his competent leadership and exemplary aptitude for achieving highly effective and economical operations, resulting in savings of many millions of dollars.

RUFUS W. YOUNGBLOOD, Special Agent, U.S. Secret Service

For his outstanding courage and voluntary risk of personal safety in protecting the Vice President of the United States at the time of the assassination of President John F. Kennedy, in Dallas, Tex., on November 22, 1963.

SPECIAL CITATION

GEORGE H. WILLIS
Director, Office of International Affairs
Office of the Secretary

For his remarkable achievements during the past several years as the Senior Staff Adviser to United States Delegations which were responsible for intricate and important negotiations in the international monetary field.

U.S. GOVERNMENT PRINTING OFFICE: 1964

ADVISERS - Continued

Joseph M. Bowman, Jr., Assistant to the Secretary of the Treasury for Congressional Relations

* Benjamin Caplan, Director, Office of International Finance and Economic Analysis, Department of State

* Robert Carswell, Special Assistant to the Secretary of the Treasury

Charles A. Coombs, Vice President, Federal Reserve Bank of New York

J. Dewey Daane, Member, Board of Governors, Federal Reserve System

Dixon Donnelley, Assistant to the Secretary of the Treasury for Public Affairs

E. Jay Finkel, Deputy Director, Office of International Financial Policy Coordination, U.S. Treasury

Alfred Hayes, President, Federal Reserve Bank of New York

Gardner Ackley, Council of Economic Advisers

Ralph Hirschtritt, Special Assistant to the Assistant Secretary of the Treasury for International Affairs and Temporary Alternate Executive Director, IBRD

John S. Hooker, Alternate Executive Director, IMF

Douglass Hunt, Special Assistant to the Under Secretary of the Treasury

G. Griffith Johnson, Assistant Secretary of State for Economic Affairs

Tom Killefer, U.S. Executive Director, Inter-American Development Bank

* Harold F. Linder, President and Chairman, Export-Import Bank of Washington

William McChesney Martin, Jr., Chairman, Board of Governors, Federal Reserve System

Lawrence C. McQuade, Deputy Assistant Secretary of Commerce for Financial Policy

* Robert G. Pelikan, Financial Attache, American Embassy, Toky

* Edwin O. Reischauer, U.S. Ambassador to Japan

* James J. Saxon, Comptroller of the Currency, U.S. Treasury

Fred B. Smith, Deputy General Counsel, U.S. Treasury

George H. Willis, Director, Office of International Affairs, U.S. Treasury

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* Wife accompanying

UNITED STATES DELEGATION
1964 ANNUAL MEETINGS
IMF - IBRD - IFC - IDA
TOKYO, JAPAN

GOVERNOR

* Douglas Dillon, Secretary of the Treasury

TEMPORARY ALTERNATE GOVERNORS

* Robert V. Roosa, Under Secretary of the Treasury for Monetary Affairs
* John C. Bullitt, Assistant Secretary of the Treasury and U.S. Executive Director, IBRD

William B. Dale, U.S. Executive Director, IMF

CONGRESSIONAL ADVISERS

* Senator Russell B. Long, Committee on Foreign Relations, U.S. Senate
* Representative Henry S. Reuss, Committee on Banking and Currency, House of Representatives
* Representative Clarence E. Kilburn, Committee on Banking and Currency, House of Representatives

CONGRESSIONAL OBSERVERS

~~Senator A. Willis Robertson, Committee on Banking and Currency, U.S. Senate~~

* ~~Senator Wallace F. Bennett, Committee on Banking and Currency, U.S. Senate~~
* Representative Abraham J. Multer, Committee on Banking and Currency, House of Representatives
* ~~Representative James Harvey, Committee on Banking and Currency, House of Representatives~~

ADVISERS
(alphabetically)

Joseph W. Barr, Chairman, Federal Deposit Insurance Corporati

* Henry J. Bittermann, Director, Office of International Financial Policy Coordination, U.S. Treasury

In addition to Secretary Dillon, the delegation includes:

Secretary Dilbon Heads U.S. Delegation to

Annual World B/nk and Fund Meeting [redacted]

Treasury S_cretary Douglas Dillon leaves Washington

[redacted] from Andrews Air Force Base at 10:00 tomorrow (Thursday)

aboard a special MATS [redacted] jet
morning for Tokyo, where he will heθd the United States Delegation

to the annual meeting of the Governors of the International Monetary

Fund and the International Bank for Reconstruction and Development

[redacted] from September 7 - 11.

En route, the S_cretary and his party will overnight at

in Honolulu, where they will be the guests of Governor John Burns

of Hawaii. [redacted]

(Correspondents: Arrival in Hawaii, 3:50 p.m., local time.

SATURDAY,

Departue 11:00 a.m. Friday. Arrival Tokyo: [redacted] 2:00 p.m.,

Tokyo time.)

TREASURY DEPARTMENT

WASHINGTON, D.C.
September 2, 1964

FOR IMMEDIATE RELEASE

SECRETARY DILLON HEADS U. S. DELEGATION TO
ANNUAL WORLD BANK AND FUND MEETING

Treasury Secretary Douglas Dillon leaves Washington from Andrews Air Force Base at 10:00 tomorrow (Thursday) morning aboard a special MATS jet for Tokyo, where he will head the United States Delegation to the annual meeting of the Governors of the International Monetary Fund and the International Bank for Reconstruction and Development from September 7 - 11.

En route, the Secretary and his party will overnight in Honolulu, where they will be the guests of Governor John Burns of Hawaii.

(Correspondents: Arrival in Hawaii, 3:50 p.m., local time. Departure 11:00 a.m. Friday. Arrival Tokyo: Saturday, 2:00 p.m., Tokyo time.)

In addition to Secretary Dillon, the delegation includes:

TEMPORARY ALTERNATE GOVERNORS

Robert V. Roosa, Under Secretary of the Treasury for Monetary Affairs
John C. Bullitt, Assistant Secretary of the Treasury and U. S. Executive Director, IBRD
William B. Dale, U. S. Executive Director, IMF

CONGRESSIONAL ADVISERS

Senator Russell B. Long, Committee on Foreign Relations, U. S. Senate

Representative Henry S. Reuss, Committee on Banking and Currency, House of Representatives
Representative Clarence E. Kilburn, Committee on Banking and Currency, House of Representatives

CONGRESSIONAL OBSERVERS

Representative Abraham J. Multer, Committee on Banking and Currency, House of Representatives

ADVISERS

Joseph W. Barr, Chairman, Federal Deposit Insurance Corporation
Charles A. Coombs, Vice President, Federal Reserve Bank of New York
J. Dewey Daane, Member, Board of Governors, Federal Reserve System
Alfred Hayes, President, Federal Reserve Bank of New York
Gardner Ackley, Council of Economic Advisers
G. Griffith Johnson, Assistant Secretary of State for Economic Affairs
Tom Killefer, U.S. Executive Director, Inter-American Development Bank
Harold F. Linder, President and Chairman, Export-Import Bank of Washington
William McChesney Martin, Jr., Chairman, Board of Governors, Federal Reserve System
Edwin O. Reischauer, U. S. Ambassador to Japan
James J. Saxon, Comptroller of the Currency, U.S. Treasury

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September 3, 19

Discontinuance of Statutory Debt Limitation Statement

The Treasury has discontinued the separate publication of the Statutory Debt Limitation statement. This action was taken in the interest of economy since all the information included in the Statutory Debt Limitation statement is shown in the month-end Daily Statement of the United States Treasury which includes certain of the information in more detail. Also, many of the recipients of the Statutory Debt Limitation statement also receive the month-end daily Treasury statement. Those who do not, and have a need for the information, may subscribe through the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

BAEvans:ebs 8/31/64

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 3, 1964

DISCONTINUANCE OF STATUTORY DEBT
LIMITATION STATEMENT

The Treasury has discontinued the separate publication of the Statutory Debt Limitation statement. This action was taken in the interest of economy since all the information included in the Statutory Debt Limitation statement is shown in the month-end Daily Statement of the United States Treasury which includes certain of the information in more detail. Also, many of the recipients of the Statutory Debt Limitation statement also receive the month-end daily Treasury statement. Those who do not, and have a need for the information, may subscribe through the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

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FOR RELEASE A. M. NEWSPAPERS,
Saturday, September 5, 1964.

September 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 June 11, 1964 and the other series to be dated September 10, 1964, which were offered on August 31, were opened at the Federal Reserve Banks on September 4. Tenders were invited for $1,300,000,000, 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 December 10, 1964		:	182-day Treasury bills maturing March 11, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equi Annual Rate
High	99.117	3.493%	:	98.162 a/	3.636%
Low	99.109	3.525%	:	98.149	3.661%
Average	99.112	3.514% 1/	:	98.155	3.649% 1/

a/ Excepting one tender of $100,000
12 percent of the amount of 91-day bills bid for at the low price was accepted
40 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	33,361,000	$ 1[illegible],961,000	:	$ 14,296,000	$ 14,236,000
New York	1,58[illegible],724,000	871,124,000	:	1,162,231,000	679,231,000
Philadelphia	34,223,000	1[illegible],463,000	:	[illegible],478,000	3,47[illegible],000
Cleveland	27,977,000	27,977,000	:	27,078,000	27,078,000
Richmond	11,63[illegible],000	11,635,000	:	1,773,000	1,773,000
Atlanta	33,175,000	29,129,000	:	1[illegible],548,000	1[illegible],2[illegible]4,000
Chicago	225,079,000	142,583,000	:	141,430,000	71,[illegible]10,000
St. Louis	33,2[illegible]6,000	2[illegible],590,000	:	7,598,000	6,098,000
Minneapolis	29,210,000	27,450,000	:	9,077,000	[illegible],077,000
Kansas City	33,912,000	3[illegible],152,000	:	13,087,000	13,[illegible]87,000
Dallas	28,171,000	20,291,000	:	11,346,000	[illegible],346,000
San Francisco	92,744,000	79,424,000	:	55,334,000	[illegible],034,000
TOTALS	$2,168,477,000	$1,300,779,000 b/		$1,463,276,000	$900,152,000

b/ Includes $236,307,000 noncompetitive tenders accepted at the average price of 99.1
c/ Includes $60,563,000 noncompetitive tenders accepted at the average price of 98.15
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 3.59%, for the 91-day bills, and 3.77%, for t 182-day bills. Interest rates on bills are quoted in terms of bank discount with return related to the face amount of the bills payable at maturity rather than th amount invested and their length in actual number of days related to a 360-day ye 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 semiannu compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Saturday, September 5, 1964.

September 4, 1964

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RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing December 10, 1964		182-day Treasury bills maturing March 11, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.117	3.493%	98.162 a/	3.636%
Low	99.109	3.525%	98.149	3.661%
Average	99.112	3.514% 1/	98.155	3.649% 1/

a/ Excepting one tender of $100,000
12 percent of the amount of 91-day bills bid for at the low price was accepted
40 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 33,361,000	$ 18,961,000	$ 14,296,000	$ 14,236,000
New York	1,585,724,000	871,124,000	1,162,231,000	679,231,000
Philadelphia	34,223,000	14,463,000	8,478,000	3,478,000
Cleveland	27,977,000	27,977,000	27,078,000	27,078,000
Richmond	11,635,000	11,635,000	1,773,000	1,773,000
Atlanta	33,175,000	29,129,000	11,548,000	10,204,000
Chicago	225,079,000	142,583,000	141,430,000	71,510,000
St. Louis	33,266,000	25,590,000	7,598,000	6,098,000
Minneapolis	29,210,000	27,450,000	9,077,000	9,077,000
Kansas City	33,912,000	32,152,000	13,087,000	13,087,000
Dallas	28,171,000	20,291,000	11,346,000	9,346,000
San Francisco	92,744,000	79,424,000	55,334,000	55,034,000
TOTALS	$2,168,477,000	$1,300,779,000 b/	$1,463,276,000	$900,152,000 c/

b/ Includes $236,307,000 noncompetitive tenders accepted at the average price of 99.112
c/ Includes $60,563,000 noncompetitive tenders accepted at the average price of 98.155
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.59%, for the 91-day bills, and 3.77%, 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-1334

Before those meetings begin, I hope to call on the Minister of Finance of Japan, Mr. Kakuei Tanaka, to convey to him the best wishes of my government and to assure him of the friendship and support of the people of the United States.

We in the United States are full of admiration for the manner in which the Japanese economy is moving swiftly ahead to provide a higher standard of living and a brighter promise for the future of the Japanese people. We salute that progress, which has been made under a democratic government and a private enterprise system, and wish to express our desire to continue to be the friends and allies of such an industrious and vigorous people.

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STATEMENT UPON ARRIVAL IN TOKYO BY THE
HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
OF THE UNITED STATES
TO ATTEND THE ANNUAL MEETING OF
THE INTERNATIONAL MONETARY FUND AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
SATURDAY, SEPTEMBER 5, 1964, 2:00 P.M., TOKYO TIME

It is a great pleasure for me to return to Japan and to this dynamic city, where tradition and courtesy combine so charmingly with modern progress to make the visitor from abroad feel warmly welcome.

My colleagues and I are here to attend the Annual Meetings of the Governors of the International Monetary Fund and the International Bank for Reconstruction and Development. We anticipate that these meetings will make substantial contributions to the goal of international monetary stability and liquidity that is shared by the governments of Japan, the United States, and all other members of the Bank and Fund.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8, 1964

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN AUGUST

During August 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 $223,383,900.00.

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D-1335

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D-1335

For Immediate Release
Tuesday Sept 8, 1964.

The Treasury Department today made two announcements in connection with its two-month old program to double coin production and ease the coin shortages which have been felt in some parts of the country.

1. August output at the Philadelphia and Denver Mints was 590 million coins -- an increase of 132 million pieces over monthly production in July. This brought production up to an annual rate of 7 billion coins, which compares with a rate of 4.3 billion during fiscal 1964. Meanwhile, the ~~the~~ 60 additional coinage presses ~~which the Mine is~~ now being ~~beginning to~~ install[ed by the Mints] will bring [coin production up to a] ~~the [illegible]'s productive capacity by June 30, 1965, to an~~ annual rate of over 9 billion coins a year, by June 30, 1965.

2. [The Treasury said it would invoke the] ~~In accordance wit~~h authority provided by Public Law 88-580, approved by the President on September 3, 1965, so that ~~all~~ coins manufactured after January 1, 1965 will continue to bear the 1964 date. The purpose of this move is to discourage ~~the~~ hoarding ~~of new coins~~ by those who buy coins ~~them~~ by the roll and by the bag and hold them out of circulation in hopes of higher numismatic values. The number of coins to be produced with the 1964 date will be at least 10 billion pieces -- far too numerous to become future collectors items.

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D-1336

1706

UNITED STATES NET MONETARY GOLD TRANSACTIONS WITH

FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1964 - June 30, 1964

(In millions of dollars at $35 per fine troy ounce)

Negative figures represent net sales by the United States; positive figures, net purchases

	First Quarter 1964	Second Quarter 1964	Fiscal Year 1964 July 1, 1963 - June 30, 1964
Algeria	--	--	-15.0
Argentina	--	--	-30.0
Austria	-32.1	-23.2	-87.5
Brazil	-1.0	+28.1	+54.4
Cambodia	--	--	+3.2
Congo (Leopoldville)	--	--	-3.1
Dominican Republic	--	-2.5	-2.5
Egypt	-.7	-8.4	-10.4
Finland	-5.0	--	-5.0
France	-101.3	-101.3	-517.7
Germany	-200.0	--	-200.0
Guinea	--	--	-2.8
Honduras	*	*	-1.1
Israel	-2.0	--	-9.0
Italy	+200.0	--	+200.0
Madagascar	--	--	-2.3
Mexico	--	--	-4.0
Peru	--	--	-10.6
Philippines	+9.9	-.1	+9.6
Salvador	-2.2	--	-2.2
Spain	--	-2.0	-2.0
Surinam	+2.5	--	+2.5
Switzerland	--	-30.0	-30.0
Syria	-2.7	-.1	-3.0
Tunisia	--	-.5	-.5
Turkey	-1.2	+15.0	+9.8
United Kingdom	+109.3	+220.9	+535.0
Vatican City	--	--	+1.0
Yugoslavia	-.6	-.7	-2.3
All Other	-.4	-.2	-2.6
Total	-27.5	+95.0	-128.0

* Less than $50,000
Figures may not add to totals because of rounding.

1706

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8, 1964

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS FOR
SECOND QUARTER OF 1964

U.S. net monetary gold transactions during the second quarter of 1964 resulted in a net purchase of $95.0 million. In the first quarter of the year, there was a net sale of gold of $27.5 million.

The Treasury's quarterly report, made public today, summarizes monetary gold transactions with foreign governments, central banks and international institutions for the first two quarters of Calendar Year 1964, and for the Fiscal Year 1964.

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D-1337

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8, 1964

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D-1337

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(In millions of dollars at $35 per fine troy ounce)

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Congo (Leopoldville)	--	--	-3.1
Dominican Republic	--	-2.5	-2.5
Egypt	-.7	-8.4	-10.4
Finland	-5.0	--	-5.0
France	-101.3	-101.3	-517.7
Germany	-200.0	--	-200.0
Guinea	--	--	-2.8
Honduras	*	*	-1.1
Israel	-2.0	--	-9.0
Italy	+200.0	--	+200.0
Madagascar	--	--	-2.3
Mexico	--	--	-4.0
Peru	--	--	-10.6
Philippines	+9.9	-.1	+9.6
Salvador	-2.2	--	-2.2
Spain	--	-2.0	-2.0
Surinam	+2.5	--	+2.5
Switzerland	--	-30.0	-30.0
Syria	-2.7	-.1	-3.0
Tunisia	--	-.5	-.5
Turkey	-1.2	+15.0	+9.8
United Kingdom	+109.3	+220.9	+535.0
Vatican City	--	--	+1.0
Yugoslavia	-.6	-.7	-2.3
All Other	-.4	-.2	-2.6
Total	-27.5	+95.0	-128.0

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whole, was better than 5 percent in real terms. Our gross national product increased by more than $40 billion. Job opportunities began to overtake the rapid growth in our adult labor force and, in July of this year, unemployment dropped below 5 percent for the first time since 1957 -- despite the accelerating automation of farms and factories.

D-1338

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(FOLLOWING ADVANCE MATERIAL NOT RPT NOT TO BE RELEASED BEFORE 0100 GMT SEPT. 8)

TEXT: DILLON AT IMF MEETING (2,900)

TOKYO, SEPT. 8--FOLLOWING IS THE TEXT OF U.S. SECRETARY OF THE TREASURY C. DOUGLAS DILLON'S SPEECH TUESDAY AT THE ANNUAL MEETING OF THE INTERNATIONAL MONETARY FUND:

(BEGIN TEXT)

MY COLLEAGUES AND I ARE DELIGHTED TO BE IN THIS FASCINATING CITY, WHERE TRADITION AND COURTESY COMBINE SO CHARMINGLY WITH MODERNITY AND PROGRESS. THIS MEETING FOLLOWS SHORTLY AFTER JAPAN'S ACHIEVEMENT OF ARTICLE VIII STATUS IN THE FUND -- ANOTHER MAJOR ACHIEVEMENT IN JAPAN'S ALMOST INCREDIBLE RECORD OF RAPID ECONOMIC GROWTH OVER THE TWELVE YEARS SINCE SHE JOINED THE INTERNATIONAL MONETARY FUND.

THE PAST YEAR HAS WITNESSED A GRATIFYING MOVEMENT BY MOST COUNTRIES TOWARD THE FINANCIAL EQUILIBRIUM FOR WHICH WE HAVE BEEN STRIVING. CONTINUED LEADERSHIP BY THE INTERNATIONAL MONETARY FUND UNDER THE SKILLFUL GUIDANCE OF ITS MANAGING DIRECTOR AND EFFECTIVE COOPERATION IN THE FOREIGN EXCHANGE MARKETS HAVE CONTAINED THE NEW PRESSURES THAT HAVE OCCURRED AND REINFORCED THE STRENGTH WHICH HAS BEEN DEVELOPING.

AS FOR MY OWN COUNTRY, DURING FISCAL YEAR 1964, THE UNITED STATES SET IN OPERATION THE LATEST ELEMENTS OF A NEW AND MANY-SIDED ECONOMIC PROGRAM BEGUN IN 1961 -- A PROGRAM DESIGNED TO PROMOTE INTERNAL EXPANSION, ENLARGE EMPLOYMENT OPPORTUNITIES, AND, AT THE SAME TIME, FACILITATE ORDERLY AND STEADY PROGRESS TOWARDS BALANCE IN OUR EXTERNAL ACCOUNTS. OUR PROGRAM PLACES MAJOR EMPHASIS UPON IMPROVED PRODUCTIVITY AND GREATER COMPETITIVENESS -- UPON INCENTIVES, RATHER THAN UPON RESTRICTIONS AND CONTROLS -- AND, PERHAPS MOST IMPORTANT, UPON THE HEALTHY FUNCTIONING OF A DYNAMIC SYSTEM OF FREE ENTERPRISE.

[illegible]	[illegible]	--	[illegible]
Madagascar	--	--	-2.3
Mexico	--	--	-4.0
Peru	--	--	-10.6
Philippines	+9.9	-.1	+9.6
Salvador	-2.2	--	-2.2
Spain	--	-2.0	-2.0
Surinam	+2.5	--	+2.5
Switzerland	--	-30.0	-30.0
Syria	-2.7	-.1	-3.0
Tunisia	--	-.5	-.5
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whole, was better than 5 percent in real terms. Our gross national product increased by more than $40 billion. Job opportunities began to overtake the rapid growth in our adult labor force and, in July of this year, unemployment dropped below 5 percent for the first time since 1957 -- despite the accelerating automation of farms and factories.

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SIGNIFICANT -- AND, I BELIEVE, SUSTAINED -- RESULTS ARE NOW CLEARLY APPARENT.

THE UNITED STATES ECONOMY CONTINUES TO EXPAND IN WHAT IS NOW THE LONGEST, STRONGEST, AND BEST-BALANCED ADVANCE OF ANY PEACETIME PERIOD IN THIS CENTURY. DURING THE PAST FISCAL YEAR, THE RATE OF GROWTH IN INDUSTRIAL PRODUCTION, AND IN OUR ECONOMY AS A WHOLE, WAS BETTER THAN 5 PERCENT IN REAL TERMS. OUR GROSS NATIONAL PRODUCT INCREASED BY MORE THAN $40~~,000~~ BILLION. JOB OPPORTUNITIES BEGAN TO OVERTAKE THE RAPID GROWTH IN OUR ADULT LABOR FORCE AND, IN JULY OF THIS YEAR, UNEMPLOYMENT DROPPED BELOW ~~FIVE~~ PERCENT FOR THE FIRST TIME SINCE 1957--DESPITE THE ACCELERATING AUTOMATION OF FARMS AND FACTORIES.

MEANWHILE, OUR PRICES HAVE REMAINED VIRTUALLY STABLE. THE INDICES OF WHOLESALE PRICES ARE STILL AT THE LEVELS OF SIX YEARS AGO. CONSUMER PRICE INDICES HAVE EDGED UPWARD BUT VERY SLOWLY, ONLY A LITTLE MORE THAN ~~ONE~~ PERCENT PER YEAR. AT THE SAME TIME ALMOST ALONE AMONG THE LEADING INDUSTRIAL COUNTRIES, WE ARE NOW FOR THE THIRD STRAIGHT YEAR EXPERIENCING A DECLINE IN UNIT LABOR COSTS FOR MANUFACTURING INDUSTRIES AS A WHOLE.

MONETARY POLICY AND DEBT MANAGEMENT HAVE STRUCK A NON-INFLATIONARY BALANCE BETWEEN SUPPLY AND DEMAND FOR LIQUIDITY INSTRUMENTS. COMMERCIAL BANK HOLDINGS OF FEDERAL GOVERNMENT DEBT CONTINUED TO DECLINE OVER THE PAST FISCAL YEAR BY MORE THAN $4~~,000~~ BILLION -- EVEN THOUGH THE ADMINISTRATIVE BUDGET DEFICIT EXCEEDED $[illegible]~~,000~~ BILLION. WHAT IS MORE, LESS THAN A MONTH AFTER THE END OF THE FISCAL YEAR, THE FULL AMOUNT OF THAT BUDGET DEFICIT WAS IN EFFECT, FINANCED OUT OF REAL SAVINGS AS WE ADDED NEARLY $9~~,000~~ BILLION TO OUR LONGER TERM GOVERNMENT SECURITIES.

IT WAS WITHIN THIS DOMESTIC FRAMEWORK THAT THE UNITED STATES CONTINUED ITS EFFORTS TO RESTORE BALANCE IN ITS INTERNATIONAL ACCOUNTS. IN DISCUSSING THOSE EFFORTS, IT SHOULD ALWAYS BE BORNE IN MIND THAT THE UNITED STATES HAS THE ABILITY TO ACHIEVE BALANCE IN ITS INTERNATIONAL PAYMENTS AT ANY TIME THROUGH THE USE OF DRASTIC MEASURES OF A RESTRICTIVE NATURE. BUT -- AS WE HAVE CONSISTENTLY POINTED OUT -- WE HAVE NEITHER THE DESIRE NOR THE INTENTION OF UTILIZING SUCH MEASURES, SINCE THEY COULD BRING HARSH REPERCUSSIONS THROUGHOUT THE WORLD. INSTEAD, WE ARE WORKING TO ACHIEVE BALANCE GRADUALLY THROUGH NORMAL MARKET PROCESSES, WITHOUT INJURY TO OUR FRIENDS IN OTHER NATIONS.

Spain	--	-2.0	-2.0
Surinam	+2.5	--	+2.5
Switzerland	--	-30.0	-30.0
Syria	-2.7	-.1	-3.0
Tunisia	--	-.5	-.5
Turkey	-1.2	+15.0	+9.8
United Kingdom	+109.3	+220.9	+535.0
Vatican City	--	--	+1.0
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PAGE THREE DILLON

IMPROVED PRODUCTIVITY, IN AGRICULTURE AND IN MANUFACTURING ALIKE, HAVE MADE POSSIBLE SUBSTANTIAL GAINS IN OUR TRADE POSITION OVER THIS PAST FISCAL YEAR -- GAINS THAT WERE, AS WE WELL KNOW, IN SOME PART FORTUITOUS, BUT GAINS NEVERTHELESS, THAT WE EXPECT TO SUSTAIN -- AND, EVENTUALLY, ENLARGE.

WE ARE ALSO PERSISTING IN OUR EFFORTS TO REDUCE DOLLAR OUTLAYS ABROAD FOR DEFENSE AND DEVELOPMENT ASSISTANCE, WITHOUT IMPAIRING ESSENTIAL ELEMENTS IN THE DEFENSE OF THE FREE WORLD OR IN OUR VITAL ASSISTANCE PROGRAMS. THE BALANCE OF PAYMENTS COSTS OF THOSE PROGRAMS WILL HAVE SHRUNK BY AN ANNUAL RATE OF $1~~,000~~ BILLION BY THE END OF THIS CALENDAR YEAR.

WHEN WE LAST MET, IT WAS OUR CAPITAL ACCOUNTS THAT POSED THE GREATEST THREAT TO OUR BALANCE OF PAYMENTS. A CASCADING OUTFLOW OF PORTFOLIO CAPITAL HAD FORCED US TO PROPOSE THE INTEREST EQUALIZATION TAX IN THE SUMMER OF 1963. THAT TAX IS NOW LAW. IT HAS WORKED OUT AS PLANNED AND CAN BE EXPECTED TO HOLD PORTFOLIO CAPITAL OUTFLOWS TO A REASONABLE FIGURE WHILE LEAVING OUR MARKETS OPEN TO FOREIGN BORROWERS WILLING TO ASSUME INTEREST COSTS CONSIDERED NORMAL -- AND EVEN LOW -- IN MOST OTHER INDUSTRIAL COUNTRIES.

WITH OUR TRADE POSITION IMPROVING, GOVERNMENT EXPENDITURES OVERSEAS CONTINUING TO DECLINE, CAPITAL OUTFLOWS RESTRAINED -- AND WITH OUR EARNINGS ON SERVICES EXPANDING AT ROUGHLY THE SAME RATE AS OUR RISING NET OUTPAYMENTS ON TOURISTS ACCOUNT -- WE HAVE BEEN MOVING BACK TOWARD EXTERNAL BALANCE.

FOR EXAMPLE, OUR GROSS DEFICIT ON REGULAR TRANSACTIONS IN FISCAL 1964 WAS $1.750 BILLION. THIS WAS A HEARTENING GAIN OVER THE RESULTS OF THE PAST SIX CALENDAR YEARS, WHEN COMPARABLE DEFICITS RANGED FROM $3.1~~00~~ MILLION TO $4.~~200~~ BILLION. AND IT WAS A VAST IMPROVEMENT OVER THE FIRST HALF OF CALENDAR YEAR 1963, WHEN ACCELERATING DEMANDS FROM ABROAD FOR LONG-TERM FUNDS LED TO A DOLLAR OUTFLOW AT AN ANNUAL RATE OF $5~~,000~~ MILLION -- A RATE WE SIMPLY COULD NOT ~~RPT NOT~~ SUSTAIN AND THAT FAR SURPASSED ANY LEGITIMATE WORLD WIDE REQUIREMENTS FOR DOLLARS. BUT, DESPITE THIS IMPROVEMENT, WE ARE ONLY HALF-WAY BACK TO EXTERNAL BALANCE. WE CANNOT ~~RPT NOT~~ RELAX -- NOR DO WE INTEND TO.

... NEITHER THE DESIRE NOR THE INTENTION OF UTILIZING SUCH MEASURES, SINCE THEY COULD BRING HARSH REPERCUSSIONS THROUGHOUT THE WORLD. INSTEAD, WE ARE WORKING TO ACHIEVE BALANCE GRADUALLY THROUGH NORMAL MARKET PROCESSES, WITHOUT INJURY TO OUR FRIENDS IN OTHER NATIONS.

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IN SEEKING TO IMPROVE OUR PAYMENTS POSITION, WE READILY RECOGNIZE THAT WE MUST CAREFULLY WEIGH -- AND, WHEREVER PRACTICABLE AND APPROPRIATE, MINIMIZE --THE IMPACT OF OUR GROSS DEFICITS UPON THE LIQUIDITY OF THE REST OF THE WORLD. WITH THE COOPERATION OF OTHER MONETARY AUTHORITIES WE HAVE, THEREFORE, IN LARGE PART ABSORBED DOLLAR BALANCES WHEREVER THEY HAVE TENDED TO OUTRUN REQUIREMENTS. LAST YEAR, FOR EXAMPLE, THROUGH SALES OF GOLD, USE OF FOREIGN CURRENCY BALANCES, DRAWINGS ON THE INTERNATIONAL MONETARY FUND, AND A VARIETY OF OTHER SPECIAL TRANSACTIONS, WE ABSORBED MORE THAN $1,250 MILLION THAT HAD FLOWED TO SOME EUROPEAN COUNTRIES. AT THE SAME TIME, DEMANDS BY CERTAIN MONETARY AUTHORITIES OUTSIDE EUROPE -- AND, TO SOME EXTENT, THE DEMANDS OF PRIVATE BANKS AND TRADERS EVERYWHERE -- CALLED FOR MORE DOLLARS THAN COULD BE SUPPLIED OUT OF OUR DEFICIT. THOSE DEMANDS, AMOUNTING TO SEVERAL HUNDRED MILLION DOLLARS, WERE MET BY TRANSFERS FROM EUROPEAN DOLLAR MONETARY RESERVES.

IT WAS WITHIN THE ENVIRONMENT OF A SHRINKING UNITED STATES PAYMENTS DEFICIT THAT THE INTERNATIONAL MONETARY FUND CONDUCTED ITS STUDY OF THE INTERNATIONAL MONETARY SYSTEM OVER THE PAST YEAR. CONCURRENTLY, ANOTHER STUDY WAS BEING CARRIED FORWARD BY THE GROUP OF TEN COUNTRIES, WHICH HAD, IN 1961, ACCEPTED SPECIAL RESPONSIBILITY FOR PROVIDING SUPPLEMENTAL RESOURCES TO THE FUND IN THE EVENT THAT UNUSUAL STRAINS WERE TO DEVELOP IN THE INTERNATIONAL MONETARY SYSTEM. IT IS HIGHLY SIGNIFICANT THAT BOTH STUDIES CONCLUDED THAT THE PRESENT SYSTEM IS FUNCTIONING WELL AND THAT ANY CHANGES SHOULD BE DESIGNED, IN THE WORDS OF THE FUND REPORT, TO "SUPPLEMENT AND IMPROVE THE SYSTEM WHERE CHANGES ARE INDICATED, RATHER THAN TO LOOK FOR A REPLACEMENT OF THE SYSTEM BY A TOTALLY DIFFERENT ONE."

THE TWO STUDIES ALSO AGREED ON THE ADVISABILITY OF EXPANDING THE RESOURCES OF THE FUND THROUGH A COMBINATION OF GENERAL AND SELECTIVE QUOTA INCREASES. SUCH INCREASES SEEM CLEARLY APPROPRIATE IN VIEW OF THE CONCLUSION IN CHAPTER 3 OF THE FUND REPORT THAT THE NEXT DECADE IS LIKELY TO SEE A STEADY RISE IN THE DEMAND FOR INTERNATIONAL LIQUIDITY, COUPLED WITH A SLOWER ANNUAL RATE OF GROWTH IN THE TYPES OF LIQUIDITY ON WHICH CHIEF RELIANCE HAS BEEN PLACED DURING RECENT YEARS.

THE UNITED STATES HOPES THAT THE GOVERNORS AT THIS MEETING WILL REQUEST THE EXECUTIVE DIRECTORS TO STUDY THE NEED FOR SUCH INCREASES AND THE WAYS IN WHICH THEY MIGHT BEST BE CARRIED OUT. IT IS OUR HOPE THAT THE EXECUTIVE DIRECTORS COULD, AS THEY DID IN 1958, COMPLETE THEIR WORK AND MAKE SUCH RECOMMENDATIONS AS THEY FIND APPROPRIATE TO THE GOVERNORS OF THE FUND BY THE END OF THIS YEAR, THUS ALLOWING TIME FOR MEMBER COUNTRIES TO COMPLETE NECESSARY LEGISLATIVE ACTION DURING 1965.

[illegible]	+2.5	—	+2.5
Switzerland	—	-30.0	-30.0
Syria	-2.7	-.1	-3.0
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Turkey	-1.2	+15.0	+9.8
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D-1338

--AN INCREASE IN FUND QUOTAS SEEMS TO US THE RIGHT MOVE AS MEMBER----
COUNTRIES ENTER THE NEXT PHASE IN THE EVOLUTIONARY DEVELOPMENT OF THE INTERNATIONAL MONETARY SYSTEM -- A PHASE IN WHICH THE GREATER NEEDS ARE LIKELY TO CENTER, AT LEAST FOR A TIME, ON THE ENLARGEMENT AND ELABORATION OF CREDIT FACILITIES FOR TRANSFERRING RESERVES AMONG COUNTRIES, RATHER THAN UPON INCREASES IN THE OVER-ALL SUPPLY OF RESERVES. IN THIS REGARD, OUR THINKING ONCE AGAIN PARALLELS THE FINDINGS IN THE FUND'S ANNUAL REPORT REGARDING THE NEED FOR INCREASES IN WHAT THE REPORT LABELS "CONDITIONAL LIQUIDITY."

TODAY, EVEN IN THE FREE INDUSTRIALIZED COUNTRIES, THERE IS NO ~~[illegible]~~ COMMON ECONOMIC PATTERN, BUT A MIX, VARYING FROM NATION TO NATION, OF PRODUCTIVITY, PRICES, TRADE RESTRICTIONS, AND CAPITAL MARKET FACILITIES. AS A RESULT, THE BULK OF THE INCREASES IN RESERVES HAVE, FOR THE PAST SEVERAL YEARS, FLOWED TO A FEW OF THE INDUSTRIALIZED COUNTRIES, AND PARTICULARLY TO WESTERN EUROPE. FURTHER SUBSTANTIAL INCREASES IN RESERVES WOULD, FOR THE MOST PART, ONLY INCREASE THAT FLOW -- UNLESS AND UNTIL THOSE COUNTRIES REDUCE THEIR CHRONIC SURPLUSES THROUGH A RELATIVE RISE IN IMPORTS, AN INCREASE IN THEIR CAPITAL EXPORTS, OR ANY OTHER ACCEPTABLE COMBINATION OF ACTIONS THAT WOULD OVERCOME THEIR PROPENSITY TO ABSORB WHATEVER NEW LIQUIDITY MAY BE ADDED TO THE SYSTEM IN THE FORM OF OWNED RESERVES.

ECONOMIC DISPARITIES BETWEEN COUNTRIES ARE NO DOUBT INEVITABLE IN A DYNAMIC WORLD. IN TIME, SO LONG AS ALL COUNTRIES ACTIVELY PURSUE THE OBJECTIVES OF LIBERAL, MULTILATERAL TRADE POLICIES, THE NEEDED ADJUSTMENTS WILL SURELY BE ACCOMPLISHED. MEANWHILE, WE MUST BE AS CAREFUL IN DEVELOPING OUR INTERNATIONAL FINANCIAL ARRANGEMENTS AS WE ARE IN DESIGNING MONETARY MEASURES FOR OUR DOMESTIC NEEDS. AND WE MUST CONSTANTLY GUARD AGAINST THE OVER-SIMPLIFIED CONCLUSION THAT A SIMPLE ADDITION TO THE INTERNATIONAL MONEY SUPPLY -- OR AN AGREED LIMITATION UPON IT -- OR A CONTRACTION OF IT -- WILL PROVIDE AN ADEQUATE SOLUTION.

LIQUIDITY, COUPLED WITH A SLOWER ANNUAL RATE OF GROWTH IN THE TYPES OF LIQUIDITY ON WHICH CHIEF RELIANCE HAS BEEN PLACED DURING RECENT YEARS.

THE UNITED STATES HOPES THAT THE GOVERNORS AT THIS MEETING WILL REQUEST THE EXECUTIVE DIRECTORS TO STUDY THE NEED FOR SUCH INCREASES AND THE WAYS IN WHICH THEY MIGHT BEST BE CARRIED OUT. IT IS OUR HOPE THAT THE EXECUTIVE DIRECTORS COULD, AS THEY DID IN 1958, COMPLETE THEIR WORK AND MAKE SUCH RECOMMENDATIONS AS THEY FIND APPROPRIATE TO THE GOVERNORS OF THE FUND BY THE END OF THIS YEAR, THUS ALLOWING TIME FOR MEMBER COUNTRIES TO COMPLETE NECESSARY LEGISLATIVE ACTION DURING 1965.

[illegible]	+2.5	—	+2.5
Switzerland	—	-30.0	-30.0
Syria	-2.7	-.1	-3.0
Tunisia	—	-.5	-.5
Turkey	-1.2	+15.0	+9.8
United Kingdom	+109.3	+220.9	+535.0
Vatican City	—	—	+1.0
Yugoslavia	-.6	-.7	-2.3
All Other	-.4	-.2	-2.6
Total	-27.5	+95.0	-128.0

* Less than $50,000
Figures may not add to totals because of rounding.

whole, was better than 5 percent in real terms. Our gross national product increased by more than $40 billion. Job opportunities began to overtake the rapid growth in our adult labor force and, in July of this year, unemployment dropped below 5 percent for the first time since 1957 -- despite the accelerating automation of farms and factories.
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AS THE FREE WORLD'S FINANCIAL OFFICIALS, WE MUST BE AS CONCERNED WITH CREDIT AS WE ARE WITH MONEY. LIQUIDITY CONSISTS NOT ONLY OF OWNED RESERVES, BUT OF CREDIT FACILITIES. AND IT SEEMS TO ME TO BE AS IMPORTANT TODAY TO SHIFT THE EMPHASIS TOWARD CREDIT AS IT WAS IN THE FIRST YEARS AFTER WORLD WAR TWO. THEN, TOTAL RESERVES WERE AMPLE BY ANY ABSOLUTE STANDARD -- BUT MOST OF THEM WERE IN THE UNITED STATES. DURING THAT PERIOD, WHILE THE PROCESSES OF READJUSTMENT WERE GETTING UNDERWAY, LITTLE WOULD HAVE BEEN GAINED BY FURTHER INCREASES IN OWNED RESERVES, FOR THOSE, TOO,WOULD HAVE FLOWED TO THE UNITED STATES. INSTEAD, A REDISTRIBUTION WAS NEEDED. IT WAS LARGELY ACCOMPLISHED THROUGH THE MASSIVE CREDITS AND GRANTS WHICH THE UNITED STATES GOVERNMENT EXTENDED, NOT ONLY BILATERALLY AND MULTI-LATERALLY, BUT THROUGH DOLLARS USED IN THE DRAWINGS WHICH OTHER COUNTRIES REQUESTED OF THE MONETARY FUND.

SOME SEVEN YEARS AGO, THE INTERNATIONAL MONETARY SYSTEM ENTERED A SECOND PHASE IN WHICH A SUCCESSION OF LARGE UNITED STATES' PAYMENTS DEFICITS BECAME THE PRINCIPAL SOURCE OF ADDITIONS TO THE PRIMARY RESERVES OF OTHER COUNTRIES. AND NOW, WITH OVER-ALL INTERNATIONAL RESERVES AT AN ADEQUATE LEVEL AND WITH THE UNITED STATES MOVING TOWARD BALANCE IN ITS PAYMENTS, THIS SECOND PHASE IS ALSO COMING TO AN END. ONCE AGAIN, THE NEED IS FOR ADDITIONAL CREDIT FACILITIES.

THAT IS WHY IT HAS BEEN BOTH APPROPRIATE AND NECESSARY TO SET UP BILATERAL CREDIT ARRANGEMENTS TO HANDLE THE VOLATILE MOVEMENTS OF FUNDS WHICH NOW OCCUR AMONG INDUSTRIALIZED COUNTRIES WITH CONVERTIBLE CURRENCIES. THERE IS NO IMPAIRMENT OF THE FUND'S ROLE WHEN THOSE FACILITIES ARE USED INSTEAD OF, OR SOMETIMES IN ADVANCE OF, RECOURSE TO THE FUND ITSELF. RATHER, THERE IS AN ECONOMY OF RESOURCES AND A MINIMIZING OF STRAINS. THE RISK IS THAT A COUNTRY MIGHT DRIFT INTO HEAVY AND CONTINUOUS RELIANCE UPON SUCH ESSENTIALLY SHORT-TERM CREDIT FACILITIES, DELAYING TOO LONG THE NECESSARY CORRECTIVE ACTION THAT SHOULD BE TAKEN TO ADJUST ITS BALANCE OF PAYMENTS. AS IN ANY BANKING OPERATION, THAT TYPE OF RISK MUST BE AVERTED. THE WAY TO DO IT IS TO PROVIDE FOR A FULL -- THOUGH INITIALLY LARGELY CONFIDENTIAL -- EXCHANGE OF INFORMATION AMONG THE COUNTRIES DIRECTLY AFFECTED, AND TO ASSURE FREQUENT OPPORTUNITIES FOR DISCUSSION AMONG THEIR MONETARY AUTHORITIES. IT IS ESSENTIAL TO REVIEW AND APPRAISE TOGETHER THE ACTIONS EACH IS TAKING TO FINANCE ITS DEFICIT OR TO CARRY ITS SURPLUS -- INCLUDING THE DEGREE OF DIRECT IMPINGEMENT OF ONE UPON THE OTHER.

THAT IS WHAT I UNDERSTAND TO BE THE MEANING OF THE "MULTILATERAL SURVEILLANCE" WHICH THE COUNTRIES IN THE GROUP OF TEN HAVE UNDERTAKEN TO PURSUE JOINTLY, AND IN CLOSE LIAISION WITH THE BANK FOR INTERNATIONAL SETTLEMENTS, THE OECD, AND, OF COURSE, THE IMF ITSELF. IT FULFILLS, MORE SYSTEMATICALLY, THE OBJECTIVES WHICH THE UNITED STATES HAS LONG PURSUED IN ITS FULL REPORTING OF ITS OWN ACTIVITIES. IN OUR VIEW, THIS PATTERN OF INFORMATION AND CONSULTATION, SYSTEMATICALLY EXTENDED AMONG INDUSTRIALIZED COUNTRIES SUBJECT TO VOLATILE FLOWS OF CAPITAL, CAN ADD AN IMPORTANT DIMENSION TO THE PRUDENT USE OF SUCH CREDIT FACILITIES.

Vatican City	—	—	+1.0
Yugoslavia	-.6	-.7	-2.3
All Other	-.4	-.2	-2.6
Total	-27.5	+95.0	-128.0

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improved productivity and greater competitiveness -- upon incentives, rather than upon restrictions and controls -- and, perhaps most important, upon the healthy functioning of a dynamic system of free enterprise.

Significant -- and, I believe, sustained -- results are now clearly apparent.

The United States economy continues to expand in what is now the longest, strongest, and best-balanced advance of any peacetime period in this century. During the past fiscal year, the rate of growth in industrial production, and in our economy as a whole, was better than 5 percent in real terms. Our gross national product increased by more than $40 billion. Job opportunities began to overtake the rapid growth in our adult labor force and, in July of this year, unemployment dropped below 5 percent for the first time since 1957 -- despite the accelerating automation of farms and factories.

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THE SCOPE FOR GREATER RELIANCE UPON PURELY BILATERAL CREDIT FACILITIES, UNDER THE AEGIS OF "MULTILATERAL SURVEILLANCE", MAY EVEN BE WIDER. WE SUPPORT THE SUGGESTION MADE IN THE GROUP OF TEN REPORT THAT COUNTRIES WITH LARGE AND GROWING RESERVES SHOULD ACTIVELY EXPLORE THE POSSIBILITY OF LONG-TERM LENDING TO OTHER INDUSTRIALIZED COUNTRIES IN NEED OF ADDITIONAL RESERVES, BUT WHOSE PROSPECTS FOR RESERVE GROWTH, THOUGH PROMISING, MAY ONLY BE FOR RELATIVELY SMALL ANNUAL INCREMENTS STRETCHED OUT OVER MANY YEARS.

SUCH LENDING WOULD NOT ONLY BE OF VALUE TO THE STABILITY OF THE CURRENCIES OF THE INDUSTRIALIZED COUNTRIES, IT WOULD ALSO FACILITATE AN ADEQUATE AND UNINTERRUPTED FLOW OF DEVELOPMENT ASSISTANCE FROM ADVANCED NATIONS TO DEVELOPING COUNTRIES. IN ADDITION, COUNTRIES WITH LARGE AND PERSISTENT SURPLUSES SHOULD -- IN THEIR OWN INTERESTS AND IN THE INTERESTS OF ACCELERATED ECONOMIC DEVELOPMENT -- CAREFULLY REEXAMINE THE POSSIBILITY OF INCREASING THE LEVEL AND QUALITY OF THEIR ASSISTANCE PROGRAMS.

BUT, ASIDE FROM CONTINUING PROGRAMS OF ECONOMIC ASSISTANCE, THE CREDIT FACILITIES THAT WILL BE OF MOST DIRECT USE TO THE NON-INDUSTRIALIZED MEMBERS OF THE FUND ARE THOSE OF THE FUND ITSELF. THAT IS WHY THE UNITED STATES BELIEVES THAT PROMPT CONSIDERATION SHOULD BE GIVEN TO A GENERAL ENLARGEMENT OF QUOTAS. IN ADDITION, SPECIAL INCREASES WOULD SEEM APPROPRIATE IN A NUMBER OF CASES, PARTICULARLY FOR THOSE MEMBERS WHOSE CURRENCIES HAVE BECOME STRONGER AND MORE WIDELY USED OVER THE SIX YEARS SINCE QUESTIONS OF THIS KIND WERE LAST DISCUSSED IN NEW DELHI. WE WELCOME THE ATTAINMENT BY OTHER COUNTRIES OF SITUATIONS WHERE THEY CAN NOW PROVIDE A GREATER PROPORTION OF THE FUND'S RESOURCES, WITH A CORRESPONDING REDUCTION IN OUR SHARE OF THE FUND'S RESPONSIBILITY. WE HAVE BEEN HOPEFUL THAT THE MEMBERS OF THE EUROPEAN ECONOMIC COMMUNITY, IN PARTICULAR, WILL ASSUME A LARGER SHARE, AND ARE GRATIFIED THAT SOME READINESS TO DO SO HAS BEEN INDICATED.

-- AS IN ANY BANKING OPERATION, THAT TYPE OF RISK MUST BE AVERTED. THE WAY TO DO IT IS TO PROVIDE FOR A FULL -- THOUGH INITIALLY LARGELY CONFIDENTIAL -- EXCHANGE OF INFORMATION AMONG THE COUNTRIES DIRECTLY AFFECTED, AND TO ASSURE FREQUENT OPPORTUNITIES FOR DISCUSSION AMONG THEIR MONETARY AUTHORITIES. IT IS ESSENTIAL TO REVIEW AND APPRAISE TOGETHER THE ACTIONS EACH IS TAKING TO FINANCE ITS DEFICIT OR TO CARRY ITS SURPLUS -- INCLUDING THE DEGREE OF DIRECT IMPINGEMENT OF ONE UPON THE OTHER.

THAT IS WHAT I UNDERSTAND TO BE THE MEANING OF THE "MULTILATERAL SURVEILLANCE" WHICH THE COUNTRIES IN THE GROUP OF TEN HAVE UNDERTAKEN TO PURSUE JOINTLY, AND IN CLOSE LIAISION WITH THE BANK FOR INTERNATIONAL SETTLEMENTS, THE OECD, AND, OF COURSE, THE IMF ITSELF. IT FULFILLS, MORE SYSTEMATICALLY, THE OBJECTIVES WHICH THE UNITED STATES HAS LONG PURSUED IN ITS FULL REPORTING OF ITS OWN ACTIVITIES. IN OUR VIEW, THIS PATTERN OF INFORMATION AND CONSULTATION, SYSTEMATICALLY EXTENDED AMONG INDUSTRIALIZED COUNTRIES SUBJECT TO VOLATILE FLOWS OF CAPITAL, CAN ADD AN IMPORTANT DIMENSION TO THE PRESENT USE OF SUCH CREDIT FACILITIES.

Vatican City	—	—	+1.0
Yugoslavia	-.6	-.7	-2.3
All Other	-.4	-.2	-2.6
Total	-27.5	+95.0	-128.0

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incentives, rather than upon restrictions and controls -- and, perhaps most important, upon the healthy functioning of a dynamic system of free enterprise.

Significant -- and, I believe, sustained -- results are now clearly apparent.

The United States economy continues to expand in what is now the longest, strongest, and best-balanced advance of any peacetime period in this century. During the past fiscal year, the rate of growth in industrial production, and in our economy as a whole, was better than 5 percent in real terms. Our gross national product increased by more than $40 billion. Job opportunities began to overtake the rapid growth in our adult labor force and, in July of this year, unemployment dropped below 5 percent for the first time since 1957 -- despite the accelerating automation of farms and factories.

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WE ALSO BELIEVE IT INEVITABLE THAT A GROWING INTERNATIONAL MONETARY SYSTEM MUST FIND NEW WAYS TO ECONOMIZE THE SUPPLY OF GOLD, JUST AS INDIVIDUAL NATIONS HAVE DONE FOR SO LONG IN THEIR INTERNAL MONETARY SYSTEMS. THE FIXED PRICE OF GOLD IS, OF COURSE, THE ANCHOR OF PRICE STABILITY FOR THE WORLD. BUT WORLD TRADE AND CAPITAL MOVEMENTS SEEM CERTAIN TO EXPAND -- AND AT A FASTER PACE THAN THE STOCK OF GOLD, THUS IMPOSING THE MOST CAREFUL ECONOMY IN ITS USE. THAT IS WHY THE UNITED STATES, AS THE ONLY COUNTRY WHICH MAINTAINS THE ESSENTIAL LINK WITH GOLD ON WHICH THE ENTIRE IMF SYSTEM RESTS, WELCOMES THE REFERENCE IN THE FUND REPORT, AND ~~IN THAT OF THE GROUP OF TEN, TO MEASURES FOR SO HANDLING FUND QUOTA~~ SUBSCRIPTIONS AS "TO MITIGATE THE REPERCUSSIONS OF GOLD PAYMENTS ON THE GOLD RESERVES OF THE CONTRIBUTING MEMBERS AND OF THE RESERVE CENTERS THAT MAY BE AFFECTED."

WHILE AN INCREASE IN FUND QUOTAS WILL MEET THE CURRENT REQUIREMENTS OF THE INTERNATIONAL MONETARY SYSTEM, WE CANNOT REST ON OUR OARS. BOTH THE GROUP OF TEN AND THE FUND REPORT RECOGNIZE THE POSSIBILITY THAT NEW AND ADDITIONAL MEASURES MAY BECOME NECESSARY. WE PARTICULARLY APPRECIATE THE CONCLUDING STATEMENT IN THE LIQUIDITY SECTION OF THE FUND'S REPORT INDICATING THAT THE EXECUTIVE DIRECTORS INTEND TO CARRY FORWARD THE FUND'S STUDIES OF NEW APPROACHES, INCLUDING EASIER ACCESS TO A PORTION OF THE CREDIT TRANCHES, ~~RPT TRANCHES~~, THE POSSIBLE USE OF GOLD CERTIFICATES IN PLACE OF THE PRESENTLY REQUIRED GOLD SUBSCRIPTION, AND THE POSSIBILITY OF FUND INVESTMENTS. MEANWHILE, THE GROUP OF TEN WILL BE CARRYING ON PARALLEL STUDIES OF THESE AND OTHER POSSIBILITIES, INCLUDING THE USE OF COMPOSITE RESERVES. THE RESULTS OF THESE STUDIES SHOULD PUT US IN A POSITION TO MEET ANY NEED FOR ENLARGED SUPPLIES OF UNCONDITIONAL LIQUIDITY THAT MAY DEVELOP OVER THE COMING YEARS.

IN CONCLUSION, LET ME SAY THAT IT IS WITHIN OUR CAPACITY TO ACHIEVE BOTH ADEQUATE MONETARY SUPPORT AND CONTINUING MONETARY STABILITY. LET US DO SO AS OUR PROPER CONTRIBUTION TOWARD THE STEADY EXPANSION OF FREE AND UNRESTRICTED WORLD TRADE AND THE STEADY AND RAPID GROWTH OF ALL OF OUR NATIONAL ECONOMIES. ~~(END TEXT)~~

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OR TO CARRY ITS SURPLUS -- INCLUDING THE DEGREE OF DIRECT IMPINGEMENT OF ONE UPON THE OTHER.

THAT IS WHAT I UNDERSTAND TO BE THE MEANING OF THE "MULTILATERAL SURVEILLANCE" WHICH THE COUNTRIES IN THE GROUP OF TEN HAVE UNDERTAKEN TO PURSUE JOINTLY, AND IN CLOSE LIAISION WITH THE BANK FOR INTERNATIONAL SETTLEMENTS, THE OECD, AND, OF COURSE, THE IMF ITSELF. IT FULFILLS, MORE SYSTEMATICALLY, THE OBJECTIVES WHICH THE UNITED STATES HAS LONG PURSUED IN ITS FULL REPORTING OF ITS OWN ACTIVITIES. IN OUR VIEW, THIS PATTERN OF INFORMATION AND CONSULTATION, SYSTEMATICALLY EXTENDED AMONG INDUSTRIALIZED COUNTRIES SUBJECT TO VOLATILE FLOWS OF CAPITAL, CAN ADD AN IMPORTANT DIMENSION TO THE PRUDENT USE OF SUCH CREDIT FACILITIES.

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REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY OF THE UNITED STATES OF AMERICA
BEFORE THE ANNUAL MEETING OF THE
INTERNATIONAL MONETARY FUND
OKURA HOTEL, TOKYO, JAPAN
TUESDAY, SEPTEMBER 8, 1964

My colleagues and I are delighted to be in this fascinating city, where tradition and courtesy combine so charmingly with modernity and progress. This meeting follows shortly after Japan's achievement of Article VIII status in the Fund -- another major achievement in Japan's almost incredible record of rapid economic growth over the twelve years since she joined the International Monetary Fund.

The past year has witnessed a gratifying movement by most countries toward the financial equilibrium for which we have been striving. Continued leadership by the International Monetary Fund under the skillful guidance of its Managing Director and effective cooperation in the foreign exchange markets have contained the new pressures that have occurred and reinforced the strength which has been developing.

As for my own country, during fiscal year 1964, the United States set in operation the latest elements of a new and many-sided economic program begun in 1961 -- a program designed to promote internal expansion, enlarge employment opportunities, and, at the same time, facilitate orderly and steady progress towards balance in our external accounts. Our program places major emphasis upon improved productivity and greater competitiveness -- upon incentives, rather than upon restrictions and controls -- and, perhaps most important, upon the healthy functioning of a dynamic system of free enterprise.

Significant -- and, I believe, sustained -- results are now clearly apparent.

The United States economy continues to expand in what is now the longest, strongest, and best-balanced advance of any peace-time period in this century. During the past fiscal year, the rate of growth in industrial production, and in our economy as a whole, was better than 5 percent in real terms. Our gross national product increased by more than $40 billion. Job opportunities began to overtake the rapid growth in our adult labor force and, in July of this year, unemployment dropped below 5 percent for the first time since 1957 -- despite the accelerating automation of farms and factories.

Meanwhile, our prices have remained virtually stable. The indices of wholesale prices are still at the levels of six years ago. Consumer price indices have edged upward but very slowly, only a little more than 1 percent per year. At the same time almost alone among the leading industrial countries, we are now for the third straight year experiencing a decline in unit labor costs for manufacturing industries as a whole.

Monetary policy and debt management have struck a non-inflationary balance between supply and demand for liquidity instrume Commercial bank holdings of Federal Government debt continued to decline over the past fiscal year by more than $4 billion -- even though the administrative budget deficit exceeded $8 billion. What is more, less than a month after the end of the fiscal year, the full amount of that budget deficit was in effect, financed out of real savings as we added nearly $9 billion to our longer term Government securities.

It was within this domestic framework that the United States continued its efforts to restore balance in its international accounts. In discussing those efforts, it should always be borne in mind that the United States has the ability to achieve balance in its international payments at any time through the use of drastic measures of a restrictive nature. But -- as we have consistently pointed out -- we have neither the desire nor the intention of utilizing such measures, since they could bring harsh repercussions throughout the world. Instead, we are working to achieve balance gradually through normal market processes, without injury to our friends in other nations.

Improved productivity, in agriculture and in manufacturing alike, have made possible substantial gains in our trade position over this past fiscal year -- gains that were, as we well know, in some part fortuitous, but gains nevertheless, that we expect to sustain -- and, eventually enlarge.

We are also persisting in our efforts to reduce dollar outlays abroad for defense and development assistance, without impairing essential elements in the defense of the free world or in our vital assistance programs. The balance of payments costs of those programs will have shrunk by an annual rate of $1 billion by the end of this calendar year.

When we last met, it was our capital accounts that posed the greatest threat to our balance of payments. A cascading outflow of portfolio capital had forced us to propose the interest equalization tax in the summer of 1963. That tax is now law. It has worked out as planned and can be expected to hold portfolio capital outflows to a reasonable figure while leaving our markets open to foreign borrowers willing to assume interest costs considered normal -- and even low -- in most other industrial countries.

With our trade position improving, Government expenditures overseas continuing to decline, capital outflows restrained -- and with our earnings on services expanding at roughly the same rate as our rising net outpayments on tourists account -- we have been moving back toward external balance.

For example, our gross deficit on regular transactions in fiscal 1964 was $1.750 billion. This was a heartening gain over the results of the past six calendar years, when comparable deficits ranged from $3.1 billion to $4.2 billion. And it was a vast improvement over the first half of calendar year 1963, when accelerating demands from abroad for long-term funds led to a dollar outflow at an annual rate of $5 billion -- a rate we simply could not sustain and that far surpassed any legitimate world wide requirements for dollars. But, despite this improvement, we are only half-way back to external balance. We cannot relax -- nor do we intend to.

In seeking to improve our payments position, we readily recognize that we must carefully weigh -- and, wherever practicable and appropriate, minimize -- the impact of our gross deficits upon the liquidity of the rest of the world. With the cooperation of other monetary authorities we have, therefore, in large part absorbed dollar balances wherever they have tended to outrun requirements. Last year, for example, through sales of gold, use of foreign currency balances, drawings on the International Monetary Fund, and a variety of other special transactions, we absorbed more than $1.250 billion that had flowed to some European countries. At the same time, demands by certain monetary authorities outside Europe -- and, to some extent, the demands of private banks and traders everywhere -- called for more dollars than could be supplied out of our deficit. Those demands, amounting to several hundred million dollars, were met by transfers from European dollar monetary reserves.

It was within the environment of a shrinking United States payments deficit that the International Monetary Fund conducted its study of the international monetary system over the past year. Concurrently, another study was being carried forward by the group of ten countries, which had, in 1961,accepted special responsibility for providing supplemental resources to the Fund in the event that unusual strains were to develop in the international monetary system. It is highly significant that both studies concluded that the present system is functioning well and that any changes should be designed, in the words of the Fund report, to "supplement and improve the system where changes are indicated, rather than to look for a replacement of the system by a totally different one."

The two studies also agreed on the advisability of expanding the resources of the Fund through a combination of general and selective quota increases. Such increases seem clearly appropriate in view of the conclusion in Chapter 3 of the Fund report that the next decade is likely to see a steady rise in the demand for international liquidity, coupled with a slower annual rate of growth in the types of liquidity on which chief reliance has been placed during recent years.

The United States hopes that the Governors at this meeting will request the Executive Directors to study the need for such increases and the ways in which they might best be carried out. It is our hope that the Executive Directors could, as they did in 1958, complete their work and make such recommendations as they find appropriate to the Governors of the Fund by the end of this year, thus allowing time for member countries to complete necessary legislative action during 1965.

An increase in Fund quotas seems to us the right move as member countries enter the next phase in the evolutionary development of the international monetary system -- a phase in which the greater needs are likely to center, at least for a time, on the enlargement and elaboration of credit facilities for transferring reserves among countries, rather than upon increases in the over-all supply of reserves. In this regard, our thinking once again parallels the findings in the Fund's annual report regarding the need for increases in what the report labels "conditional liquidity."

Today, even in the free industrialized countries, there is no common economic pattern, but a mix, varying from nation to nation, of productivity, prices, trade restrictions, and capital market facilities. As a result, the bulk of the increases in reserves have, for the past several years, flowed to a few of the industrialized countries, and particularly to Western Europe. Further substantial increases in reserves would, for the most part, only increase that flow -- unless and until those countries reduce their chronic surpluses through a relative rise in imports, an increase in their capital exports, or any other acceptable combination of actions that would overcome their propensity to absorb whatever new liquidity may be added to the system in the form of owned reserves.

Economic disparities between countries are no doubt inevitable in a dynamic world. In time, so long as all countries actively pursue the objectives of liberal, multilateral trade policies, the needed adjustments will surely be accomplished. Meanwhile, we must be as careful in developing our international financial arrangements as we are in designing monetary measures for our domestic needs. And we must constantly guard against the over-simplified conclusion that a simple addition to the international money supply -- or an agreed limitation upon it -- or a contraction of it -- will provide an adequate solution.

As the free world's financial officials, we must be as concerned with credit as we are with money. Liquidity consists not only of owned reserves, but of credit facilities. And it seems to me to be as important today to shift the emphasis toward credit as it was in the first years after World War II. Then, total reserves were ample by any absolute standard -- but most of them were in the United States. During that period, while the processes of readjustment were getting underway, little would have been gained by further increases in owned reserves, for those, too, would have flowed to the United States. Instead, a redistribution was needed. It was largely accomplished through the massive credits and grants which the United States Government extended, not only bilaterally and multilaterally, but through dollars used in the drawings which other countries requested of the Monetary Fund.

Some seven years ago, the international monetary system entered a second phase in which a succession of large United States' payments deficits became the principal source of additions to the primary reserves of other countries. And now, with over-all international reserves at an adequate level and with the United States moving toward balance in its payments, this second phase is also coming to an end. Once again, the need is for additional credit facilities.

That is why it has been both appropriate and necessary to set up bilateral credit arrangements to handle the volatile movements of funds which now occur among industrialized countries with convertible currencies. There is no impairment of the Fund's role when those facilities are used instead of, or sometimes in advance of, recourse to the Fund itself. Rather, there is an economy of resources and a minimizing of strains. The risk is that a country might drift into heavy and continuous reliance upon such essentially short-term credit facilities, delaying too long the necessary corrective action that should be taken to adjust its balance of payments.

As in any banking operation, that type of risk must be averted. The way to do it is to provide for a full -- though initially largely confidential -- exchange of information among the countries directly affected, and to assure frequent opportunities for discussion among their monetary authorities. It is essential to review and appraise together the actions each is taking to finance its deficit or to carry its surplus -- including the degree of direct impingement of one upon the other.

That is what I understand to be the meaning of the "multilateral surveillance" which the countries in the Group of Ten have undertaken to pursue jointly, and in close liaison with the Bank for International Settlements, the Organization of Economic Cooperation and Development, and, of course, the International Monetary Fund itself. It fulfills, more systematically, the objectives which the United States has long pursued in its full reporting of its own activities. In our view, this pattern of information and consultation, systematically extended among industrialized countries subject to volatile flows of capital, can add an important dimension to the prudent use of such credit facilities.

The scope for greater reliance upon purely bilateral credit facilities, under the aegis of "multilateral surveillance", may even be wider. We support the suggestion made in the Group of Ten Report that countries with large and growing reserves should actively explore the possibility of long-term lending to other industrialized countries in need of additional reserves, but whose prospects for reserve growth, though promising, may only be for relatively small annual increments stretched out over many years.

Such lending would not only be of value to the stability of the currencies of the industrialized countries, it would also facilitate an adequate and uninterrupted flow of development assistance from advanced nations to developing countries. In addition, countries with large and persistent surpluses should -- in their own interests and in the interests of accelerated economic development -- carefully reexamine the possibility of increasing the level and quality of their assistance programs.

But, aside from continuing programs of economic assistance, the credit facilities that will be of most direct use to the non-industrialized members of the Fund are those of the Fund itself. That is why the United States believes that prompt consideration should be given to a general enlargement of quotas. In addition, special increases would seem appropriate in a number of cases, particularly for those members whose currencies have become stronger and more widely used over the six years since questions of this kind were last discussed in New Delhi. We welcome the attainment by other countries of situations where they can now provide a greater proportion of the Fund's resources, with a corresponding reduction in our share of the Fund's responsibility. We have been hopeful that the members of the European Economic Community, in particular, will assume a larger share, and are gratified that some readiness to do so has been indicated.

We also believe it inevitable that a growing international monetary system must find new ways to economize the supply of gold, just as individual nations have done for so long in their internal monetary systems. The fixed price of gold is, of course the anchor of price stability for the world. But world trade and capital movements seem certain to expand -- and at a faster pace than the stock of gold, thus imposing the most careful economy in its use. That is why the United States, as the only country which maintains the essential link with gold on which the entire IMF system rests, welcomes the reference in the Fund Report, and in that of the Group of Ten, to measures for so handling Fund quota subscriptions as "to mitigate the repercussions of gold payments on the gold reserves of the contributing members and of the reserve centers that may be affected."

While an increase in Fund quotas will meet the current requirements of the international monetary system, we cannot rest on our oars. Both the Group of Ten and the Fund Report recognize the possibility that new and additional measures may become necessary. We particularly appreciate the concluding statement in the liquidity section of the Fund's Report indicating that the

Executive Directors intend to carry forward the Fund's studies of new approaches, including easier access to a portion of the credit tranches, the possible use of gold certificates in place of the presently required gold subscription, and the possibility of Fund investments. Meanwhile, the Group of Ten will be carrying on parallel studies of these and other possibilities, including the use of composite reserves. The results of these studies should put us in a position to meet any need for enlarged supplies of unconditional liquidity that may develop over the coming years.

In conclusion, let me say that it is within our capacity to achieve both adequate monetary support and continuing monetary stability. Let us do so as our proper contribution toward the steady expansion of free and unrestricted world trade and the steady and rapid growth of all of our national economies.

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2. "THE MINISTERS AND GOVERNORS REVIEWED [illegible] IN THE
INTERNATIONAL PAYMENTS SITUATION AND RECEIV[illegible] FROM THEIR
DEPUTIES ON PLANS AND PROCEEDURES [illegible] DEV[illegible] CARRYING
OUT DECISIONS TAKEN IN THE MINISTERIAL STAT[illegible] AUGUST 1, 1964.
THESE INCLUDE THE STUDY TO BE MADE IN WORKI[illegible] OF THE OECD
ON THE AJUSTMENT PROCESS, THE STUDY BY THE [illegible] THE CREATION
OF RESERVE ASSETS, AND THE ARRANGEMENTS BEI[illegible] TO STRENGTHEN
INTERNATIONAL MONETARY COOPERATION THROUGH [illegible] SURVEYANCE."
THEY RECALLED THEIR VIEWS EXPRESSED IN THE [illegible] STATEMENT
OF AUGUST 1, 1964, SUPPORTING PROSPECTIVE [illegible] IN FUND ~~77~~
QUOTAS."

~~PAGE 3 RUAPFO 855 UNCLAS~~
~~3.~~ "THE MINISTERS AND GOVERNORS ALSO REV[illegible] THE MANAGING
DIRECTOR OF THE FUND AND APPROVED A WORKING [illegible] INITIALTED
BY THE DEPUTIES TO CONSIDER THE ATTITUDE OF [illegible] PARTICIPANTS TOWARD TH
RENEWAL OF THE GENERAL ARRANGEMENTS TO BORR[illegible] DECISIONS
MUST BE TAKEN UNDER THE PROVISIONS OF THESE [illegible] BY OCT-
OBER, 1965." ~~END~~

FYI: WORDING OF PARAGRAPH THREE OF COMM[illegible] TECHNICALLY
DRAFTED AND MIGHT GIVE WRONG IMPRESSION THA[illegible] SOME DOUBTS
WITHIN GROUP OF TEN ABOUT RENEWAL OF THE GA[illegible] NOT RPT NOT
THE CASE. COMMUNIQUE IS SO WORDED BECAUSE [illegible] AN ARRANGE-
MENT ENTERED INTO BETWEEN THE IMF AND THE G[illegible] TEN. GROUP OF
TEN ALONE CANNOT RPT CANNOT SPEAK FOR IMF. [illegible] HAS TO BE
TAKEN BY EXECUTIVE BOARD OF IMF BEFORE OCTO[illegible], TO EXTEND
THE GAB BEYOND ITS PRESENT EXPIRATION DATE [illegible], 1966.
PLEASE EXPLAIN IF PRESS QUESTIONS WORDING--[illegible].
ITEM USIS TOKYO
BT

CG

Letterhead

September 8, 1964

Following is the text of the communique issued by the Ministers and Governors of the "Group of Ten" in Tokyo, for release 4:00 A.M., EDT, Monday, September 7, 1964:

Working Party III of the Organization for Economic Cooperation and Development on the adjustment process, the study by the deputies on the creation of reserve assets, and the arrangements being made to strengthen international monetary cooperation through 'multilateral surveillance.' They recalled their views expressed in the ministerial statement of August 1, 1964, supporting prospective increase in Fund quotas.

"The Ministers and Governors also reviewed with the Managing Director of the Fund and approved a working program initiated by the deputies to consider the attitude of the participants toward the renewal of the general arrangements to borrow on which decisions must be taken under the provisions of these arrangements by October, 1965."

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8,1964

Following is the text of the communique issued by the Ministers and Governors of the "Group of Ten" in Tokyo, for release 4:00 P.M., EDT, Monday, September 7, 1964:

"On the occasion of the annual meeting of the International Monetary Fund, the Ministers and Central Bank Governors of the ten countries (Belgium, Canada, France, Germany, Italy, Japan, The Netherlands, Sweden, the United Kingdom and the United States), participating in the general arrangements to borrow, met under the chairmanship of Mr. Kakuei Tanaka, Minister of Finance of Japan. Mr. Pierre-Paul Schweitzer,the Managing Director of the International Monetary Fund, took part in the meeting which was also attended by the Secretary-General of the Organization for Economic Cooperation and Development, the General Manager of The Bank for International Settlements, and the President of the Swiss National Bank.

"The Ministers and Governors reviewed developments in the international payments situation and received reports from their deputies on plans and procedures being developed for carrying out decisions taken in the ministerial statement of August 1, 1964. These include the study to be made in Working Party III of the Organization for Economic Cooperation and Development on the adjustment process, the study by the deputies on the creation of reserve assets, and the arrangements being made to strengthen international monetary cooperation through 'multilateral surveillance.' They recalled their views expressed in the ministerial statement of August 1, 1964, supporting prospective increase in Fund quotas.

"The Ministers and Governors also reviewed with the Managing Director of the Fund and approved a working program initiated by the deputies to consider the attitude of the participants toward the renewal of the general arrangements to borrow on which decisions must be taken under the provisions of these arrangements by October, 1965."

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

Treasury Department Circular No. 418 (current revision) and this notice, 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 June 18, 1964 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on December 17, 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 September 17, 1964 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 17, 1964 ~~(23)~~. Cash

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, September 9, 196

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~
~~(1)~~

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two ser of Treasury bills to the aggregate amount of $ 2,200,000,000 ~~(2)~~, or thereabouts, f cash and in exchange for Treasury bills maturing September 17, 1964 ~~(3)~~ in the amo of $ 2,099,465,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued September 17, 1964 ~~(6)~~, in the amount of $ 1,300,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated June 18, 1964 ~~(8)~~, and to mature December 17, 1964 ~~(9)~~, originally issued in the amount of $ 901,049,000/ ~~(10)~~, the additional and original bills to be freely interchangeable. (an additional $100,086,000 was issued July 29, 1964)

182 ~~(11)~~ -day bills, for $ 900,000,000 ~~(12)~~, or thereabouts, to be dated September 17, 1964 ~~(13)~~, and to mature March 18, 1965 ~~(14)~~.

The bills of both series will be issued on a discount basis under competiti and noncompetitive bidding as hereinafter provided, and at maturity their face amount will be payable without interest. They will be issued in bearer form onl 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, September 14, 1964 ~~(15)~~ Tenders will not be received at the Treasury Department, Washington. Each tende must be for an even multiple of $1,000, and in the case of competitive tenders t price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 9, 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 $2,200,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing September 17, 1964, in the amount of $2,099,465,000, as follows:

91-day bills (to maturity date) to be issued September 17, 1964, in the amount of $1,300,000,000, or thereabouts, representing an additional amount of bills dated June 18, 1964, and to mature December 17, 1964, originally issued in the amount of $901,049,000 (an additional $100,086,000 was issued July 29, 1964), the additional and original bills to be freely interchangeable.

182-day bills, for $900,000,000, or thereabouts, to be dated September 17, 1964, and to mature March 18, 1965.

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, September 14, 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.

D-1339

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 June 18, 1964, (91-days remaining until maturity date on December 17, 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 September 17, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 17,1964.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.

IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1340

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD - July 1 - September 30, 1964

IMPORTS - July 1 - September 8, 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	13,416,054	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	3,237,672	15,920,000	15,790,033	66,480,000	66,480,000	37,840,000	29,280,482
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	31,869,702	70,480,000	*** 49,531,541	6,320,000	4,919,679
Peru	16,160,000	16,160,000	12,880,000	10,413,244	35,120,000	*** 18,659,076	3,760,000	3,759,761
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	7,268,896	-	-	-	-
All other countries (total)	6,560,000	2,342,742	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 September 4, 1964.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1340

PRELIMINARY DATA ON IMPORTS FOR CONSUMPTION OF UNMANUFACTURED LEAD AND ZINC CHARGEABLE TO THE QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION NO. 3257 OF SEPTEMBER 22, 1958, AS MODIFIED BY THE TARIFF SCHEDULES OF THE UNITED STATES, WHICH BECAME EFFECTIVE AUGUST 31, 1963.

QUARTERLY QUOTA PERIOD - July 1 - September 30, 1964

IMPORTS - July 1 - September 8, 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	
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Australia	11,220,000	11,220,000	22,540,000	13,416,054	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	5,040,000	-	-	-	-	-	-
Canada	13,440,000	3,237,672	15,920,000	15,790,033	66,480,000	66,480,000	37,840,000	29,280,482
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	31,869,702	70,480,000	*** 49,531,541	6,320,000	4,919,679
Peru	16,160,000	16,160,000	12,880,000	10,413,244	35,120,000	*** 18,659,076	3,760,000	3,759,761
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	7,268,896	-	-	-	-
All other countries (total)	6,560,000	2,342,742	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 September 4, 1964.

1757

Commodity	Period and Quantity		Unit of Quantity	Imports as of August 29, 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	5
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)......................	12 mos. from August 1, 1964	1,709,000	Pound	604,2

1/ Imports through September 8, 1964.
2/ Imports through September 4, 1964.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1341

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 August 29, 1964:

Commodity	Period and Quantity		Unit of Quantity	Imports as of August 29,
Tariff-Rate Quotas:				
Cream, fresh or sour.............	Calendar Year	1,500,000	Gallon	664,
Whole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	
Cattle, 700 lbs. or more each (other than dairy cows).......	July 1, 1964- Sept. 30, 1964	120,000	Head	3
Cattle less than 200 lbs. each...	12 mos. from April 1, 1964	200,000	Head	51
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish.......	Calendar Year	24,861,670	Pound	Quota Fil
Tuna Fish........................	Calendar Year	60,911,870	Pound	26,290,
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	73,808,
Other..........................	Sept. 15, 1963	45,000,000	Pound	Quota Fil
Knives, forks, and spoons with stainless steel handles........	Nov. 1, 1963- Oct. 31, 1964	69,000,000	Pieces	Quota Fil

1/Imports for consumption at the quota rate are limited to 18,646,252 pounds durin the first nine months of the calendar year.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1341

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 August 29, 1964:

Commodity	Period and Quantity		Unit of Quantity	Imports as of August 29, 1964
Tariff-Rate Quotas:				
Cream, fresh or sour..............	Calendar Year	1,500,000	Gallon	664,461
Whole Milk, fresh or sour........	Calendar Year	3,000,000	Gallon	49
Cattle, 700 lbs. or more each (other than dairy cows).......	July 1, 1964-Sept. 30, 1964	120,000	Head	3,215
Cattle less than 200 lbs. each...	12 mos. from April 1, 1964	200,000	Head	51,654
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	60,911,870	Pound	26,290,792
White or Irish potatoes:				
Certified seed.................	12 mos. from	114,000,000	Pound	73,808,110
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 18,646,252 pounds during the first nine months of the calendar year.

Commodity	Period and Quantity		Unit of Quantity	Imports as of August 29,
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, 1964	1,709,000	Pound	604,

1/ Imports through September 8, 1964.
2/ Imports through September 4, 1964.

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TREASURY DEPARTMENT

Washington

IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1342

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1964, to August 29, 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 August 29, 196[illegible]
Buttons..............	680,000	Gross	138,274
Cigars...............	160,000,000	Number	9,972,429
Coconut oil..........	358,400,000	Pound	Quota Filled
Cordage..............	6,000,000	Pound	4,861,206
Tobacco..............	5,200,000	Pound	3,559,345

TREASURY DEPARTMENT

Washington

IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1342

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1964, to August 29, 1964, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

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Cigars...............	160,000,000	Number	9,972,429
Coconut oil..........	358,400,000	Pound	Quota Filled
Cordage..............	6,000,000	Pound	4,861,206
Tobacco..............	5,200,000	Pound	3,559,345

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 Sept. 8, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to Sept. 8, 1964
United Kingdom............	4,323,457	1,087,369	1,441,152	287,669
Canada....................	239,690	239,690	-	-
France....................	227,420	221,909	75,807	55,151
India and Pakistan........	69,627	46,138	-	-
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	1,768,751	1,599,886	342,820

1/ Included in total imports, column 2.

TREASURY DEPARTMENT

Washington, D. C.

FOR IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1343

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by Presidential Proclamation No. 2351 of September 5, 1939, as amended, and as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

(The country designations in this press release are those specified in the appendix to the Tariff Schedules of the United States. There is no political connotation in the use of the outmoded names.)

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1963 - September 8, 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	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	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	-
Indonesia and Netherlands New Guinea	71,388	-
1/ British W. Indies	21,321	-
Nigeria	5,377	-
2/ British W. Africa	16,004	-
Other, including 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, 1964 - Sept. 8, 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	

TREASURY DEPARTMENT

Washington, D. C.

FOR IMMEDIATE RELEASE
FRIDAY, SEPTEMBER 11, 1964

D-1343

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by Presidential Proclamation No. 2351 of September 5, 1939, as amended, and as modified by the Tariff Schedules of the United States which became effective August 31, 1963.

(The country designations in this press release are those specified in the appendix to the Tariff Schedules of the United States. There is no political connotation in the use of the outmoded names.)

COTTON (other than linters) (in pounds)
Cotton under 1-1/8 inches other than rough or harsh under 3/4"
Imports September 20, 1963 - September 8, 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	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	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	-
Indonesia and Netherlands New Guinea	71,388	-
1/ British W. Indies	21,321	-
Nigeria	5,377	-
2/ British W. Africa	16,004	-
Other, including 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.
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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	-
1-1/8" or more and under 1-3/8"	4,565,642	1,457,885

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 Sept. 8, 1964	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1963, to Sept. 8, 1964
United Kingdom	4,323,457	1,087,369	1,441,152	287,669
Canada	239,690	239,690	-	-
France	227,420	221,909	75,807	55,151
India and Pakistan	69,627	46,138	-	-
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	1,768,751	1,599,886	342,820

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

D-1343

BOARDS OF GOVERNORS 1964 ANNUAL MEETINGS

INTERNATIONAL MONETARY FUND
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION

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Press Release No. 26

September 9, 1964

HOLD FOR RELEASE
ON DELIVERY, about 11:00 a.m.
Wednesday, September 9, 1964

Statement by the Hon. DOUGLAS DILLON, Secretary of the Treasury and Governor of the Fund and the Bank for the UNITED STATES, at the Bank, IFC and IDA Annual Discussion

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We meet here in common purpose: to advance international cooperation in speeding the economic growth of the Free World's less developed nations. The World Bank, under the dedicated and imaginative leadership of its President, has been lighting our way in this task.

For more than a year, the Executive Directors and the management and staff have been engaged in a penetrating review of the policies and operations of the Bank, the International Development Association and the International Finance Corporation. With the variety of tasks referred to the Bank by the United Nations Conference on Trade and Development, these studies will take on new importance in the coming year.

This review has already produced results of great importance to an increased contribution by the Bank family to our common task. Equally significant for the future, however, is the evidence these results provide of the readiness and ability of the Bank family to seek out new and improved techniques for meeting the development problem. It is this spirit which enables us to rely on the Bank for leadership in meeting the challenges that lie ahead.

One of the Bank's primary concerns is the growing debt burden of the developing nations. This arises, on the one hand, out of the necessity for developing countries to grow more rapidly than their meager foreign exchange earnings will permit. On the other hand, countries exporting capital goods are often reluctant to offer credit on sufficiently easy terms to permit the borrowing country time to develop an economy capable of financing imports on a current basis.

Too often in the past, the remedy has been periodic debt consolidation, resulting in uncertainty, delays in development, and needless friction between creditor and debtor. Such a remedy is actually no remedy at all.

At each Annual Meeting it becomes clearer that the solution to the debt burden problem has two aspects: First is the long-recognized need for credit on very easy repayment terms. Second, and equally important, is the less well recognized need for restraint by both creditor and debtor countries in financing sales on inappropriately short terms.

As to the first, the Bank has consistently urged the need for credits on very easy repayment terms. In my own country's assistance programs, we have long recognized that need and we expect that other economically advanced countries will do the same—although progress to date leaves much to be desired.

It was to help meet the need for easy credit that IDA was created. Although the Bank itself has, where appropriate, recently lengthened grace periods and maturities, IDA must continue to be the principal instrument for reconciling the capital requirements of the developing countries with the need to preserve and expand a stable international credit structure. It was in recognition of this need that Part I countries have agreed to increase their contributions to IDA over the next three years.

I heartily welcome the recommendation of the Executive Directors that the Bank contribute directly to alleviating the debt burden problem by transferring $50 million of last year's earnings to IDA. With the action of the Executive Directors in removing the Bank's one per cent commission, the previous practice of allocating these amounts to the Special Reserve will end. This will significantly increase the earnings available for future transfers to IDA.

However, as the resolutions adopted at the United Nations Conference on Trade and Development in Geneva emphasize, these amounts alone are not sufficient, and there is widespread interest--among developed and developing countries alike--in further increasing the resources which can be administered by the Bank family on IDA terms. I am hopeful that the results of the Bank's studies will provide useful guides as to the sources and magnitude of those funds.

The second aspect of the problem lies in the recurrent buildup in many countries of obligations on too short terms--obligations that should be on terms more closely related to the economic life of the project or equipment involved, as well as to the debt-servicing capacity of the purchaser's country.

We simply must find methods of restraining the extension and acceptance of credit on inappropriate terms. We must push beyond traditional arrangements, usually worked out on an ad hoc basis from crisis to crisis. The Bank, working in close cooperation with the Fund, can make a major contribution in this area.

I also look forward to further improvements in the Bank's ability to offer constructive advice to its members regarding appropriate policies for the over-all development of a member's economy. Here again, close cooperation with the Fund will yield the best results.

To a considerable extent, the limitation on Bank activity in many developing countries today--particularly in the newly-emerging ones--is the absence of clearly defined priority projects suitably drawn up for Bank or IDA financing. The Bank has now moved to fill this need by inviting the technical experts of other specialized agencies in the United Nations family to join with the Bank in searching for and developing needed information on suitable priority projects.

Turning to another area, I welcome the proposal to permit the Bank to lend to the International Finance Corporation. In carrying out its mission of encouraging the growth of productive private enterprise in developing member countries this Bank affiliate has been active in a variety of ways. It has helped to mobilize local and foreign private capital. While the full extent of the demand for further resources cannot be forecast, the proposal would endow the IFC with the necessary flexibility to meet probable future needs.

Finally, there is another proposal on which we are asked to take further steps at this Meeting that could bear importantly on the growth of investment around the world and on the pace of development. I refer to the suggestion for a Bank-sponsored facility for arbitration and conciliation of investment disputes. Such disputes can often poison the whole climate for foreign private investment in a country. Worse still, neighboring countries may be the innocent victims of investor reluctance induced by a well-publicized dispute in the same region. The United States, therefore, supports the proposal that the Executive Directors be requested to draft a convention establishing voluntary institutional facilities to help cope with such situations.

Over the past year, while the Bank has been conducting careful reviews and charting new courses, it has also compiled a record of solid lending accomplishment. The Bank, IDA, and IFC have together committed more than $1.1 billion for new power projects, new industries, new roads, ports, and railroads—each designed to inject fresh, productive potential into the economic mainstream of the borrowing country. The major part of this activity has been conducted by the World Bank, which resumed its high rate of lending with a total of $810 million in loans for 1964.

The importance of broadening the Bank's support from private financial markets is now greater than ever. Funds raised by sales of the Bank's bonds and by sales from its portfolio have been the backbone of the Bank's operations. If its lending cannot be adequately financed in this manner, many of the new policy initiatives we are considering are not likely to be effective. They would be branches without a trunk on which to grow. The level of Bank funds available for disbursement has been declining. Soon the Bank will have to re-enter the capital markets on a substantial scale. And the higher level of operations currently forecast for the Bank will bring still larger needs for capital.

In resuming substantial net new borrowings after a period of several years, the Bank should, in my view, intensify its efforts to assure that another kind of development is fostered--namely, the development of more effective facilities for mobilizing private savings in the capital markets of industrialized countries that are accumulating international reserves. Unless such facilities are developed, the Bank will run the risk of having to limit its operations because of excessive reliance on the markets of the United States.

In some countries, the critical barrier is the high cost of borrowing. It is important that more imagination and effort be devoted to mitigating the impact of these high costs of money on the Bank's operations. Enlarged borrowing facilities in other markets would not only assure the Bank and the developing countries of a broader base on which to rely for financial support, but would be consistent with our common objective of promoting international balance and the effective functioning of the international monetary system, thus meshing with the efforts of the Fund.

Although our immediate concern is with actions to be taken now, our outlook is long range, for the problems of economic development and its financing will extend far into the future. We can take well-deserved satisfaction from the fact that our group of institutions is today more closely knit than ever before. If we give them the support they so richly deserve, we can be sure that the mutually reinforcing operations of the Bank, the International Development Association, and the International Finance Corporation will move us steadily toward our common goal of a better life for all peoples in peace and freedom.

(Question) Mr. Secretary, in April of this year, Japan moved into an Article 8 nation status in the IMF. On the basis of this Japan has greatly reduced restrictions on long term investments from abroad. Is this, in your mind, satisfactory in the way that Japan has done -- is that adequate? Whether you foresee a considerable increase in capital investments from the U.S. in Japan?

(The Secretary) I think the achievement of Article 8 status by Japan is a big step forward and is a concrete example of the very great economic progress that Japan has made and is continuing to make. I think that the relation of various restrictions which were involved in achieving Article 8 status is a move in the right direction and I am sure that movement will continue still further as the Japanese economy and balance of payments strengthens further. I feel that as far as investments in Japan -- direct investment by the U.S. is concerned -- that there is an interest by our business people in the possibility of investment here and I think that such investment will increase provided it is welcomed here freely by the Japanese Government and I would hope that would be the case increasingly as the years go by because that would tighten economic relations between our countries and contribute to rapid economic growth of Japan by making this capital available from the outside.

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However, what multilateral surveillance does not mean was very clearly spelled out by the British Chancellor of the Exchequer when he quite clearly reported that it does not give any veto to any individual countries or any group veto on the actions that any two countries might take on a bilateral basi

(Question) Could you say something about techniques which might be used to prevent a drain of gold reserves from the U. S. and U. K. as a result of the increase in quotas?

(The Secretary) This particular problem can be handled in a number of ways. In the first place, many more countries now have very substantial gold reserves of their own and such countries could very well pay, out of their own gold assets without replenishing them from the U. S. or U. K. Secondly, there could be negotiations of one sort or another between the International Monetary Fund and the two reserve currency centers which could help to offset purchases of gold as might be necessary from those countries which do not have supplies of gold of their own on hand. Third, there is a question which was raised in the Fund Report regarding the use of -- to some extent -- of gold certificates rather than actual gold in payment of 25% gold quotas. I cite these as illustrations because this is a technical matter and there are a series of ways in which this strain on the reserve currency from a gold payment could be mitigated.

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understand that it would necessarily involve any replacement of India as the country having the fifth largest quota in the Fund.

(Question) Mr. Secretary, may I ask a question on multilateral surveillance? The French have made it understood on several occasions that they consider surveillance as a sort of factor to introduce all sorts of discussions on the coverage of deficits through assets in reserve currencies ... as a playground for discussion on gold policy of a certain country or on the composite of reserves. How far would you draw this code of these discussions? As I gathered from your speech which you made yesterday, I have the impression that your understanding of this code of surveillance is severely more restricted.

(The Secretary) I do not understand the French position to be particularly different from our own on this matter. We look on multilateral surveillance as a decision by the countries -- industrial countries -- whose capital is subject to rapid flows, one way or the other, to exchange information among each other on a regular basis regarding means of financing any surpluses or deficits they may have. Certainly from what the French Minister said in his statement here to the IMF Conference, nothing else was involved. Of course, when one does report methods of finance, you would expect that there would be discussion of these methods and we would expect that,

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(Question) Is the French proposal to pay the gold portion of the quota increases in two stages satisfactory to the U.S. or would you prefer to pay in five stages?

(The Secretary) I think that this is a question, in detail that should be decided by the Executive Directors of the Fund. I would only recall the last time there was a quota increase there was a provision for countries that found it desirable to pay in five stages. I would think that this time the Fund would not want to make any changes. I do not think such a proposal or a staging of the payments would adequately answer the entire problem of payments in gold. I think other stages are needed but these are technical matters that can and should be discussed and determined by the Board of Directors of the IMF.

(Question) In the Japanese newspapers here recently it has been said that in the light of Japan's recent economic growth, there is a case for Japan replacing India as a permanent executive of the Fund. Can you tell us your view on this?

(The Secretary) I haven't heard of any such suggestion. I have heard that Japan would like to have a special increase over and above the 25% general increase, and I think that, in the light of Japan's progress, mear that such an increase is heartily deserved. I have not seen what the size of that special increase that Japan might wish to ask for, but I do not

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countries. About what period of time, or what type of standard, would you consider appropriate standard in relation to trade with Communist countries? Also, in relation to this, in the same press conference that Mr. Maudling held, he said that Great Britain made no discrimination between trade with the Soviet Union and Communist China as far as trade in terms of non-strategic goods is concerned. I would like to get your views on the matter.

(The Secretary) We feel that in the trade with Communist countries, we should follow normal trade practices which mean a normal time for credit, depending on the type of item involved, but in no case extending beyond five years, which has generally been the accepted standard of medium term credit that was set in Europe by the Berne Union to which we belong, and we feel anything beyond that begins to partake the characteristics of aid and the farther you go beyond that, the more like aid it becomes. As to trade with Communist China by the U.S.,as you know, does not trade with Communist China because they refuse to give up a policy of armed aggression and they have never agreed to make peace in Korea and, therefore, we do not trade with them. Some other countries do and that naturally is for them to determine. They may have different relations and different problems.

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(Question) I base this question on the tenor and tone of the remarks abc the French position. Do you think the U.S. intends to press actively in the months ahead for new ways of creating expanding international liquidity, presumably through the Fund, or otherwise?

(The Secretary) My answer to that, certainly the U.S. believes, as doe the International Monetary Fund and other students of the problem, that international liquidity, as of now, is adequate -- fully adequate. We hope tha the important step which has been taken here in Tokyo to agree to an increase in quotas of the IMF will take care of any problem that we can foresee in the next few years -- 2, 3, 4 years. We do foresee, however, the possibility, maybe the likelihood, that as U.S. balance of payments comes into balance and the deficit disappears, that there will be a need of some additional methoc of creating reserve assets to back up expanding world trade. Therefore, we hope that we have a space of time now where we can look at this problem, not in an atmosphere of crises, but in an atmosphere of calm, but that does not mean we did not move ahead. We would like to look ahead and come to some conclusions which would strengthen the monetary system of the world in the long run. This does not mean that we feel it necessary to install such a new system in the next few months.

(Question) In relation to the other question about your remarks on the 15-year credit Great Britain has given to the Soviet Union, which you regard as aid, I would like to ask a general question on trade with the Communist

(more)

As to the idea of a composite currency reserve, we are glad to explore such an idea in detail. It may be possible that it can be found to be useful, provided that it is used as a way of adding to what we now have and of creating additional liquidity when that is necessary rather than being used as a means to restrict what we now have, which we understand is the basic thrust of the French position. But we look forward open-mindedly to discuss all these questions in detail, subject to the broad considerations which I have outlined earlier.

(Question) Mr. Secretary, do you agree with the views expressed here this week by Mr. Maudling that there is nothing unusual in the recent arrangements made by the United Kingdom to ship a fiber plant to Russia under a 15-year credit guarantee?

(The Secretary) We do not think that a credit guarantee by a government, in this case the British Government, for as long as 15 years can be considered normal commercial practice. To us it seems to partake of aid and we think it not appropriate to give aid to the Soviet Union. We regret the British action. They apparently feel that this is a normal British practice, but we are sorry that they feel that way. We do not think it is a good contribution to our general relations with the Soviet Union because by making credit for these necessary peaceful purchases available on this long term as 15 years we allow the Soviet Union to divert other resources to military and unpeaceful purposes, and we do not think that that is a wise course to pursue.

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the capital field can change a situation was shown in Germany this year when they had a very large surplus in the early months of the year which was embarrassing to them and it was caused by an inflow of capital into Germany which was entirely unnecessary at this time. So they changed -- th made some new legal proposals which would reduce the incentive for outside capital to come into Germany, increased the incentive for German capital to go abroad, and now for the last few months their payments are in balance. So it is our feeling that the problems of the European countries with inflation, the surplus countries of Europe, are their own problems, that they can be solved by corrective action largely in Europe. We intend to end our deficit; we are moving to end it; we will end it, but it is not responsible for their inflation and certainly because they happen to have inflationary problems is no reason to deprive the rest of the world of liquidity which they may need.

On the final point, and a short one, we believe that we should build on the system we presently have, which everyone recognized has worked well, rather than try to develop a new and substitute system just because there are some theoretical difficulties that lie ahead with our present system. As for the specific suggestions that the French may have, the French Ministe did not make any such suggestions. We do look forward with interest to a detailed development of the French position which we expect will take place in discussions that are scheduled to continue through the next year in the Group of 10.

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to the continuance of deficits in the balance of payments of the reserve countries and they talk of this as "imported inflation". We do not feel that we are to blame here. We do not feel that there is general inflation in the world. There is certainly no inflation in the United States, so we have no inflation to export. I was glad to see that Mr. Schweitzer this morning clearly agreed with our thesis and said that he did not believe that there was much substance to this idea of "imported inflation". Certainly there have been inflationary problems in some of the countries of Western Europe because they have grown very rapidly and the demands for goods have been greater than what they could supply. But it is very easy for them, if they wish, to handle this problem by removing some of the many trade restrictions which they still maintain in spite of the fact that they are in heavy surplus, particularly in the agricultural field, where the countries of the European Economic Community are highly restrictionists. They could solve the whole problem of their inflation by removing some of these restrictions and, secondly, in the question of capital flows, they could greatly ease any inflationary problem they have by -- for example -- traditional method of handling a serious long term excess of demand by sending some of their capital abroad. This is what the United Kingdom did in the 19th Century. This is what the United States did after the First World War and again after the Second World War. An example of how quickly action in

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and to decide for the rest of the world how much liquidity they should have. We strongly reject that thesis since we believe that this is a matter of interest to all the countries of the world and we very strongly support the position taken by the Managing Director of the Fund, Mr. Schweitzer, in this regard. That's our first basic objection.

Our second point is that the French proposal is basically designed to be restrictive in nature and to limit the amount of additional liquidity that may be available. We do not think that that is the problem. We do agree with the French view -- I think everybody agrees with this too -- that the world should not be dependent solely on deficits, payment deficits in the reserve currency countries for the supply of liquidity. Some additional means will probably have to be found in the future to make an adequate supply of liquidity available as world trade grows and we think that the problem is to find in adequ time a new way and a new source of making additional liquidity available to the world as the U. S. balance of payments deficits comes to an end. And this is quite contrary to the basic French thesis.

Third, we disagree with the diagnosis in the French thesis as to what may be wrong with the present system. They apparently feel that because a few industrialized countries in Western Europe, including France, are having troubles with inflation that this is not their own problem but is due prim

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the general discussion of the problem. We have a very basic and important difference of view on matters of substance with the French position, but I do think that it is useful to have the French position on the public record so that we can now proceed with a more informed discussion on a world-wide basis regarding the best solution to the problem.

(Question) Mr. Secretary, would you please be willing to spell out the American difference particularly in reference to the ~~currency~~ rate of ~~the unit~~ of the Monetary Fund?

(The Secretary) I would be glad to spell out our differences with the French proposals which are far more fundamental than the details of a composite unit. I think our basic differences can be summed up in four categories. In the first place, we believe strongly in the multilateral framework for handling problems of world liquidity. We believe that the Group of 10 countries was an important and is an important group for discussion to advance the final decision, but it is not, and we have never considered it an action group to take decisions regarding a matter that is as important for the rest of the world as the value of international liquidity. We think these decisions should be taken within the Fund and they should be multilateral. The French position looks clearly to the establishment of a small group of presumably the 10 to take these decisions

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will feel it necessary to ask the Congress to extend this law. We would hope that that would not be necessary, but it's not possible to predict now. That will depend on developments over the next six months or so.

As to the third question, about the Gore Amendment on banks, we had not originally felt this was necessary. This is not something that the Treasury Department had asked for. The Congress of the United States decided to add that to the law to give the President this extra power, and it certainly would only be used -- and the Congress made clear this was their intention -- if it becomes clear that lending through banks is being used to circumvent the intent of the tax. So far we have not seen that that is the cas We have had close records kept of our bank lending and it seems to be relatively normal in character, although it was larger than before and larger than we expected, but it did not seem to be circumventing the tax.

(Question) Mr. Secretary, will the French statement on liquidity at this meeting advance, fail to advance or retard the achievement of a formula for supplementing the liquidity?

(The Secretary) We have been discussing the question of liquidity for a year within the International Monetary Fund and also within the Group of 10. The discussions within the Group of 10 have been private and the details of the positions put forward by various countries have not been on the public record. I think it is a constructive and helpful thing that the French Ministe outlined the basic French position publicly because I think that will advance

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(Question) Mr. Secretary ...

(Mr. Nishiyama) Excuse me, there are two more questions in addition to the questions the gentleman asked that are related here. The second question is: We understand that at present the law on the equalization tax is to terminate next year. Would this mean that once that is terminated, does this mean, first, that since you have already said that the balance of payments picture for the United States is moving in a favorable direction very rapidly and you expressed confidence in the restoration of the balance, does this mean that you would expect the equalization tax law to be terminated next year and that by that time your balance of payments will have been -- will put into balance? What is the outlook on this matter? That is the next question.

(The Secretary) Most certainly.

(Mr. Nishiyama) The third one, which is relatively simple. This amendment that was put in the bill, the Gore Amendment, authorizing the President to use his discretionary power on bank loans, what is the outlook on whether that will be invoked; what are the possibilities that will be invoked?

(The Secretary) As to when the tax will come to an end, certainly it is our intention that as soon as our balance of payments reaches a situation where we no longer need this tax, we would not ask for it to be continued. Under the law at present it would end on December 31, 1965, and a decision will have to be taken sometime next spring as to whether or not the President

(more)

and also the United States bought more from Japan, goods, than any other country and would continue to do so, helping Japanese trade to expand, an then I told him that since he had raised a number of other matters in conn tion with the tax which did not directly -- not directly connected with my Department, I would naturally report the whole matter to my fellow Cabine members when I returned to Washington, also to the President. I don't think that that meant it would necessarily be any change in the Interest Equalization Tax; I did not intend it to mean that, because I pointed out to Mr. Tanaka the great legal difficulties we would have in making a partial exemption for Japan. Our law provides an exemption can only be given in a situation where the stability of the international payment system is involved, and it is clear from what has happened so far, and certainly in t present situation, that there is no such danger as far as Japan is concern and we are glad because we would like to see Japan moving ahead. We ha also said that should such a danger arise we would, of course, be glad to consider the matter anew with Japan. What I did mean was that I would talk with my compatriots in Washington and we would have a further revie of all aspects of our economic relations of the type which we have every year when we have our joint cabinet meetings. Mr. Tanaka gave me a bro list of items and I will go back and discuss all of them when I am in Washington.

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is important to all trading nations, including Japan. A year has now passed and the tax has now become law. During that year the Japanese economy has not suffered and has continued to expand and this despite the fact, because of the uncertainty as to whether this proposal would become law or not, the Japanese business and people from other countries were naturally reluctant to make use of our markets and they made no use of them. Now that the law is in effect, the markets are open and we would assume that the Japanese firms if they need money would make use of our markets. I explained these matters to Minister Tanaka and he, I think, understood. I think there is a greater understanding now in Japan among business men and others that this tax will not have any basic effect on the Japanese economy since they can still raise such funds as are necessary in the New York market. However, he in talking about the interest tax with me mentioned a great many other matters, both economic and political, having to do with the overall relationship of the United States and Japan, and I agreed with him that this tax had to be looked at in the overall framework of our relations which it was important that there be benefits from those relations on both sides. I pointed out to him that the United States contributed substantially to the Japanese balance of payments in something like 350 million dollars a year alone as a result of payments for defense purposes here in Japan,

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to the President about this. So in relation to this I would like to ask the following questions: When you said that you would go back to the United States to speak about this matter to the President, did this indicate that there was some change that has taken place in your thinking about this matter as a result of your conversations with Finance Minister Tanaka, or was this merely a diplomatic gesture on your part? (Laughter)

(The Secretary) That's a very good question, and I think to answer it we better go back a little bit in time to last year. When the tax was proposed there was great concern in Japan that it would cause serious difficulties and serious damage to the Japanese economy. There was a feeling that because of the tax Japan would be unable to obtain in the United States the long term capital that Japan might require to keep her growing moving ahead. We in the United States did not feel that this would be the economic result of the tax, and in our conversations with the Japanese Government at that time we made clear that our markets would stay open and that when the tax was in effect we felt that Japan could continue to obtain funds, even though they would cost them about one per cent more in interest than they had before. But this cost would still be much cheaper than the cost of borrowing money here in Japan where the interest rates are much heavier. And we explained that we had to put the tax in effect as suggested in order to protect the stability of the dollar, which is used in trade all over the world and whose stability

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(The Secretary) Gentlemen, I want to say before I start that I think we have had a most fruitful conference here and I have been particularly impressed by the extent of the coverage of this conference in the Japanese press and also by the understanding and thoroughness with which the Japanese press treats economic matters of importance. I imagine there is no place in the world where these sort of questions get such important treatment in the press, so I'm glad to be here with you today. I will be glad to answer your questions.

(Question) First, I would like to express my appreciation for those fine words you gave to the Japanese press and now in order for us to have something from you, Mr. Secretary, that we can really write about in our articles in the press, I hope you will answer the following questions in as much detail as possible. (Laughter) The first question I would like to put to you, sir, is in relation to Japanese-American relations, especially in the field of the Equalization Tax which came up as a subject last year, and at that time it was indicated by the Japanese Government that they would want to have either exemption or some kind of alleviating measure if that law should go into effect, and a great deal of representation was made to the American Government on that score. And the Finance Minister, Tanaka, when he met you here at this time for a number of conversations, I understand, received the reply from you that when you returned to the United States you would speak

TRANSCRIPT OF NEWS CONFERENCE BY
U.S. SECRETARY OF THE TREASURY, DOUGLAS DILLON,
TOKYO, SEPTEMBER 11, 1964, DURING ANNUAL MEETING OF
THE INTERNATIONAL MONETARY FUND AND WORLD BANK

Ladies and Gentlemen, I would like to introduce Mr. Dixon Donnelley, Assistant to Secretary Dillon. He is in charge of the Secretary's public affairs. Mr. Donnelley.

(Mr. Donnelley) We are very pleased to welcome you here this afternoon. This press conference is, of course, on the record. Please feel free to quote Secretary Dillon by name. The conference will be conducted in both English and Japanese, and we'd like to allow sufficient time for the question to be put in both languages first and then the answer, of course, subsequently in both languages.

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and also the United States bought more from Japan, goods, than any other country and would continue to do so, helping Japanese trade to expand, and then I told him that since he had raised a number of other matters in connection with the tax which did not directly -- not directly connected with my Department, I would naturally report the whole matter to my fellow Cabinet members when I returned to Washington, also to the President. I don't think that that meant it would necessarily be any change in the Interest Equalization Tax; I did not intend it to mean that, because I pointed out to Mr. Tanaka the great legal difficulties we would have in making a partial exemption for Japan. Our law provides an exemption can only be given in a situation where the stability of the international payment system is involved, and it is clear from what has happened so far, and certainly in the present situation, that there is no such danger as far as Japan is concerned and we are glad because we would like to see Japan moving ahead. We have also said that should such a danger arise we would, of course, be glad to consider the matter anew with Japan. What I did mean was that I would talk with my compatriots in Washington and we would have a further review of all aspects of our economic relations of the type which we have every year when we have our joint cabinet meetings. Mr. Tanaka gave me a broad list of items and I will go back and discuss all of them when I am in Washington.

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(Question) Mr. Secretary ...

(Mr. Nishiyama) Excuse me, there are two more questions in additi to the questions the gentleman asked that are related here. The second question is: We understand that at present the law on the equalization tax is to terminate next year. Would this mean that once that is terminated, does this mean, first, that since you have already said that the balance of payments picture for the United States is moving in a favorable direction very rapidly and you expressed confidence in the restoration of the balance, does this mean that you would expect the equalization tax law to be terminat next year and that by that time your balance of payments will have been -- will put into balance? What is the outlook on this matter? That is the next question.

(The Secretary) Most certainly.

(Mr. Nishiyama) The third one, which is relatively simple. This amendment that was put in the bill, the Gore Amendment, authorizing the President to use his discretionary power on bank loans, what is the outlook on whether that will be invoked; what are the possibilities that will be invok

(The Secretary) As to when the tax will come to an end, certainly it is our intention that as soon as our balance of payments reaches a situation where we no longer need this tax, we would not ask for it to be continued. Under the law at present it would end on December 31, 1965, and a decisio will have to be taken sometime next spring as to whether or not the Presid

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the general discussion of the problem. We have a very basic and important difference of view on matters of substance with the French position, but I do think that it is useful to have the French position on the public record so that we can now proceed with a more informed discussion on a world-wide basis regarding the best solution to the problem.

(Question) Mr. Secretary, would you please be willing to spell out the American difference particularly in reference to the composite reserve unit and the Monetary Fund?

(The Secretary) I would be glad to spell out our differences with the French proposals which are far more fundamental than the details of a composite unit. I think our basic differences can be summed up in four categories. In the first place, we believe strongly in the multilateral framework for handling problems of world liquidity. We believe that the Group of 10 countries was an important and is an important group for discussion to advance the final decision, but it is not, and we have never considered it an action group to take decisions regarding a matter that is as important for the rest of the world as the value of international liquidity. We think these decisions should be taken within the Fund and they should be multilateral. The French position looks clearly to the establishment of a small group of presumably the 10 to take these decisions

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will feel it necessary to ask the Congress to extend this law. We would hope that that would not be necessary, but it's not possible to predict now. That will depend on developments over the next six months or so.

As to the third question, about the Gore Amendment on banks, we had not originally felt this was necessary. This is not something that the Treasury Department had asked for. The Congress of the United States decided to add that to the law to give the President this extra power, and it certainly would only be used -- and the Congress made clear this was their intention -- if it becomes clear that lending through banks is being used to circumvent the intent of the tax. So far we have not seen that that is the ca We have had close records kept of our bank lending and it seems to be relatively normal in character, although it was larger than before and larger than we expected, but it did not seem to be circumventing the tax.

(Question) Mr. Secretary, will the French statement on liquidity at this meeting advance, fail to advance or retard the achievement of a formul for supplementing the liquidity?

(The Secretary) We have been discussing the question of liquidity for a year within the International Monetary Fund and also within the Group of 10. The discussions within the Group of 10 have been private and the detail of the positions put forward by various countries have not been on the public record. I think it is a constructive and helpful thing that the French Minist outlined the basic French position publicly because I think that will advance

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and to decide for the rest of the world how much liquidity they should have. We strongly reject that thesis since we believe that this is a matter of interest to all the countries of the world and we very strongly support the position taken by the Managing Director of the Fund, Mr. Schweitzer, in this regard. That's our first basic objection.

Our second point is that the French proposal is basically designed to be restrictive in nature and to limit the amount of additional liquidity that may be available. We do not think that that is the problem. We do agree with the French view -- I think everybody agrees with this too -- that the world should not be dependent solely on deficits, payment deficits in the reserve currency countries for the supply of liquidity. Some additional means will probably have to be found in the future to make an adequate supply of liquidity available as world trade grows and we think that the problem is to find in adequate time a new way and a new source of making additional liquidity available to the world as the U.S. balance of payments deficits comes to an end. And this is quite contrary to the basic French thesis.

Third, we disagree with the diagnosis in the French thesis as to what may be wrong with the present system. They apparently feel that because a few industrialized countries in Western Europe, including France, are having troubles with inflation that this is not their own problem but is due primarily

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to the continuance of deficits in the balance of payments of the reserve countries and they talk of this as "imported inflation". We do not feel that we are to blame here. We do not feel that there is general inflation in the world. There is certainly no inflation in the United States, so we have no inflation to export. I was glad to see that Mr. Schweitzer this morning clearly agreed with our thesis and said that he did not believe that there was much substance to this idea of "imported inflation". Certainly there have been inflationary problems in some of the countries of Western Europe because they have grown very rapidly and the demands for goods have been greater than what they could supply. But it is very easy for them, if they wish, to handle this problem by removing some of the many trade restrictions which they still maintain in spite of the fact that they are in heavy surplus, particularly in the agricultural field, where the countries of the European Economic Community are highly restrictionists. They could solve the whole problem of their inflation by removing some of these restrictions and, secondly, in the question of capital flows, they could greatly ease any inflationary problem they have by -- for example -- traditional method of handling a serious long term excess of demand by sendin some of their capital abroad. This is what the United Kingdom did in the 19th Century. This is what the United States did after the First World War and again after the Second World War. An example of how quickly action in

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the capital field can change a situation was shown in Germany this year when they had a very large surplus in the early months of the year which was embarrassing to them and it was caused by an inflow of capital into Germany which was entirely unnecessary at this time. So they changed -- they made some new legal proposals which would reduce the incentive for outside capital to come into Germany, increased the incentive for German capital to go abroad, and now for the last few months their payments are in balance. So it is our feeling that the problems of the European countries with inflation, the surplus countries of Europe, are their own problems, that they can be solved by corrective action largely in Europe. We intend to end our deficit; we are moving to end it; we will end it, but it is not responsible for their inflation and certainly because they happen to have inflationary problems is no reason to deprive the rest of the world of liquidity which they may need.

On the final point, and a short one, we believe that we should build on the system we presently have which everyone recognised has worked well, rather than try to develop a new and substitute system just because there are some theoretical difficulties that lie ahead with our present system. As for the specific suggestions that the French may have, the French Minister did not make any such suggestions. We do look forward with interest to a detailed development of the French position which we expect will take place in discussions that are scheduled to continue through the next year in the Group of 10.

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As to the idea of a composite currency reserve, we are glad to explo such an idea in detail. It may be possible that it can be found to be useful, provided that it is used as a way of adding to what we now have and of creating additional liquidity when that is necessary rather than being used as a means to restrict what we now have, which we understand is the basic thrust of the French position. But we look forward open-mindedly to discu all these questions in detail, subject to the broad considerations which I ha outlined earlier.

(Question) Mr. Secretary, do you agree with the views expressed he this week by Mr. Maudling that there is nothing unusual in the recent arrangements made by the United Kingdom to ship a fiber plant to Russia under a 15-year credit guarantee?

(The Secretary) We do not think that a credit guarantee by a governm in this case the British Government, for as long as 15 years can be consid normal commercial practice. To us it seems to partake of aid and we thi not appropriate to give aid to the Soviet Union. We regret the British acti They apparently feel that this is a normal British practice, but we are so that they feel that way. We do not think it is a good contribution to our ge relations with the Soviet Union because by making credit for these necess peaceful purchases available on this long term as 15 years we allow the S Union to divert other resources to military and unpeaceful purposes, and

(Question) I base this question on the tenor and tone of the remarks about the French position. Do you think the U.S. intends to press actively in the months ahead for new ways of creating expanding international liquidity, presumably through the Fund, or otherwise?

(The Secretary) My answer to that, certainly the U.S. believes, as does the International Monetary Fund and other students of the problem, that international liquidity, as of now, is adequate -- fully adequate. We hope that the important step which has been taken here in Tokyo to agree to an increase in quotas of the IMF will take care of any problem that we can foresee in the next few years -- 2, 3, 4 years. We do foresee, however, the possibility, maybe the likelihood, that as U.S. balance of payments comes into balance and the deficit disappears, that there will be a need of some additional method of creating reserve assets to back up expanding world trade. Therefore, we hope that we have a space of time now where we can look at this problem, not in an atmosphere of crises, but in an atmosphere of calm, but that does not mean we did not move ahead. We would like to look ahead and come to some conclusions which would strengthen the monetary system of the world in the long run. This does not mean that we feel it necessary to install such a new system in the next few months.

(Question) In relation to the other question about your remarks on the 15-year credit Great Britain has given to the Soviet Union, which you regard as aid, I would like to ask a general question on trade with the Communist

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countries. About what period of time, or what type of standard, would you consider appropriate standard in relation to trade with Communist countries? Also, in relation to this, in the same press conference that Mr. Maudling held, he said that Great Britain made no discrimination between trade with the Soviet Union and Communist China as far as trade in terms of non-strategic goods is concerned. I would like to get your view on the matter.

(The Secretary) We feel that in the trade with Communist countries, should follow normal trade practices which mean a normal time for credit depending on the type of item involved, but in no case extending beyond five years, which has generally been the accepted standard of medium term credit that was set in Europe by the Berne Union to which we belong, and we feel anything beyond that begins to partake the characteristics of aid and the farther you go beyond that, the more like aid it becomes. As to t with Communist China by the U.S.,as you know, does not trade with Commu China because they refuse to give up a policy of armed aggression and they have never agreed to make peace in Korea and, therefore, we do not trade with them. Some other countries do and that naturally is for them to determine. They may have different relations and different problems.

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(Question) Is the French proposal to pay the gold portion of the quota increases in two stages satisfactory to the U. S. or would you prefer to pay in five stages?

(The Secretary) I think that this is a question, in detail, that should be decided by the Executive Directors of the Fund. I would only recall the last time there was a quota increase there was a provision for countries that found it desirable to pay in five stages. I would think that this time the Fund would not want to make any changes. I do not think such a proposal or a staging of the payments would adequately answer the entire problem of payments in gold. I think other stages are needed but these are technical matters that can and should be discussed and determined by the Board of Directors of the IMF.

(Question) In the Japanese newspapers here recently it has been said that in the light of Japan's recent economic growth, there is a case for Japan replacing India as a permanent executive of the Fund. Can you tell us your view on this?

(The Secretary) I haven't heard of any such suggestion. I have heard that Japan would like to have a special increase over and above the 25% general increase, and I think that, in the light of Japan's progress, means that such an increase is heartily deserved. I have not seen what the size of that special increase that Japan might wish to ask for, but I do not

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understand that it would necessarily involve any replacement of India as the country having the fifth largest quota in the Fund.

(Question) Mr. Secretary, may I ask a question on multilateral surveillance? The French have made it understood on several occasions that they consider surveillance as a sort of factor to introduce all sorts of discussions on the coverage of deficits through assets in reserve curren ... as a playground for discussion on gold policy of a certain country or o the composite of reserves. How far would you draw this code of these discussions? As I gathered from your speech which you made yesterday, I have the impression that your understanding of this code of surveillance is severely more restricted.

(The Secretary) I do not understand the French position to be particularly different from our own on this matter. We look on multilatera surveillance as a decision by the countries -- industrial countries -- whos capital is subject to rapid flows, one way or the other, to exchange inform among each other on a regular basis regarding means of financing any surpluses or deficits they may have. Certainly from what the French Minister said in his statement here to the IMF Conference, nothing else was involved. Of course, when one does report methods of finance, you w expect that there would be discussion of these methods and we would expec

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However, what multilateral surveillance does not mean was very clearly spelled out by the British Chancellor of the Exchequer when he quite clearly reported that it does not give any veto to any individual countries or any group veto on the actions that any two countries might take on a bilateral basis.

(Question) Could you say something about techniques which might be used to prevent a drain of gold reserves from the U.S. and U.K. as a result of the increase in quotas?

(The Secretary) This particular problem can be handled in a number of ways. In the first place, many more countries now have very substantial gold reserves of their own and such countries could very well pay, out of their own gold assets without replenishing them from the U.S. or U.K. Secondly, there could be negotiations of one sort or another between the International Monetary Fund and the two reserve currency centers which could help to offset purchases of gold as might be necessary from those countries which do not have supplies of gold of their own on hand. Third, there is a question which was raised in the Fund Report regarding the use of -- to some extent -- of gold certificates rather than actual gold in payment of 25% gold quotas. I cite these as illustrations because this is a technical matter and there are a series of ways in which this strain on the reserve currency from a gold payment could be mitigated.

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(Question) Mr. Secretary, in April of this year, Japan moved into an Article 8 nation status in the IMF On the basis of this Japan has greatly reduced restrictions on long term investments from abroad. Is this, in your mind, satisfactory in the way that Japan has done -- is that adequate? Whether you foresee a considerable increase in capital investments from the U.S. in Japan?

(The Secretary) I think the achievement of Article 8 status by Japan is a big step forward and is a concrete example of the very great economic progress that Japan has made and is continuing to make. I think that the relation of various restrictions which were involved in achieving Article 8 status is a move in the right direction and I am sure that movement will continue still further as the Japanese economy and balance of payments strengthens further. I feel that as far as investments in Japan -- direct investment by the U.S. is concerned -- that there is an interest by our business people in the possibility of investment here and I think that such investment will increase provided it is welcomed here freely by the Japanese Government and I would hope that would be the case increasingly as the years go by because that would tighten economic relations between our count and contribute to rapid economic growth of Japan by making this capital available from the outside.

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F[illegible] RELEASE, [illegible] NEWSPAPERS,
Tuesday, September 15, 1964.

September 14, 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 June 18, 1964 and the other series to be dated September 17, 1964, which were offered on September [illegible] were opened at the Federal Reserve Banks on September 14. Tenders were invited for $1,300,000,000, 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 December 17, 1964		:	182-day Treasury bills maturing March 18, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	[illegible].114	3.505%	:	98.140	3.679%
Low	99.103	3.549%	:	[illegible].129	3.701%
Average	[illegible].1[illegible]	3.[illegible]% 1/	:	98.133	3.693% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 47,9[illegible],000	$ 35,975,000	:	$ 14,710,000	$ 11,710,000
New York	1,457,136,000	795,[illegible]6,000	:	1,038,161,000	592,961,000
Philadelphia	33,470,000	18,470,000	:	8,928,000	3,928,000
Cleveland	30,529,000	30,529,000	:	51,806,000	51,[illegible],000
Richmond	18,288,000	18,288,000	:	4,647,000	4,647,000
Atlanta	33,231,000	29,906,000	:	10,705,000	6,605,000
Chicago	21[illegible],341,000	162,[illegible]16,000	:	198,663,000	122,463,000
St. Louis	34,51[illegible],000	28,164,000	:	14,977,000	12,977,000
Minneapolis	[illegible]3,607,000	20,197,000	:	9,515,000	[illegible],090,000
Kansas City	33,034,000	33,034,000	:	13,829,000	13,829,000
Dallas	30,[illegible],000	21,[illegible]36,000	:	11,169,000	9,[illegible],000
San Francisco	127,5[illegible],000	106,795,000	:	97,265,000	61,[illegible],000
TOTALS	$2,082,[illegible]9,000	$1,301,596,000 a/	:	$1,474,395,000	$900,[illegible],000 b/

a/ Includes $2[illegible]0,[illegible]4,000 noncompetitive tenders accepted at the average price of 99.[illegible]
b/ Includes $74,67[illegible],000 noncompetitive tenders accepted at the average price of 98.13[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 3.62% for the 91-day bills, and 3.82%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semi-annual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, September 15, 1964.

September 14, 1964

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Cleveland	30,529,000	30,529,000	:	51,806,000	51,806,000
Richmond	18,288,000	18,288,000	:	4,647,000	4,647,000
Atlanta	33,231,000	29,906,000	:	10,705,000	6,605,000
Chicago	212,341,000	162,816,000	:	198,663,000	122,463,000
St. Louis	34,514,000	28,164,000	:	14,977,000	12,977,000
Minneapolis	23,607,000	20,197,000	:	9,515,000	8,090,000
Kansas City	33,034,000	33,034,000	:	13,829,000	13,829,000
Dallas	30,886,000	21,536,000	:	11,189,000	9,189,000
San Francisco	127,545,000	106,795,000	:	97,265,000	61,615,000
TOTALS	$2,082,489,000	$1,301,596,000 a/		$1,474,395,000	$900,020,000 b/

a/ Includes $280,054,000 noncompetitive tenders accepted at the average price of 99.105
b/ Includes $74,675,000 noncompetitive tenders accepted at the average price of 98.133
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.62% for the 91-day bills, and 3.82%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semi-annual compounding if more than one coupon period is involved.

D-1344

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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 June 25, 1964, (91 days remaining until maturity date on December 24, 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 September 24, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 24, 1964. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ September 16, 1964

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two serie of Treasury bills to the aggregate amount of $ 2,200,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing September 24, 1964, in the amour of $ 2,101,511,000 , as follows:

91 -day bills (to maturity date) to be issued September 24, 1964 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated June 25, 1964 , and to mature December 24, 1964 , originally issued in the amount of $ 900,065,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated September 24, 1964 , and to mature March 25, 1965 .

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, September 21, 196 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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D-1345

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the needs of our rapidly changing economic scene. It is those characteristics that have enabled us to simultaneously achieve different, even disparate, economic goals. Only policies that ar responsive to events can be equal to events. Should we ever reve to policies that neither respect nor reflect the rapidly changing realities of today's world, then we must be prepared once again t be overwhelmed by events.

If, instead, we have the will to persevere with economic policies that have proved themselves to be both sound and sensibl realistic and responsible -- then there is every prospect that the solid accomplishments of the past three and a half years can not only be sustained, but surpassed.

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our international payments.

We have accomplished much in nearly four years, but ~~we have~~ there much more to be accomplished. No future challenge will be more crucial than maintaining our excellent record of cost-price stability and avoiding the inflation that could easily eat up the gains we have struggled to achieve, that could once again threaten the value of our dollar, and that could destroy all our efforts to bring our international payments into balance.

As we stand, then, on the threshold of 1965, we find ourselve on firm economic ground, on the secure foundation of three and a half years of unparalleled progress on all economic fronts. Equa great gains lie before us if only we adhere to the policies to whose soundness and success our economy attests on every hand as it continues its record-breaking march.

Those policies are distinguished by their practicality -- by their flexibility -- by their prudence -- by their freedom from extremes and from rigid dogma -- and by their ability to adapt to

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SECRETARY OF THE TREASURY

And that is not all. On August 31st, for the first time since 1957 when the Suez crisis sent gold pouring to our shores, our total gold stock ~~[illegible]~~ showed a modest gain over ~~the figure for August 31st~~ the previous year. [illegible] months without the loss of a single ounce of gold -- a far cry from the situation just four years ago, when uncertainty [illegible] fears for the dollar sent the price of gold in London ~~sky~~ rocketing to over $40 an ounce.

to our capabilities. That effort must be continued and intensified, until we reach ~~if we are to maintain progress toward~~ our goal of full balance in

In the conduct of economic policy, moderation is no vice -- it is an absolute and virtuous necessity. It is that quality, among others, that has accounted, not only for the remarkable progress in our domestic economy during the past three and one-hal years, but also for ~~the~~ our satisfactory progress in reducing the deficit in our balance of payments.

As you know, our international accounts are much improved. In the first half of last year, the balance of payments deficit on regular transactions ran at an annual rate of $5 billion. In the first half of this year, the deficit on this same basis was reduced by over 60 percent to an annual rate of $1.8 billion. We can credit this sharp improvement to smaller capital outflows as a result of the special measures we took in July of 1963, to the continued improv ment in our exports, and to continuing reductions in Government spending overseas.

this reason that the Treasury opposed a "quickie" tax cut in the summer of 1962, even though many [redacted] economists and business leaders were calling for ~~it~~ just such a because they feared that a recession was imminent. And ~~I~~it was for this very same reason that the Treasury last spring strongly opposed the fiscall irresponsible attempt to attach, without the slightest examinatio in the proper Congressional Committees, an additional half billio dollar excise tax cut to this year's carefully considered income tax reductions.

And it is for precisely the same reason that no one with the slightest understanding of fiscal affairs and economic events -- with the slightest awareness of how fluid is their current shape, let alone their future course -- could countenance the prospect of blindly and irrevocably binding us to annual tax cuts for many years ahead regardless of the future state of the economy.

Those ~~These~~ buoyant results raise the prospect of further tax cuts in the future. By next year, we should be in a position to undertake an overhaul of the welter of excise taxes remaining from World War II days. We have about 75 categories of such taxes on the books today, and their labyrinthine complexity requi <u>not</u> the random repeal of a few taxes, but a thorough-going revisi based on a comprehensive study of them all, which the Treasury already has well underway. It will benefit enormously from the e amassed by the House Ways and Means Committee during public heari this past summer. and Once our excise system is revamped, further economic advances ~~should~~ can open the way to additional reductions in income taxes in the years ahead.

A word about timing may be in order here: Taxes are all-pervasive and deeply influence all facets of our lives. They should be changed only after the most careful study. It was for an increase of $26 billion in the marketable debt maturing in more than five years, while at the same time the under-five-year debt has been reduced by $7-1/2 billion. By thus lengthening the average maturity of the debt and placing large amounts of longer-term securities in the hands of institutional investors we have avoided any build-up in inflationary potential.

As you know, one of the basic beliefs underlying our economi policies is that the chronic budget deficits which began in the mid-Fifties are not the willful product of wasteful spending. Instead, we view them as the unwanted, unwelcome children of a delinquent economy -- an economy that has not lived up to its potential. Today, the rising revenues generated by a growing economy are carrying us toward one of our primary goals -- a balanced budget in a balanced economy. Our policy of tax reducti coupled with rigorous expenditure control, is clearly working and year 1964 are now expected to exceed $44 billion -- 13 percent more than in 1963.

Our satisfaction over such economic advances is compounded by our success in achieving a record of price stability unexcelled by any other major industrialized country in the entire free world.

An essential element in maintaining price stability has been the Treasury's successful effort to finance our budget deficits in a conservative, non-inflationary manner. Since January 1961, commercial bank holdings of Government securities have declined by $3-1/2 billion. Not only have our deficits been completely financed outside the commercial banking system, but we have lengthened the average maturity of the marketable debt from four years and six months in January 1961, to five years and four months at the end last month, the highest since mid-1956. The total increase in the Government's marketable debt from January 1961 to August 1964 amounted to $18-1/2 billion. This has been more than matched by

1964 saw the highest annual recurring savings ever achieved under this program. Moreover, fiscal 1962 and 1963 were the third and fourth best years of the entire program. Our four year total savings exceed those of any earlier four year period by almost 50 percent.

With this I rest my case. The figures speak for themselves. They show that the past four years have witnessed the most frugal operation of our Federal Government in many years.

It is precisely because expenditure increases since 1961 have been so strictly limited to clearly essential items that it was possible in 1963 to propose -- and this year to set in motion -- the large additional boost in investment incentives contained in the Revenue Act of 1964. The stimulative effect of that tax cut, together with depreciation reform and the investment tax credit, will be large and lasting. The response is already clearly evident: Plant and equipment expenditures for the full

On the contrary, with all items included, Federal budget expenditures in fiscal 1965, as a percentage of Gross National Product, will be at their lowest point since 1951, and the nationa debt, also as a percentage of Gross National Product, will be lower tha it was in 1939 before the onset of World War II. Ten years ago, 33.3 percent of all Government employees were Federal; today, only 24.9 percent are.

Beginning with his first Budget Message, President Johnson has demonstrated amply and repeatedly his conviction that Government must apply the sternest tests of efficiency and frugality to all of its activities. For example, he has ordered three successive drops in Federal employment ceilings, and actual Federal employment at the end of this past fiscal year was more than 20,000 below the level of a year earlier. For another, example, in my own Treasury Department we have had ~~a~~ an active Management Improvement Program in effect for the past 18 years. Yet fiscal also leaves out the basic policy decision to step up our space program and regain the lead we lost to the Soviet Union at the time of Sputnik. However much one may disagree with that decision, it alone cannot be used to characterize the record of the past four years as a "spending spree."

and planned, on all Federal budget items other than defense, space and interest, will have been limited to a total of about $4 billio

I wonder how those who have recently characterized that increase as "a ~~white~~ wild spending spree" would characterize the record of the preceding four fiscal years, 1957-61, when ~~these~~ those same expenditure items increased by a full $6 billion -- or by half again as much? As a former member of President Eisenhower's Administration, I can testify that he worked ~~extremely~~ long and hard to hold down government spen

for that very reason, I believe that President Johnson, and Presid Kennedy before him, deserve the fullest credit for their success in reducing that earlier $6 billion increase by a full 33%.

I recogn that this comparison between Administrations leaves out the subst -- and unavoidable -- increases in defense expenditures since 196 But I do not think that in these days any responsible person can question the national need ~~for~~ on adequate military defense. That comparison in encouraging greater capital formation and faster economic growth. This was, of course, the 1964 tax cut, which reduced individual and corporate income taxes by $11.5 billion dollars. Those reductions could not prudently have been proposed any sooner For, from the beginning of 1961, it was clear that an increase in Government outlays for defense and space was inevitable, and we had to expect continued moderate increases in the interest cost on the national debt.

Because of those unavoidable increases for defense, space, ar debt service, it was imperative that we exercise the closest conti over all other budget costs. In this we have been supremely successful, as one simple comparison makes crystal clear: Over

through 1965

the four fiscal years 1961 ~~[illegible]~~ expenditure increases, incurred these two measures

The combined effect of ~~realistic depreciation rules and the investment tax credit~~ has been to increase the profitability of a typical investment in new equipment by more than 25 percent. 3le ~~The~~ impact ~~of these two measures~~ in terms of incentives to invest was equivalent to a reduction in the corporate profits tax from 52 percent to about 38 percent.

In this connection, the Treasury has, as you know, contracted with the National Industrial Conference Board to conduct a survey of company experience with the 1962 Depreciation Guidelines and Ru The results of that survey, which will be available in a few weeks should provide valuable data for a broad review of those Guideline and in particular of the Reserve Ratio test. They should be most helpful in determining what, if any, adjustments may be necessary in our current regulations.

This year we took another -- and even larger -- fiscal step business ingenuity and drive, freed of artificial brakes upon expansion and given proper Government encouragement, could not only meet the challenge of foreign competition but could also provide the jobs that were so badly needed here at home. We saw no reason to continue with policies that hindered investment. So we moved quickly to carry out two major fiscal steps that would provide substantial and long overdue increases in the incentives for private domestic investment in new plant and equipment:

First, the Treasury completely revised depreciation guidelin for tax purposes. That was the first such revision in more than twenty years -- although those twenty years had witnessed vast changes in industrial practice.

Second, a tax credit of seven percent on new investment in machinery and equipment was included as a key element in the Reve Act of 1962, and was further strengthened in the Revenue Act of 1964.

"hard-core" unemployment in our history.

Long-range gains in employment and output also depend critically upon our ability to carry on a high rate of capital formation -- not just in fits and starts, but steadily over time, in response to expanding markets and emerging profit opportunities. There was a disturbing tendency in the 1950's for business fixed investment to decline as a percentage of total national output. Even worse, that decline was permitted to occur at a time when many other countries were rapidly expanding their capital facilit[illegible] and replacing obsolescent plant and equipment. As a result, those countries became increasingly formidable competitors in international markets.

When we were confronted with this situation in early 1961, we recognized that American free enterprise was hampered by policies that had long been restricting investment. We believed that Amer farm employment has risen by 4.3 million. Unemployment as a percentage of the civilian labor force has fallen from 6.9 percent in February 1961 to last month's 5.1 percent. ~~in August 1964.~~ During that same period, the rate of unemployment for married men -- an important indicator -- declined even more sharply, from 4.7 percent to 2.6 percent.

As the economy continues to rise we will continue to bring the unemployment rate down. However, the closer we come to our interim goal of four percent unemployment, the nearer we get to so-called "hard core," or "structural," unemployment. Policies designed to speed overall economic growth cannot in themselves alleviate that kind of unemployment, which calls for special measures, both government and private, specifically designed to root out its causes. That is a major goal of the recently-enacte anti-poverty bill, the most powerful and imaginative attack on it is essential that we continue to make large productivity increases and to exercise overall restraint in wage bargaining and in pricing policy.

More than anything else, it has been the rapid strides in productivity over the past three and a half years that have helped to keep manufacturing labor costs per unit of output from rising, despite steady increases in wages. Wholesale price levels have been stable since early 1961, and increases in consumer prices have been very moderate. Profits have steadily expanded. As a result, our competitive position abroad has become much stronger -- and, here at home, the gains from a more productive economy are being widely and equitably shared, instead of being eaten up by price increases.

We have also made good progress in reducing unemployment, although we still have a long way to go. Since February 1961, not to display remarkable vigor and balance. This record of longevity strength, and balance, is particularly impressive in view of the successively shorter lives of earlier postwar expansions.

From the first quarter of 1961 to the second quarter of 1964, our Gross National Product in constant dollars has risen by $93.7 billion -- an annual rate of increase in real terms of about 5.3 percent. The Federal Reserve Board's index of industrial production has risen even more sharply. By August of this year, the production index was 28.9 percent above its February 1961 level -- an annual rate of increase of 7.3 percent.

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Then, Mr. Palmer sums up the present by saying:

"In the past several years, however, American business has enjoyed one of the longest peacetime recoveries of this century. The vitality of the current recovery is reassuring evidence of the underlying strength of the economy."

This remarkable change did not just happen. It was due to th conscious and successful efforts of government to provide a climat in which our free enterprise system could flourish -- a conscious decision to place primary emphasis on stimulating the private sector of our economy rather than on massive governmental action.

Before discussing these policies let us look at the record. The current recovery, as you know, is now well into its fourth yea and -- if we measure it against previous experience -- should long ago have drawn its last breath. Nevertheless, the expansion conti

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SECRETARY OF THE TREASURY
BEFORE THE NATIONAL INDUSTRIAL CONFERENCE BOARD
AT THE WALDORF-ASTORIA HOTEL, NEW YORK, N.Y.
THURSDAY, SEPTEMBER 17, 1964, 12:00 P.M. EDT.

In assessing the economic outlook for 1965, it is important that we take stock of where we are and how we got here. It is also important, in the buoyant, even exuberant, economic climate of this Fall, to recall how different was the climate in the Fall of 1960. I have read no better description of those days than the words of your President, Bruce Palmer, who, in setting the tone for this meeting, said, and I quote:

"At the beginning of the Sixties both the short-term and the long-term business outlook were clouded with uncertainty. In particular, much attention was directed to the fact that the postwar expansions were getting shorter, and that the rate of economic growth appeared to be slowing. The unemployment rate seemed to be deteriorating progressivel and business expansion and investment were being held in

TREASURY DEPARTMENT
Washington

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IN NEW YORK AND WASHINGTON
AT 12:00 NOON, EDT, THURSDAY,
SEPTEMBER 17, 1964

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We have also made good progress in reducing unemployment, although we still have a long way to go. Since February 1961, non-farm employment has risen by 4.8 million. Unemployment as a percentage of the civilian labor force has fallen from 6.9 percent in February 1961 to last month's 5.1 percent. During that same period, the rate of unemployment for married men -- an important indicator -- declined even more sharply, from 4.7 percent to 2.6 percent.

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When we were confronted with this situation in early 1961, we recognized that American free enterprise was hampered by policies that had long been restricting investment. We believed that American business ingenuity and drive, freed of artificial brakes upon expansion and given proper Government encouragement, could not only meet the challenge of foreign competition but could also provide the jobs that were so badly needed here at home. We saw no reason to continue with policies that hindered investment. So we moved quickly to carry out two major fiscal steps that would provide substantial and long overdue increases in the incentives for private domestic investment in new plant and equipment:

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In this connection, the Treasury has, as you know, contracted with the National Industrial Conference Board to conduct a survey of company experience with the 1962 Depreciation Guidelines and

Rules. The results of that survey, which will be available in a few weeks, should provide valuable data for a broad review of those Guidelines and in particular of the Reserve Ratio test. They should be most helpful in determining what, if any, adjustments may be necessary in our current regulations.

This year we took another -- and even larger -- fiscal step in encouraging greater capital formation and faster economic growth. This was, of course, the 1964 tax cut, which reduced individual and corporate income taxes by $11.5 billion. Those reductions could not prudently have been proposed any sooner. For, from the beginning of 1961, it was clear that an increase in Government outlays for defense and space was inevitable, and we had to expect continued moderate increases in the interest cost on the national debt.

Because of those unavoidable increases for defense, space, and debt service, it was imperative that we exercise the closest control over all other budget costs. In this we have been supremely successful, as one simple comparison makes crystal clear: Over the four fiscal years 1961 through 1965, expenditure increases, incurred and planned, on all Federal budget items other than defense, space, and interest, will have been limited to a total of about $4 billion.

I wonder how those who have recently characterized that increase as "a wild spending spree" would characterize the record of the preceding four fiscal years, 1957-61, when those same expenditure items increased by a full $6 billion -- or by half again as much? As a former member of President Eisenhower's Administration, I can testify that he worked long and hard to hold down government spending. For that very reason I believe that President Johnson, and President Kennedy before him, deserve the fullest credit for their success in reducing that earlier $6 billion increase by a full 33 percent.

I recognize that this comparison between Administrations leaves out the substantial -- and unavoidable -- increases in defense expenditures since 1960. But I do not think that in these days any responsible person can question the national need for an adequate military defense. That comparison also leaves out the basic policy decision to step up our space program and regain the lead we lost to the Soviet Union at the time of Sputnik. However much one may disagree with that decision, it alone cannot be used to characterize the record of the past four years as a "spending spree."

On the contrary, with all items included, Federal budget expenditures in fiscal 1965, as a percentage of Gross National Product, will be at their lowest point since 1951, and the national debt, also as a percentage of Gross National Product, will be lower than it was in 1939 before the onset of World War II. Ten years ago, 33.3 percent of all Government employees were Federal; today, only 24.9 percent are.

Beginning with his first Budget Message, President Johnson has demonstrated amply and repeatedly his conviction that Government must apply the sternest tests of efficiency and frugality to all of its activities. For example, he has ordered three successive drops in Federal employment ceilings, and actual Federal employment at the end of this past fiscal year was more than 20,000 below the level of a year earlier. For another example, in my own Treasury Department we have had an active Management Improvement Program in effect for the past 18 years. Yet fiscal 1964 saw the highest annual recurring savings ever achieved under this program. Moreover, fiscal 1962 and 1963 were the third and fourth best years of the entire program. Our four year total savings exceed those of any earlier four year period by almost 50 percent.

With this I rest my case. The figures speak for themselves. They show that the past four years have witnessed the most frugal operation of our Federal Government in many years.

It is precisely because expenditure increases since 1961 have been so strictly limited to clearly essential items that it was possible in 1963 to propose -- and this year to set in motion -- the large additional boost in investment incentives contained in the Revenue Act of 1964. The stimulative effect of that tax cut, together with depreciation reform and the investment tax credit, will be large and lasting. The response is already clearly evident: Plant and equipment expenditures for the full year 1964 are now expected to exceed $44 billion -- 13 percent more than in 1963.

Our satisfaction over such economic advances is compounded by our success in achieving a record of price stability unexcelled by any other major industrialized country in the entire free world.

An essential element in maintaining price stability has been the Treasury's successful effort to finance our budget deficits in a conservative, non-inflationary manner. Since January 1961, commercial bank holdings of Government securities have declined by $3½ billion. Not only have our deficits been completely financed outside the commercial banking system, but we have lengthened the average maturity of the marketable debt from four years and six months in January 1961, to five years and four months at the end of last month, the highest since mid-1956. The total increase in the Government's marketable debt from January 1961 to August 1964 amounted to $18½ billion. This has been more than matched by an increase of $26 billion in the marketable debt maturing in more than five years, while at the same time the under-five-year debt has been reduced by $7½ billion. By thus lengthening the average maturity of the debt and placing large amounts of longer-term securities in the hands of institutional investors, we have avoided any build-up in inflationary potential.

As you know, one of the basic beliefs underlying our economic policies is that the chronic budget deficits which began in the mid-Fifties are not the willful product of wasteful spending. Instead, we view them as the unwanted, unwelcome children of a delinquent economy -- an economy that has not lived up to its potential. Today, the rising revenues generated by a growing economy are carrying us toward one of our primary goals -- a balanced budget in a balanced economy. Our policy of tax reduction, coupled with rigorous expenditure control, is clearly working and working well.

These buoyant results raise the prospect of further tax cuts in the future. By next year, we should be in a position to undertake an overhaul of the welter of excise taxes remaining from World War II days. We have about 75 categories of such taxes on the books today, and their labyrinthine complexity requires, not the random repeal of a few taxes, but a thorough-going revision based on a comprehensive study of them all, which the Treasury already has well underway. It will benefit enormously from the evidence amassed by the House Ways and Means Committee during public hearings this past summer. And once our excise system is revamped, further economic advances can open the way to additional reductions in income taxes in the years ahead.

A word about timing may be in order here: Taxes are all-pervasive and deeply influence all facets of our lives. They should be changed only after the most careful study. It was for this reason that the Treasury opposed a "quickie" tax cut in the summer of 1962, even though many economists and business leaders were calling for just such a cut because they feared that a recession was imminent. And it was for this very same reason that the Treasury last spring strongly opposed the fiscally irresponsible attempt to attach, without the slightest examination in the proper Congressional Committees, an additional half billion dollar excise tax cut to this year's carefully considered income tax reductions.

And it is for precisely the same reason that no one with the slightest understanding of fiscal affairs and economic events -- with the slightest awareness of how fluid is their current shape, let alone their future course -- could countenance the prospect of blindly and irrevocably binding us to annual tax cuts for many years ahead regardless of the future state of the economy.

In the conduct of economic policy, moderation is no vice -- it is an absolute and virtuous necessity. It is that quality, among others, that has accounted, not only for the remarkable progress in our domestic economy during the past three and one-half years, but also for our satisfactory progress in reducing the deficit in our balance of payments.

As you know, our international accounts are much improved. In the first half of last year, the balance of payments deficit on regular transactions ran at an annual rate of $5 billion. In the first half of this year, the deficit on this same basis was reduced by over 60 percent to an annual rate of $1.8 billion. We can credit this sharp improvement to smaller capital outflows as a result of the special measures we took in July of 1963, to the continued improvement in our exports, and to continuing reductions in Government spending overseas.

We have also stemmed the decline in our gold stock. Gold losses, which began on a large scale in 1958, averaged $1.7 billion annually for the three years 1958 through 1960. We managed to approximately halve those losses in 1961 and 1962, and then cut them to well under $500 million in 1963. So far this year, our total gold stock has actually increased. And that is not all. On August 31, for the first time since 1957, when the Suez Crises sent gold pouring to our shores, our total gold stock showed a modest gain over the previous year. Twelve months without the loss of a single ounce of gold -- a far cry from the situation just four years ago, when fears for the soundness of our dollar sent the price of gold in London skyrocketing to over $40 an ounce. Having returned only a few days ago from the annual meetings of the International Monetary Fund and the World Bank in Tokyo, I can certify that today, unlike four years ago, there is everywhere the firmest confidence in our ability to maintain the fixed relationship between gold and the dollar that anchors the entire international financial system. Behind these gains lies constant effort to strengthen our competitive position in the world and to limit our commitments to our capabilities. That effort must be continued and intensified until we reach our goal of full balance in our international payments.

We have accomplished much in nearly four years, but there is much more to be accomplished. No future challenge will be more crucial than maintaining our excellent record of cost-price stability and avoiding the inflation that could easily eat up the gains we have struggled so hard to achieve, that could once again threaten the value of our dollar, and that could destroy all our efforts to bring our international payments into balance.

As we stand, then, on the threshold of 1965, we find ourselves on firm economic ground, on the secure foundation of three and a half years of unparalleled progress on all economic fronts. Equally great gains lie before us if only we adhere to the policies to whose soundness and success our economy attests on every hand as it continues its record-breaking march.

Those policies are distinguished by their practicality -- by their flexibility -- by their prudence -- by their freedom from extremes and from rigid dogma -- and by their ability to adapt to the needs of our rapidly changing economic scene. It is those characteristics that have enabled us to simultaneously achieve different, even disparate, economic goals. Only policies that are responsive to events can be equal to events. Should we ever revert to policies that neither respect nor reflect the rapidly changing realities of today's world, then we must be prepared once again to be overwhelmed by events.

If, instead, we have the will to persevere with economic policies that have proved themselves to be both sound and sensible, realistic and responsible -- then there is every prospect that the solid accomplishments of the past three and a half years can not only be sustained, but surpassed.

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TREASURY DEPARTMENT
Washington

FOR RELEASE 12:00 NOON EDT
FRIDAY, SEPTEMBER 18, 1964

REMARKS OF THE HONORABLE DOUGLAS DILLON
SECRETARY OF THE TREASURY
BEFORE THE COMBINED FEDERAL CAMPAIGN RALLY,
CONSTITUTION HALL, WASHINGTON, D.C.
SEPTEMBER 18, 1964, 12:00 NOON, EDT

Ladies and gentlemen -- my fellow workers -- our first meeting here today launches a brand new endeavor: the first Combined Federal Campaign ever undertaken by Government employees in the Washington area. It is truly a great step forward.

Only eight years ago, fund-raising within the Federal establishment was in a state of chaos. Many worthy organizations, all equally deserving of our help, were asking us to give, not only our money, but our time to support their various needs. Inevitably, this meant considerable duplication of effort. What's more, it wasted countless thousands of manhours as we were called upon to help in one campaign after another.

The first major reform was instituted in 1956. To bring a more orderly and economical way of campaigning within the Federal establishment to us here in Washington, President Eisenhower, by executive order, reduced the number of campaign periods to two: the United Givers Fund, which included the Red Cross, in the Fall, and the campaign for the Joint Federal Crusade and the National Health Agencies in the Spring. As a result, we were asked to give only twice instead of many times, and there were impressive savings in the manhours required for the two campaign periods.

Still, the situation was far from perfect. An obvious question remained: if significant economies are achieved by combining a multiplicity of campaigns into two, wouldn't even greater savings in time and campaign costs be realized by combining two into one? The question was translated into action two years ago, when President Kennedy ordered work begun in earnest to see if the two campaign periods could be combined. This year, the Civil Service Commission, the United Givers Fund, the National Health Agencies, and the International Service Agencies, reached an agreement making possible the Combined Federal Campaign -- which, in this initial-prone city, will be familiarly known as the CFC.

This first combined Federal campaign is a test drive -- one of six being carried on in various cities across the nation. As we begin, let us keep this fact in mind:

The CFC has come into existence primarily because we, as Government employees, wanted it. It is, therefore, doubly important that we in the Washington area make this kickoff campaign a real success so that it will be continued here and ultimately be extended to other cities.

All of you know that President Johnson is vitally concerned with effecting economies in the work of Federal agencies. That is one reason why he has given his enthusiastic support to the CFC drive.

There are approximately 25,000 workers in the drive. They will devote the equivalent of about two days to their assignments. Since, thanks to the CFC, they will be doing this good work just once, not twice, we will save about 400,000 manhours -- a truly impressive economy of the taxpayers' time and money.

There is another, even more important factor: there are many causes -- more than 150 in all -- included in this CFC campaign. They all have varying degrees of appeal and have earned varied allegiance. Some contributors may be particularly interested in the work of the Red Cross because of its life-saving blood program. Others may have children in the Scouts or know of some one who may have been helped by the agencies for retarded children. Many may feel a deep attachment to the work of the hospitals and health agencies because of a family experience with a cancer victim, a heart patient, or some other severe illness. Still others may feel the compassionate need to help impoverished people in other countries through CARE.

Whatever our differing loyalties may be, all of us share one thing in common: to be sure that the greatest possible share of the contribution we give goes to the work we choose to support. This year's single CFC drive is uniquely constituted to ensure just this. By combining the drives of three separate groups of agencies into one fund-raising costs will be substantially reduced. This means that the agencies of UGF, the National Health Agencies, and the International Service Agencies all will have more money to carry on their important work.

A third and possibly even more important factor in the CFC campaign -- and a goal we have long sought -- is that for the first time, contributing will be made easier by the provision for voluntary payroll allotments. Payroll allotment is not only convenient to the individual giver, it is economical and efficient for the benefitting agencies. A contributor making a gift by payroll allotment can budget his charitable contribution throughout the entire year. This will make it easier to give more generous gifts, and you should bear this in mind in all your campaign efforts. This arrangement will also save time and money for the various agencies by cutting down on the amount of paper work and direct billing previously required.

When you make your gift to CFC, and ask others to make theirs, I hope your compassion and understanding of the needs of others will make your contributions and volunteer efforts even more generous than they have been in the past.

As President Johnson said in his special message of June 11: "Your dollars will work for the many in your community, the Nation, and around the world who so greatly need our help. I urge you to give generously to the combined appeal."

Our Government-wide quota is $4,350,000. Our goal should be far in excess of that. We should strive for a minimum of $5,100,000. And we should achieve that goal.

Thank you for agreeing to be a part of this Combined Federal Campaign.

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

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

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 without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on September 30, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, September 18, 1964

TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $ 1,000,000,000 , or thereabouts, of 365 -day Treasury bills, for cash and in exchange for Treasury bills maturing September 30, 1964 , in the amount of $ 1,001,960,000 , to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated September 30, 1964 , and will mature September 30, 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, Thursday, September 24, 19
Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders th price offered must be expressed on the basis of 100, with not more than three dec imals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a ban discount basis of 360 days, as is currently the practice on all issues of Treasur 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

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WASHINGTON, D.C.
September 18, 1964

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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 tende for $200,000 or less without stated price from any one bidder will b accepted in full at the average price (in three decimals) of accepte competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on September 30, 1964, in cash or other immediately available funds in a like face amount of Treasury bills maturing September 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.

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TREASURY DEPARTMENT
Washington

FOR SIMULTANEOUS RELEASE UPON
DELIVERY IN MONTREAL AND WASHINGTON

REMARKS BY STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE TAX EXECUTIVES INSTITUTE
MONTREAL, QUEBEC, CANADA
SEPTEMBER 21, 1964 - 9:30 AM, EDT

THE UNITED STATES TAX SYSTEM AND INTERNATIONAL TAX RELATIONSHIPS -- PERSPECTIVE IN 1964

I appreciate the opportunity to meet with you and discuss recent trends in international tax relationships. Much has happened in the last four years respecting United States tax policy in the international field. It may therefore be helpful to review these developments and place them in perspective. The main focus in this consideration will be to project these developments into the future, and to ascertain some of the aspects that will require our thought and attention in the next few years. I will divide this consideration into three main parts -- income tax treaties, United States statutory taxation of foreign income, and United States statutory taxation of foreigners.

Since the consideration covers a wide area and in some instances is rather detailed, it may be helpful to summarize at the outset the principal matters discussed. The following summary represents the significant areas of current activity in United States international tax relationships.

SUMMARY

The Treasury Department is seeking in a wide range of activity to improve the rules and procedures applicable to the taxation of income earned abroad by United States taxpayers and income earned in the United States by foreigners. The governing purpose of this activity is to modernize international tax rules and mechanisms in the interest of: (1) reducing tax restrictions on the free flow of capital and goods between developed countries, and

(2) increasing United States private activity, especially private investment, in less developed countries.

The reduction of tax restrictions on international trade and investment between developed countries lies primarily in lessened taxation by the country in which the income arises. This step should be of material assistance to United States companies trading abroad in developed areas and to United States companies which have established operating activities abroad, since it will remove a number of tax problems now faced by such companies in these countries. In the same fashion, a removal of problems faced by foreigners under United States taxation will promote increased foreign investment and trade in the United States.

As respects less developed countries, the approach is that of encouraging United States private activity through United States tax incentives to private investment in those areas. This approach is to be accompanied by a lessening of the tax problems now arising for our investors, traders and others under the laws of the less developed countries, without at the same time causing those countries a revenue sacrifice which they find unacceptable.

This overall program is being carried out by: (1) reshaping our income tax treaties with developed and less developed countries, (2) the issuance of comprehensive Regulations under the 1962 Revenue Act provisions relating to foreign income, (3) improvement in the guidelines and procedures applied by our Internal Revenue Service in the administration of our laws relating to foreign income, and (4) consideration of a broad revision of United States statutory rules governing the taxation of foreigners receiving income from the United States.

1. As to treaties with developed countries, the United States is engaged in an intensive re-examination of our existing income tax treaty provisions, prompted by the desire to modernize these provisions and, where appropriate, bring them into conformity with the recently published OECD Model Draft. This re-examination substantively moves in the direction of lessened taxation by the country of the source of income -- for example, non-taxation of capital gains of foreigners, allowing increased activity by trading companies without subjecting those activities to taxation at the source, separating the taxation by the country of source of operating activities from that of investment income, thereby leaving the latter usually subject to the lower rates of tax under the treaties.

This substantive re-examination is being accompanied by improved drafting techniques, a revision of the method of issuing Regulations under the treaties with the objective of achieving a master set of United States treaty Regulations, and -- a very significant matter -- an improvement in the treaty techniques for inter-governmental arrangements. The objective of the last mentioned matter is to eliminate, or reduce, possible double taxation growing out of administrative allocations of income and expense by the tax authorities of the United States or other countries between the related entities of a taxpayer engaged in operations in the United States and abroad.

2. As to treaties with less developed countries, the United States is engaged in discussions with a number of less developed countries on the basis of a new approach to income tax treaties with them. In order to encourage private investment in these countries the United States is offering to extend, through such treaties, a 7 percent credit comparable to that now allowed on investment in the United States (adopted in the 1962 Act), to investment in less developed countries. As a companion treaty tax incentive it is also suggesting deferral of current taxation by both the United States and the foreign country of compensation received in the form of stock in a foreign corporation in return for transferred technical know-how, patents, technical services, and the like. This extension of the 7 percent credit by treaty is separate from the consideration now being given in Congress to the President's recommendation for a 30 percent credit through statutory enactment, on which it is presumed hearings will be held next year. The new approach also involves a lessening, through appropriate treaty provisions, of the problems for our investors, traders, business visitors, and others arising under the tax laws of these countries without at the same time involving them in a loss of tax revenues which they would find unacceptable.

Tentative agreements have already been reached with Thailand and the Philippines. The former incorporates various provisions relating to investment including the 7 percent credit and tax deferral on stock compensation, and both embody significant clauses protecting the taxpayers of one country against discriminatory tax treatment by the other treaty country.

3. As to Regulations under the 1962 Act, the Treasury expects to complete publication of all the foreign income regulations by the end of the year. These Regulations, comprehensive in scope, are designed to facilitate the transition to the new 1962 rules. The Regulations on the determination of the earnings and profits of a foreign subsidiary, formulated with the invaluable advice of experts drawn from our major international accounting firms, are

a significant step in the development of international tax accounting rules. The Service plans to continue to obtain expert consultant guidance in its application of these rules. The Regulations on the minimum distribution rule adopt a simplified application of that rule permitting a taxpayer to obtain the protection the rule affords without being involved in complex detail.

4. As to improved tax administration, the Treasury expects that comprehensive proposed Regulations governing section 482 allocations and a comprehensive Revenue Procedure regarding section 367 rulings will be issued by the end of this year. These steps are a phase of the study of the problems now arising under section 482 allocations and related matters. Another example of the steps here being taken is the consideration of various methods of alleviating a double taxation situation for past years where foreign taxes have been paid on income subject to reallocation under section 482. One approach which the Internal Revenue Service is considering is that of adjusting any proposed deficiency by the amount of foreign taxes paid. As respects internal Internal Revenue Service procedures, a Service order to be issued in the near future will place the existing Field Groups of the Office of International Operations under the supervision of the District Directors, with close coordination between the field activities and Washington to be assured under the regular procedures for that purpose. The combination of these actions should eliminate many of the present problems facing taxpayers and the Service alike in the transition to an improved tax administration capable of handling with wisdom and responsibility the tax issues involved in modern international tax relationships.

5. As to the United States taxation of the income of foreigners, the Treasury is engaged in a comprehensive re-examination of our hitherto little-noticed statutory rules governing the tax liabilities of foreigners receiving income from the United States. This re-examination, stemming in large measure from the recent Report of the President's Task Force on Promoting Increased Foreign Investment in United States Corporate Securities (the Fowler Report), bears promise of legislative proposals which would modernize this area through removing aspects of our laws that are unnecessarily restrictive to the investment or other activity of foreigners in the United States, and, further, coordinate these legislative developments with our tax treaty program.

I. INCOME TAX TREATIES

The pace of income tax treaty negotiation and the scope of the issues relating to these treaties have increased materially in the last year or so. The causes are varied, and can best be considered, along with their consequences, by separating the subject into three principal classes -- income tax treaties with developed countries, those with less developed countries, and discussions involving international agencies and conducted on a multi-national basis.

Developed Countries

As respects the developed countries, the ratification of the treaty with Luxembourg gave the United States a full complement of tax treaties with the European Common Market countries. Moreover we have treaties with almost all of the developed countries, the principal exceptions being Spain and Portugal. But the conclusion of tax treaties cannot remain a static process. The impact on internal tax legislation of changing currents in the business, financial and political spheres is evident to all who follow that subject, and is responsible for constant revision and development in domestic tax legislation. But while these changes are equally present in the international scene, their effect on the substance and scope of the tax treaties to which the United States is a party has until recently been far less pronounced. The balance is now being redressed, however, as the result of several forces, and as a consequence, the United States is now engaged in a wide ranging re-examination of the provisions contained in its tax treaties.

One major force has been the publication in 1963 of the OECD Draft of a model income tax Convention. This effort, commenced in 1958, was designed to provide "a means of settling on a uniform basis the most common problems of double taxation." Once published, despite the many reservations of the participating countries -- and the United States had significant reservations -- the Draft Convention has become the starting point for the developed countries as they engage in treaty discussions. Most of the European countries, for example, desire at least to begin with the text of the Draft Convention and to follow it as closely as possible. In turn, however, as countries apply the Draft Convention to concrete treaty issues, the many problems of interpretation and application that are involved begin to emerge. Any concentrated examination of the precise words and effect of a tax provision that penetrates below the surface of the provision is bound to disclose ambiguities, shortcomings and unsolved questions. The effort to deal with these difficulties has involved the United States in a very considerable concentration on the technical aspects of our treaties.

Another force for change has been the spillover to treaties of the concentration of technical attention that has characterized United States tax legislation. As tax expertise spreads wider and as the impact of taxation on the expanding horizons of business produce more and more "tax problems", more people are seeking to embody solutions to more of these problems in the provisions of tax treaties. The money value of these problems has also risen in significance with the growing importance of international business. In addition to its responsibility for considering these problems thus presented to it, Government also has its own rising tide of problems that demand attention. The increasing importance of balance of payments factors adds a new dimension that must constantly be borne in mind. The adeptness with which tax experts -- here and abroad -- join tax treaty provisions with domestic legislation tends to produce exquisite structures of tax reduction and avoidance -- witness the arrangements flowing from the Netherlands Antilles tax treaty before its recent revision. This demands an equal alertness and agility on the part of Government. In addition, changing national tax legislation and policies have their impact on international rules, and thereby require re-examination and renegotiation of those rules.

Combined with these two forces is the fact that many of our treaties were concluded some time ago -- the treaty with France signed in 1939 is an example -- so that they are in need of revision almost in their own right apart from these forces. With the increasing tempo of events, these earlier treaties more clearly show their age.

Substantive Re-examination

These are some of the forces for change. Let us turn to the treaty provisions in which they are likely to produce change. Almost every provision of our tax treaties is undergoing re-examination, both in substantive scope and drafting, so that an exhaustive description is impossible. I have therefore selected for mention several of the more significant matters.

Force of Attraction

The standard U. S. tax treaty has up to now provided that if a foreign taxpayer has a permanent establishment in the

United States, then all of its investment income and all of its business income from United States sources becomes subject to our regular rates of tax. As a consequence, for example, any reduced rates of withholding tax applicable under the treaty to dividend, interest or royalty income cease to apply. In this sense the permanent establishment "attracts" the income not in fact attributable to it. The OECD Draft Convention, following some of the European treaties, takes a contrary approach which does not embody this "force of attraction". Under it the presence of the permanent establishment permits taxation of the profits in fact attributable to it, but other items of income continue to be taxed under the treaty rules independently applicable to the various items.

The United States entered a reservation to this OECD Draft approach. Nevertheless, we have been giving it considerable study. Our present view is that we are ready to explore with other treaty countries the development of an appropriate clause. Such an approach which departs from our traditional provisions in the direction of the OECD approach, but which attempts to avoid some of the administrative problems and policy dilemmas which we believe would be entailed by outright acceptance of the OECD clause, would be in keeping with our overall national policy of encouraging international trade. For example, under this approach a U. S. exporter whose affairs required a degree or form of activity involving permanent establishment status abroad would not at the same time subject its other income to increased foreign taxation. It would make unnecessary the practice under the existing treaties of artificially "isolating" the business activities in a subsidiary solely to prevent the force of attraction from affecting the taxpayer's other foreign income. Moreover, this approach, as respects activity in the United States, would be in accord with our policy of encouraging foreign investment in the United States.

Under such a provision investment income and also business income from activities unrelated to the business in which the permanent establishment is engaged would not be attracted to it and would not be taxable as part of its income. The agreement with Germany on the matters to be incorporated in a new protocol embodies a provision to this effect. We are proceeding carefully with this approach, trying to eliminate at the start problems which may result from the interaction of the provision with our domestic source rules and also keeping an eye on the administrative problems involved.

Definition of Permanent Establishment

The OECD Draft Convention has introduced further particularity into the definition of permanent establishment, the overall thrust of the changes being to restrict somewhat the scope of the definition. Put differently, a taxpayer engaged in trade and related activities can under the OECD Draft undertake more extensive activities in a foreign country before it acquires a permanent establishment status that subjects its business profits to taxation by that country. Our policy position is to move in this direction, again in keeping with our overall policy of encouraging international trade. A number of drafting difficulties are involved in the attempt to state the boundary lines, and the OECD Draft provision in turn presents some unforeseen ambiguities. We are working through these technical issues, guided by the policy direction I have indicated. We would hope that the countries involved can achieve a greater clarity and completeness in the OECD definition of a permanent establishment.

Capital Gains

The standard U. S. tax treaty up to now has not restricted the jurisdiction of the United States to tax the capital gains of foreigners. On the other hand, the OECD Draft Convention, following the European treaties, restricts taxation of capital gains to the country of residence, other than gains on real property and property forming a part of a permanent establishment. In considering some of our earlier treaties, the Senate was unwilling to relinquish United States tax jurisdiction in this area, influenced partly by the scope of trading activities conducted in this country by World War II refugees. Therefore the United States originally entered a reservation on this subject. Recently, however, we have been exploring the desirability of the OECD approach. It is likely, given the wider scope of capital gains taxation in this country, that other countries will seek this change in our treaties. Such a change would be in keeping with our policy of encouraging foreign investment in the United States. Accordingly, we are now willing to consider the inclusion of such a provision, though we are giving continued consideration to whether we should exempt the trading gains of a foreigner who remains in this country for significant periods of time. Also we must work through the issues relating to an appropriate definition of capital assets for this purpose. The agreement with Germany on a new protocol embodies a capital gain exemption provision and the lines of the new approach will be worked out in that document.

Undistributed Profits

The standard U. S. tax treaty has reserved our right to apply our tax on accumulated profits and our personal holding company tax to the income derived by a foreign corporation from the United States. Again, the OECD Draft Convention takes the opposite approach and would prohibit the application of these taxes. Here also we are exploring the policy and technical ramifications of moving to the OECD approach.

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It will be seen that the thrust of the matters I have been discussing is in the direction of restricting the scope or degree of taxation in the country of source. It cannot be said that all of this is in response to firmly held views in the countries concerned that policies be consciously shaped to this end. On the other hand these developments are in keeping with the pattern of double taxation treaties between developed countries. While the policies to be taken into account in the United States do not all uniformly point to the same result, it seems clear that the direction is toward restricting the scope of our taxation of foreigners currently taxable in the United States on their United States income, if at the same time foreign countries are willing to move in a similar direction.

Effect of Split Corporate Tax Rates and Other Factors on Withholding Rates on Dividends

In several recent negotiations the United States has been presented with the need to consider the relationship of the standard treaty withholding provision on dividend income to a variety of domestic tax policies of the other treaty countries. These tax policies have caused the other contracting parties to seek a treaty withholding rate on dividends going to the United States which would be higher than the United States rate on dividends going to the foreign country. For example, in Germany the tax policy involved is that of a split rate corporation tax under which distributed profits are taxed at a substantially lower rate than undistributed profits. Such an internal policy is said to require a higher withholding rate on dividends paid by a German subsidiary to its foreign parent than is customary under standard treaties and the OECD Draft -- which is 5 percent in certain parent-subsidiary cases and 15 percent on other dividends. In other situations, as in Belgium, the problem may arise from an opposite approach to the internal double taxation of dividends, under which the domestic shareholder receives a tax credit for a part of the corporate tax, and from the internal development of that policy. In other cases, as in Canada, the problem may arise from a desire to differentiate between domestic subsidiaries with a high degree of foreign ownership and those with greater domestic participation.

Whatever the cause of the issue, the United States has found itself in the position of being asked to agree to a treaty provision under which our withholding rate on dividends to a particular country would be less than the rate levied by that country on dividends moving to the United States. We have in these cases -- in order to protect our investors from an increased level of foreign taxation and to protect the United States from revenue loss under the foreign tax credit -- taken the firm position that international withholding rates should be reciprocal and hence we cannot agree to an upward adjustment by other countries to accommodate to their internal tax policies. In the simplest case, for example, the fact that a foreign country may have a corporate tax rate of 30 percent compared to the U. S. 48 percent rate does not warrant a non-reciprocal set of withholding rates under which the rate of the foreign country would be higher than ours. Moreover, we do not prefer a solution which makes the rates reciprocal through an increase in our rate as well, since that course is both contrary to the OECD Draft and to the policy behind that Draft of relieving double taxation and granting more freedom to international capital movements.

Clearly issues of this nature are difficult of resolution, stemming as they do from domestic tax policies of the other country which present difficulties for it in its international economic relations. The United States has held firm to its basic position while at the same time accommodating the most acute problem which that position entailed for the other country. Thus, the tentative protocol with Belgium reduces the Belgian statutory rate from 18.2 percent to a reciprocal 15 percent for shares held in registered form, which form of holding characterizes parent-subsidiary investment, while permitting the higher rate on bearer shares to remain until administrative difficulties involved in applying a reciprocal rate could be solved. Moreover, it was found that in actual practice the Belgian law was such that the rate on bearer shares rarely in fact exceeded 15 percent. The agreement with Germany on a new protocol retains a reciprocal withholding rate of 15 percent but permits Germany to impose an additional 10 percent when the United States parent immediately reinvests the dividend in situations where the reinvestment is more than minor in amount. In Canada, the Canadian Government found that the reduction in the United States corporate tax rate resulting from our 1964 tax legislation permitted the problem to be solved automatically, so it could retain a maximum Canadian withholding rate that is the same as the United States rate, thus eliminating a treaty problem.

Income From Independent Personal Service

The standard United States tax treaty as respects the income derived by professional and other persons through their personal services is to subject the income to taxation in the source country only when the person is present in the country more than 180 days in the taxable year. The OECD Draft, however, places jurisdiction to tax at the source on the existence of a "fixed base regularly available" to the taxpayer in the source country. Since this "fixed base" concept is foreign to our tax concepts and its scope and effect are thus uncertain, we entered a reservation on this provision. As another approach, some countries seek to tax at the source in all cases where the payments are deducted by their domestic taxpayers. The general thrust of these approaches would appear to be in the direction of a larger scope for the source country, especially if the "fixed base" concept is given a wide application. We believe that the entire matter requires further study and, while we have not as yet made a final decision on our policy in this area, our thinking is in the direction of retaining a time period criterion rather than introducing a new concept.

The above are some of the significant provisions under re-examination. Others, for example, relate to the treatment of interest in the case of financial institutions, the treatment of life insurance premiums, permission to collect in the United States on an adversary judgment obtained by the tax authority in a country whose legal development corresponds to our own, the problems in the taxation of dividends and interest payments moving over international borders and then returning in the case of the international corporation with various foreign subsidiaries, and so on. Recently, the Treasury Department held a two day meeting with lawyers, accountants and executives interested in the tax treaty area to discuss the issues raised by our re-examination of the tax treaty provisions. Further conferences will be held as our study progresses.

Drafting

Closely allied to this substantive revision is a comprehensive re-examination of the drafting of our tax treaties. Experience over the years with the existing terminology, the closer scrutiny that has come with more eyes and minds poring over the words and details, and the existence of the OECD Draft have led us to the view that drafting improvements are both needed and possible. A part of this redrafting will involve a reorganization of the order and arrangement of treaty provisions.

Clearly all this will take time, for often the press of problems does not permit the patient consideration that both countries would have to give to a new treaty draft. Moreover, it is an extremely difficult task to achieve a high level of standardization of terminology in a process that, after all, involves intricate negotiation and the inevitable compromises in thought and phrasing necessary to surmount the differences that arise. All of this is likely of course to lead to greater technical complexity, and those with a nostalgia for a simpler era of international tax relationships will shake their heads. But as national tax systems grow more complex, and as the expertise of those engaged in domestic tax matters spreads to those, in Government and out, dealing with international tax matters, one cannot expect to retain simple international bridges between intricate national systems.

Interpretation

One way of meeting the growing complexity of tax treaties is to improve the interpretative process applicable to these treaties. For example, we are exploring the desirability of a single master income tax treaty regulation covering all the income treaties. There would then be appendices to show the points at which the several treaties contain provisions, if any, at variance with the master framework. This approach, if it proves feasible, should have several advantages: It will permit more rapid promulgation of regulations since only the variations of a particular treaty must be noted; it will permit a clear awareness of the precise places at which a particular treaty varies substantively from the standard form; it will indicate that differences in phrasing -- so often occasioned by problems of language, the stylistic tastes and idiosyncrasies of the particular negotiators, sticky points of internal law, the phrasing required to embody carefully structured compromises or the like -- do not involve intended differences in result.

In addition, the publication of more descriptive material will be helpful. The Treasury has expanded the technical explanations which it presents to the Senate Committee on Foreign Relations and which are in turn published by that Committee. We are also hopeful of increasing the number of published rulings relating to treaties.

Implementation of Treaty Provisions

Improvements in substantive provisions must be followed by improvements in the administrative implementation of those provisions, or else the full benefits of substantive change will not be realized. Thus, the techniques of allocation of income and expenses between parent and subsidiary and of the allocation of expenses to a permanent establishment need modernizing so that rational allocations are pursued by both countries and inconsistent determinations avoided as far as possible.

Moreover, efforts must be made to develop treaty mechanisms which permit the appropriate accommodation of allocations made by the tax authorities of one country and accepted as proper both by the taxpayer and by the tax authorities of the other country. Such a treaty mechanism could, for example, remove impediments of domestic law to the accommodation, such as statute of limitations or the finality of previous assessments. Further, where the tax authorities disagree as to the appropriate allocation, mechanisms should be sought which would permit any resulting double tax burden to be shared among the two Governments and the taxpayer in a proper fashion, so that all three would have an interest in keeping differences in allocation approaches to a minimum. Indeed, this subject of proper international allocations and the mechanisms for handling changes in allocations and the differences that arise in concrete cases represents one of the most important areas of treaty development.

Other illustrations of matters where improvement would appear desirable are: The mechanics of applying reduced dividend withholding rates to bearer shares and the determination of the amount of the credit to be granted by the other country in these situations require re-examination, in view of the complexity of ascertaining the applicable rate under some European systems where the dividend is paid, for example, by a corporation which in turn derives income from other corporations. The responsibility of one treaty country to "pick up" the differential between the regular withholding rate and the treaty rate of the other country when the former finds an income payment flowing to one who is not a resident must be met with more fidelity. The information to be exchanged between treaty countries must be in a form more susceptible of use by the various countries, and in turn should be used. The competent authorities must keep in closer contact to be more fully aware of double tax situations, in addition to the allocation problems earlier mentioned, and other difficulties that their nationals may be experiencing through the defective meshing of two administrative determinations.

Currency of Tax Treaties

I believe the discussion so far has been sufficient -- perhaps more than sufficient -- to indicate that the technical substance and terminology of tax treaties are likely to undergo significant changes in the next few years. Moreover, this is a steadily evolving process in which the United States can play only its role in a large cast. As treaties are constantly written and revised between other countries, the new patterns that emerge are in turn related to our treaties. If, for example, Germany enters into a revised treaty with France that embodies what both countries believe is an improvement over a standard clause, then either France or Germany in turn is likely to present the improvement to the United States when a protocol or revision of their treaty with us is under consideration. In other words, unlike domestic legislation, the pace of change in the treaty area is shaped by the thoughts and imagination of many Treasury Departments and Finance Ministries.

This constant pressure for change, and for changes that a variety of countries regard as appropriate, makes it difficult to keep our treaties current. A desirable change may be made in the technical definition of permanent establishment in a treaty we make with say, Germany. How do we proceed to incorporate this technical improvement into our other treaties? At the present the only course is to await a time when enough matters accumulate or an important event suddenly occurs to warrant a protocol or revision of a treaty with, say, France or Belgium and then seek to incorporate the German improved permanent establishment definition. The process is of course shaped by the procedures of treaty approval -- negotiation, initialing of a draft by the delegations, signature by the President's representative, hearing by the Senate Committee on Foreign Relations, and Senate ratification. Clearly, if possible we should avoid having the Senate Committee sit constantly to consider technical treaty changes.

Consequently, as the network of treaties expands, as the treaties grow in complexity, and as the pace of technical change becomes faster, it would appear desirable to see if a procedure can be devised which would permit more rapid accommodation of existing treaties to these developments. One possible avenue for exploration is to provide in each treaty that its technical provisions may be altered through an exchange of notes.

The change would have to be in accordance with a provision already approved by the Senate in another treaty, so that the Senate would thereby have passed upon the substance of the matter involved. The Secretary of the Treasury would be authorized to make such a finding and would be required to notify the Senate Committee of all such exchanges of notes. Under this approach, a technical change in the definition of permanent establishment approved, say, in the German treaty could by an exchange of notes be applied to the Luxembourg treaty. The Senate Committee would, through new treaties or extensive revisions of existing treaties, be scanning all these technical provisions from time to time. It thus would be in a position in effect to keep under review the activities of the Executive Branch in these note exchanges, since if it decides in a new treaty not to approve a similar provision, the authority for future note exchanges respecting that particular point would end unless the Committee indicated otherwise. The entire procedure would of course be limited to technical matters and would not extend to basic substantive matters such as the rates of withholding. Since, of course, treaty provisions essentially provide rules ameliorating national law so as to prevent double taxation and avoid inconveniences, such a procedure to keep the treaty rules current would be of distinct benefit to taxpayers. It is interesting in this regard to note that several of our existing treaties may by Executive action be extended to territories of the treaty country, "with such modifications as may be found necessary for special application in a particular case" (quoting from the United Kingdom treaty).

Estate Tax Treaties

The discussion above has been in terms of income tax treaties. The United States has twelve estate tax treaties, but this phase of the treaty process has never reached the pace of the income tax treaties. The OECD Fiscal Committee, however, is now turning its attention to a draft of a model estate tax convention. It is to be expected that this development, combined with the increasing number of taxpayers who are citizens of or residing in one country while holding investments in other countries, will cause an increased interest in these treaties. The Treasury Department is therefore commencing to re-examine the positions taken in the existing treaties and the technical drafting of those treaties, together with a consideration of the matters in the estate tax area appropriate for international accommodation.

Less Developed Countries

The United States has concluded income tax treaties with practically all of the developed countries. But it has in force only two treaties with less developed countries, that with Pakistan ratified in 1959 and that with Honduras, which was ratified in 1957 but which on the initiative of Honduras is scheduled to terminate at the end of 1964 unless a new agreement now under discussion is reached. Curiosity alone would lead us to inquire as to the causes for this sharp contrast in treaty development. Indeed, the commitment of the United States to the economic growth of the less developed nations has involved the Treasury in a thorough exploration of the whole subject of tax treaties with these nations.

Desirability of Such Treaties

The first question is, why do we care at all about the present situation -- in other words, is it in the interest of the United States to have treaties with less developed countries? Viewing this question from the standpoint of our citizens, some of the main benefits involved in such treaties would appear to be along the following lines: A treaty with appropriate source rules could provide predictability in this area, in contrast to the present uncertainty occasioned by the absence of formulated source rules in many countries; the application of the permanent establishment definition would free our traders of nuisance or hampering taxes and here also afford predictability in place of uncertainty; the application of treaty provisions regarding the taxation of business and cultural visitors would have similar results for our executives and professional persons traveling on business to these countries and our teachers temporarily in schools in these countries; adoption of a foreign tax credit approach by the less developed countries would aid our citizens living in those countries; the establishment of definite rules permitting the proper allocation of expenses and other items between a U. S. parent and its foreign subsidiary and to foreign branches would produce a proper measure of net income in the less developed countries; a reduction in the dividend rate of withholding in situations where the combined corporate and withholding rates exceed our rate (especially in the absence of a grossing-up requirement in establishing the amount of the dividend to be included in the parent's income) would eliminate unused foreign tax credit; the taxation of real estate rentals on a net basis and the exemption or reduced taxation of royalty income would produce more appropriate results; the adoption of a clause preventing discriminatory tax treatment of our individuals and corporations would prevent a disparity in treatment between the taxpayers of the country and our citizens with activities in that country; the establishment of a consultative mechanism between the two tax administrations and the general air of tax stability that can accompany a tax treaty would be reassuring to our investors and traders.

This is not to say that every treaty would necessarily exhibit this entire gamut of benefits, but certainly each could embody a reasonable number of these aspects as well as others that could be of benefit in particular situations. In sum, our investors and traders can receive benefits through such treaties, and these would be an item on the plus side when the question arises of investment or trade with the less developed countries. The United States, as a Government, is in turn interested in steps which improve the plus side of private U. S. activity in less developed countries.

Given these reasons for our having an interest in such treaties, how do they appear when seen by the less developed countries? Of course the benefits to our investors are one side of a coin of which the other side could be regarded by most less developed countries as distinctly helpful if it would increase U. S. private investment in their country. But they could also view the other side of the coin as involving losses in revenue -- through lowered withholding rates, net income taxation, the impact of certain source rules or of the permanent establishment definition -- resulting from reduced taxes on income leaving their borders for the U.S. Thus the question becomes that of seeing what for them is the other side of the coin -- or, put more accurately since both of these effects are on the other side of the coin, how is the balance to be cast. It must be remembered that in large part this would be the only coin involved under the standard form of tax treaty. This form, however, was shaped by the economic and tax relationships existing between industrialized countries, where there are two coins, since the investors and traders of each country are aided. While each country has revenue losses reflecting the benefits obtained by the investors and traders of the other country, similarly in turn it has gains for its own investors and traders. But there are fewer investors and traders in less developed countries with activities in the United States, though it is true that the welfare of those that do exist may be of significance to these countries.

In addition to this lack of equivalent reciprocal benefits, the revenue losses involved in standard treaty provisions are likely to be a more significant percentage of the overall revenues of a less developed country. Also, as a psychological matter, as well as an absolute matter, a sacrifice of revenues from income accruing to foreigners is likely to be viewed by the less developed country as a more serious step. As a consequence less developed countries in the past have been concerned about entering into a tax treaty with the U.S. unless the standard treaty is altered to be more in their interest as they regard it than is the present form. Two lines of suggested departure can be seen: one is the adoption by the United States of an incentive -- in addition to our unilaterally granted Code incentives, such as the lower Western Hemisphere Trade Corporation tax rate, a foreign tax credit, and the non-application of "grossing-up" to that credit -- to our investors to invest in the less developed countries; the other is a scaling back of the revenue sacrifice which the standard treaty demands of the source country.

Treaty Incentives to U. S. Investment in Less Developed Countries

For a number of years it has appeared that an investment incentive feature has been regarded by many of the less developed countries as critical to the consideration of tax treaties with the United States. However, our treaty negotiations with less developed countries had led into the blind alley of "tax sparing". I need not here digress to consider at length the pros and cons of a credit for tax sparing. This matter had been carefully considered in 1961 and 1962 by the Department of State and the Treasury Department, and it was concluded that a tax treaty with a credit for sparing as a possible incentive had serious weaknesses. Those weaknesses were such as to outweigh the advantages of tax treaties with less developed countries. As a consequence the three tax sparing treaties (India, Israel, United Arab Republic) which had been pending before the Senate Committee on Foreign Relations since 1960 were withdrawn earlier this year.

Tax Credit for Investment

The Treasury Department late in 1962 had indicated that incentives tied to the act of new investment would seem to offer more fruitful possibilities than tax sparing. The view was then expressed that an approach similar to the investment credit enacted in 1962 to stimulate U. S. domestic investment deserved consideration. Our exploration of this approach since then has led us to conclude that an application through treaties of the principle of the 7 percent domestic investment credit to investment in a less developed country would be appropriate. Under such an approach, a United States investor investing in a domestic or a foreign corporation operating in a less developed country could be permitted through a treaty to obtain a credit against his U. S. tax, on income from any source, of 7 percent of the amount of the investment. In view of the fact that the Congress has in a variety of tax measures sought to grant a preference to investment in less developed countries as compared with developed countries, this extension to less developed countries of a type of investment incentive already approved by the Congress as desirable tax policy in the United States would thus appear appropriate in a tax treaty. It could be provided in the treaty that the adoption of this credit would be subject to re-examination after the expiration of a specified period, say five years.

The President has recommended that a 30 percent credit be granted by statute to stimulate investment in less developed countries. Such a large and direct tax preference to that form of investment should be authorized by statute rather than by a treaty. The amount of the credit involved, its simultaneous application across-the-board to the less developed areas, and its initial grant without the development of the types of appropriate complementary measures on the part of less developed countries considered above, are factors which underlie such a statutory approach rather than the treaty procedure. The extension in a treaty to an investment in a less developed country of a credit at the same 7 percent figure as applicable domestically is thus both a different matter and one not in any way at variance with the recommendation for a very much larger statutory credit. The technical detail used to implement the treaty credit could of course draw on the structural underpinning worked out in connection with the 30 percent credit proposal, since they would be similar in their basic structural aspects.

Deferral on Know-how Contributions

In addition to this 7 percent credit, two other measures which could operate as incentives are considered appropriate for inclusion in a treaty with a less developed country. The first is a provision for tax deferral where technical matter or information, such as patents, processes and know-how, or technical services are provided by a U. S. person to a foreign corporation in return for stock of that corporation. Under this provision, the recipient could elect not to include the stock in income for the purpose of both the U. S. tax and the foreign country tax, this deferral to continue until some later date, such as a sale of the stock. This procedure would avoid the cash problem involved in having to pay a current tax on the receipt of stock which the U. S. person desires to hold rather than sell. The second is a provision permitting a charitable deduction (within the statutory percentage limits) from the U. S. tax for a contribution made to an organization in the less developed country which is a charitable organization under the laws of both countries. (A similar provision is present in the U.S.-Canada treaty.) This would permit in some cases a simpler, direct procedure for the making of gifts to charitable activities in the less developed country.

Scaling Down of Revenue Sacrifice by Less Developed Countries

As to the second line of departure from the standard tax treaty, that of the scaling down of the revenue sacrifice of the source country, here the less developed country, it is clear that there is room for accommodation. In view of the United States tax credit, what must be weighed by the source country in the appraisal of a tax treaty is the balance between the loss of revenue that it may suffer when taxation at the source is restricted compared with the benefits to the foreign investor or trader, and in turn to the less developed country, of the elimination of inconvenience and travail. A lesser sacrifice of revenue by a less developed country, i.e., a less restrictive effect on source taxation than under the standard tax treaty, means ipso facto continued payment of tax to that extent by our investors and traders. In most cases, no problem of tax burden is involved in view of our foreign tax credit, and what remains may be the detail and inconvenience of filing tax returns, paying tax etc. to the less developed country in a situation where this would not be so as respects a developed country a party to a standard treaty. (Of course, where the developed country treaty provision only reduces the rate of taxation rather than providing exemption, then the detail and inconvenience are equally present whether the country is developed or less developed.) On the other hand, however, this drawback to our investors and traders would seem clearly outweighed by the benefits involved in having the treaty itself -- certainly a modified type of treaty has advantages as against no treaty at all -- and by the special incentives above described which would not be included in the standard treaty with a developed country. Consequently, if a less developed country desires to cast the balance more to its favor through a lessening of the restrictions on source jurisdiction, the United States, keeping in mind the benefits to be obtained from a treaty and the absence of the reciprocal factors usually present in many of the provisions in the case of industrialized countries, could in its own interest find it appropriate to concur in that approach. This is so, however, if the modifications from the standard treaty operate to involve only a smaller shrinkage in the amount of the resulting foreign tax credit granted by the United States than is produced by the standard form. In this event the U.S. Government is in effect bearing the revenue burden of the modifications rather than the taxpayer being affected through still paying a tax at the source in excess of the amount which it can credit against his United States tax. Moreover, the modifications should not swing too far from the standard treaty, so that the resulting new balance still remains acceptable overall.

With all this in mind, we are engaging in discussions with a number of less developed countries on the framework of a modified form of treaty which we would consider appropriate to our tax relations with those countries. The modified form would include the three incentives mentioned above -- the extension of the 7 percent credit, tax deferral for stock received for technical items, and a deduction for direct charitable contributions -- and would, as respects the principal treaty clauses involved, develop along the following lines:

Dividends

The standard tax treaty generally provides rates of tax for dividend withholding of 15 percent for dividends on portfolio investment and from 5 to 15 percent for parent-subsidiary dividends, with 5 percent in the OECD Draft. For many less developed countries, such rates would be distinctly lower than their present rates and thus would present them with revenue considerations. The important aspect, as respects our investors, is that of parent-subsidiary investment and the concern is that the rate of tax on the foreign subsidiary combined with the present withholding rates produces in some countries a tax in excess of the United States tax, especially since there is no grossing-up for dividends from less developed countries. Any excess over our allowable foreign tax credit becomes an added tax burden on the investor. We therefore are seeking in our modified treaty to achieve whatever reduction in the dividend withholding rate of the less developed country is needed to prevent such an excess credit, and are pointing out the importance of this step to increased investment in the less developed country. We would not in appropriate cases, however, feel it necessary to refuse to enter into a treaty solely on the ground that the withholding rate was not reduced still further if the less developed country does not find it possible to do so.

Interest

The standard tax treaty generally reduces the withholding rate on interest to 15 percent or less, and often exempts interest entirely. We are pointing this out to less developed countries and are indicating that such a reduction could result in a reduction in the interest rates paid by their borrowers if the U. S. lending institutions are presently increasing their interest rates to pass on to the borrower the cost of the foreign withholding tax. However, some less developed countries are apparently not interested in sacrificing revenues to subsidize their borrowers, and would therefore object on revenue grounds to a reduction in their withholding rate on interest. If such objection is made, we would not insist, in otherwise appropriate situations, on following the standard treaty. Some less developed countries are willing to eliminate their withholding rates on interest paid on loans made by governmental organizations and perhaps charitable organizations which are tax exempt in the United States.

Royalties

The standard treaty often exempts royalty payments on patents, know-how, motion picture rights and the like, from withholding, and in the case of natural resource royalties and real estate rentals provides for taxation on a net income basis. Many less developed countries appear unwilling to yield any revenue obtained from patent and know-how royalties, and hence many strongly object to outright exemption in such cases. In appropriate situations complete exemption need not be a sine qua non of the treaty. However, it would seem desirable to place the tax on a basis that reflects expenses involved in earning the royalty in cases where such expenses may be significant. In view of the concern that some less developed countries may have over administrative difficulties in this approach, it would be appropriate to seek a reduced rate of tax if the rate is to be based on the gross royalty payment, or some other ad hoc method of taking significant expenses into account. In the case of mineral royalties and real estate rentals, a net income approach appears desirable.

Business Visitors and Personal Service Income

The standard treaty, here reflecting the desire to avoid inconvenience to the temporary visitor, usually provides for exemption from taxation of the personal service income of business visitors where the stay is temporary and the income not large. Thus, many treaties use such standards as $5,000 and 180 days as dividing lines. We would regard the standard treaty approach as generally appropriate to a less developed country as well, for here the factor of eliminating inconvenience to the temporary visitor would seem more significant than the possible revenue loss to the less developed country. But this is an area where different countries are likely to cast the balance over a range of many possible variations, depending on their attitudes toward such visitors, and indeed to the various classes of visitors -- employees of U.S. corporations, independent professional people such as engineers or lawyers, cultural visitors, entertainers and so on. Hence a variety of tests are likely to emerge, and it is difficult to stress too strongly any single approach. We do regard it as desirable to seek approaches that are simple and certain in their application, which are the attributes possessed by the standard treaty provision.

Permanent Establishment

The trend in the standard treaty is slowly to add more particularity to the definition of permanent establishment in the direction of contracting its scope. The result of course is favorable to traders, since it permits a greater range of activity without the inconvenience of a tax payment in the country to which he exports. But some less developed countries may not be as receptive to this freeing of the trader from tax contact with them if it means a loss of revenue. They are more likely to want to expand rather than contract the definition. Thus they are troubled by the fact that exporting to a developed country may, because of the country's size, volume of imports, and the like require, if the trading is to be successful, a degree of activity that will often involve the trader in acquiring a permanent establishment status and thus subjecting itself to tax in the developed country. But in some less developed countries, their small size and small volume of trade may permit a successful trader to handle the trade through only short trips of his employees to the less developed countries. The degree of "presence" within the less developed country may in relative terms bear the same ratio to its volume of trade as in the case of exports to a developed country, but in absolute terms fall short of the "presence" required to constitute a permanent establishment under the standard treaty. Consequently, in a situation in which a less developed country feels that these issues are important, where otherwise appropriate we have explored adding to the definition of permanent establishment such factors as an agent who regularly secures orders in the less developed country, or maintains a stock of goods from which he regularly makes deliveries. Also, the use of an agent of independent status could constitute a permanent establishment if the agent acted almost exclusively for the exporter and engaged in these activities. In addition, it may not always be appropriate to eliminate the force of attraction principle.

Source of Income Rules

Many less developed countries do not have in their tax laws a formulated set of source rules sufficiently comprehensive to cover the usual run of international transactions. Since tax treaties depend for their operations on the existence of such rules, we desire that a treaty with a less developed country in such a situation embody as far as possible the standard source rules that have gained general international approval. We do not see any special reasons or situations which would make the same source rules less appropriate for less developed countries than for developed countries. Thus, we do not see that it is required in the case of a less developed country to adopt a rule that allocates the income from personal services to the country from which payment for those services is made, or as respects a country with significant exports of one or more commodities to adopt a rule that allocates the income of the trader (importing from that country) to the place of purchase if no other activity is there involved.

There are a few additional treaty provisions in which less developed countries may have an interest that may differ from that present in treaties between developed countries. For example, they may desire somewhat greater freedom from taxation in the U. S. for the students, trainees, teachers and government officials they send to the United States; they may seek some reassurance that their tax administrations can cope with the provision which allows as deductions to a permanent establishment executive and administrative expenses wherever incurred and can prevent the "overreaching" by the foreign taxpayer which they fear may exist under this provision. Here the reassurance may well lie in a discussion of the problems and careful analysis of their worries rather than any explicit treaty change, since the allowance of properly allocable expenses of this nature is important to arriving at the correct net income.

The Treasury believes that a modified tax treaty can be devised to form the basis of discussions with less developed countries. We are in effect developing two standard tax treaties, one for developed countries and one for less developed countries. Of course the division is not rigid and, depending on the particular countries, some treaties would involve an appropriate blending of the two forms. We have engaged in discussions with a number of countries and others are scheduled.

Agreements with Thailand and Philippines

Discussions with the Government of Thailand have resulted in substantive agreement at the working level. The proposed treaty would embody the 7 percent investment credit provision, and in many other respects follow the lines of development suggested above. This agreement is subject to the review and approval of both Governments, and we are very hopeful that final agreement can be reached in the weeks immediately ahead. Also, discussions with the Government of the Philippines have resulted, as previously announced, in the initialling of a draft agreement. While this agreement contains many of the approaches discussed above, it does not contain the 7 percent investment credit or the tax deferral for stock received for technical matters, nor does it contain any major reductions in the Philippine taxes on investment income. The two Governments believed the complex of provisions regarding investment requires further study and hence they were not incorporated at this time. But the Governments considered the agreement on the remaining matters to be of such importance as to warrent moving ahead with the draft agreement in that form at this time. The Philippine draft agreement, as also in the case of Thailand, does contain a provision preventing discriminatory tax treatment of the taxpayers of the other country, and this clause has been expanded to extend this protection to enterprises of one country that are owned by persons of the other country.

These two working agreements, both in their similarities and dissimilarities, demonstrate that the United States and less developed countries are able to enter into useful and mutually beneficial income tax treaties along the lines of approach I have discussed. These agreements also indicate that flexibility in the application of these approaches is important and necessary, and with that flexibility there is sufficient room within these approaches to meet the differing situations which particular countries and the United States may face in their international economic relationships.

OECD Discussions

Many of the treaty matters which I have discussed in the context of negotiations with other countries are also presently being considered in the multi-national context of the OECD Fiscal Committee. This Committee will pursue the numerous questions marked for further study in the report accompanying its Draft Convention, as well as the questions that will arise from the intensive examination which that Draft will undergo in the course of treaty negotiations. The OECD Fiscal Committee is also studying on a broad basis such matters as tax incentives for investment in less developed countries, and the treaty problems growing out of differences in jurisdictional concepts of taxation.

II. UNITED STATES STATUTORY TAXATION OF FOREIGN INCOME

Our summary of the treaty area thus indicates we are in a period of considerable activity marked by a number of major new developments. These offer promise of taking us into an entirely new stage in the treaty process. When we turn to the unilateral aspects of our international tax relations, and consider first the United States statutory taxation of foreign income, the picture is that of quiet on the legislative side but activity on the administrative side.

Revenue Act of 1962

This is an expected and appropriate development in the light of the Revenue Act of 1962. That Act marked the most extensive range of tax legislation affecting the foreign area to be embodied in a single measure. It involved a revision of our statutory international tax rules designed to bring them into harmony with non-tax international developments and to end the abuses which had been cumulating in this area.

The principal features of the 1962 revision are based on a concept of "tax neutrality" between investment abroad in developed areas and in the United States. Under this concept it is inappropriate for our tax laws to offer artificial tax inducements to investments in developed countries, since given the growing similarity between the investment climates of the United States and the developed world it is no longer in our national interest to offer tax incentives designed affirmatively to encourage investment to leave our shores rather than to stay at home. The 1962 legislation was thus directed at the three principal tax inducements under prior law: first, the so-called "tax haven" form of operation which combined the deferral feature of our law with patterns of foreign organization and operation to reduce materially the overall rate of taxation; second, those operations designed to combine the deferral feature with a final sale or liquidation at capital gain rates; and third, the failure in connection with our foreign tax credit to gross up dividends from foreign subsidiaries. While the deferral feature is retained for non-tax haven operations, changes in the United States tax law regarding domestic investment, such as reduced corporate tax rates, liberal depreciation guidelines, and the 7 per cent investment credit limited to domestic investment, are bringing our corporate income tax close to the major European corporate taxes, with only a few exceptions.

Along side these policies, the 1962 Act continued the policy of using the tax system to encourage investment in less developed countries, primarily, as respects this legislation, through not extending the gross-up requirement to less developed country dividends, and excepting from the tax haven rules the holding company form of operation when interest and dividend income derived from less developed countries are reinvested in those areas.

In the field of personal taxation, the 1962 Act eliminated the abuses that had crept in through the unlimited exemption of earned income for residents abroad, the accumulation of tax-free income in foreign trusts, the use of foreign investment companies to convert dividend income into capital gain, and the investment in foreign real estate to escape our estate tax laws.

These new legislative rules necessarily required a fresh appraisal of tax planning and organization for foreign investment. It is probably too early to mark clearly definitive patterns, since there appears to be a rather wide range of responses. Thus, one gathers that the type of tax planning structured around the tax haven form of holding companies or sales companies is largely disappearing -- certainly the number of new Swiss subsidiaries has plummeted downwards. As respects existing tax haven organizations, there appears to be a considerable number of orderly reorganizations designed either to eliminate those subsidiaries no longer important to the overall structure without the tax benefits they formerly provided or to convert them into corporations outside the scope of the tax-haven rules through adding non-tax haven income from sources such as manufacturing operations or sales activities involving unrelated corporations. Some of the reorganizations are designed to probe the possibilities of "de-control", as by increasing the share of a European partner or in rather closely held companies by spreading the United States ownership over a number of 9 per cent friendly-oriented owners, so as to reduce the relevant ownership below 50 per cent. There may be a trend toward a greater use of Western Hemisphere Trade corporations, as a result of the court interpretations of the applicable rules relating to these corporations and the elimination of the 2 per cent tax on consolidated returns. There also may be a trend toward a greater use of operations in branch form abroad rather than operations through a foreign subsidiary in response to the elimination of the consolidated returns tax and to the equilibrium levels being reached by our tax rates, taken in connection with the 1962 changes, and foreign rates. New patterns are being considered for new investments, such as joint ventures organized with a foreign partner with that partner retaining control of the selling corporation and the U. S. partner control of the manufacturing corporation. All of this tax planning has its frontiers on which the more venturesome operate, with an eye both to possible interpretations of the United States law and to possible tightenings in European tax rules dealing with their own tax haven and similar difficulties.

Regulations Under 1962 Act

The 1962 Act also necessitated an intensive concentration by the Treasury on the tax administration requirements of the new legislation. Especially in its tax haven provisions that legislation embodied a variety of techniques new to our statutory structure. The tax-haven legislation was a pioneering technical task, for which there was no international precedent to guide our tax technicans and draftsmen. This has happened before in our international tax history -- for it was the United States that pioneered the foreign tax credit. Pioneering always involves a certain amount of complexity, which in the tax haven area was increased through the basic Congressional decision to retain a general deferral rule but to withdraw the deferral privilege from a wide variety of activities requiring particular delineation. In recognition of these aspects of the legislation, the Treasury has moved as rapidly as possible to issue comprehensive Regulations, so that all of the Regulations under the 1962 provisions will have been published by the end of this year. It has also acted to permit taxpayers to make the transition to the new rules in as informed and flexible a manner as possible. It has been aided in these steps by the very helpful assistance given to it by the Committee on Foreign Tax Problems of the American Bar Association Section of Taxation and the Committee on International Taxation of the New York State Bar Association, and by the thoughtful comments submitted by this Institute and other industry groups in connection with the proposed regulations.

Two of these Regulations merit special attention. The structure of much of the 1962 legislation turns on the concept of the "earnings and profits" of a foreign subsidiary. While this concept was involved in some aspects of prior law, such as the foreign tax credit, it had never been seriously approach to this concept, one that would produce a careful delineation of the operative rules. The Treasury was aware that the accounting approach to a consolidated statement of the domestic and foreign operations of some of our international corporations also involved this concept. Consequently it formed an informal and ad hoc Committee composed of representatives from our major international accounting firms and chaired by Professor Gerhard G. Mueller of the University of Washington, an authority on international accounting. Working for over a year through many meetings and drafts this group has given the Treasury invaluable advice on its Regulations prescribing the determination of the earnings and profits of a foreign subsidiary. These regulations are essentially designed to merge accepted rules of international accounting with requirements of the tax Code. They may well become a strong impetus to a greater standardization of international accounting and to a more mature consideration of many of the basic concepts and rules, just as the presence of our domestic tax laws has meant so much to domestic accounting.

The Treasury intends to pursue this cooperative and informed approach to the development of international tax accounting. Thus, it now plans to have expert consultant guidance in the task of examining the laws and accounting practices of selected European countries so as to determine the adjustments appropriate or required to meet the standards set forth in the Regulations. Clearly such a careful and informed approach is needed to guide the Internal Revenue Service in its administration of the 1962 Act.

The other Regulation that is of special interest relates to the minimum distribution concept of the 1962 Act, which continues tax deferral for activities otherwise within the tax haven rules if the enterprise is taxed at a combined foreign and U. S. tax rate not substantially below the United States rate. Under this concept a schedule of overall effective foreign tax rates and corresponding percentages of income distributions to the United State -- the lower the foreign rate the higher the percentage of distribution required -- is provided which, if complied with, justifies foregoing the United States tax on the undistributed income of the foreign corporation. In such a case the foreign form of organization has not operated as a tax inducement to investment abroad nor involves abuse since no tax saving has been effected, either because of the level of rates paid abroad or the amount of foreign earnings that were actually repatriated or a combination of both. In the application of this concept, the Act sets a precedent for looking at the foreign activities of a United States corporation on a consolidated basis, as if together they comprised a single entity. In this respect the tax law is beginning to recognize the "international corporation" and to grapple with the technical tax problems which it involves.

Recognizing the importance of this concept, and its potential for ready differentiation between cases where deferral may be continued and where our tax should apply, the Treasury has attempted to make the application of the concept as feasible as possible. Thus the Regulations permit the by-passing of much of the detail otherwise required for its operation by sanctioning a simplified approach under which the payment of a 47 per cent tax rate (approximately 45 per cent in 1965 and thereafter) on the foreign earnings operates as a "safe haven" under the tax haven sections. As tax technicians develop greater familiarity with the 1962 Act concepts, it is possible these Regulations may in turn be further simplified.

Improvement in Administrative Aspects - Section 482 Allocation, Section 367, and Related Matters

These aspects growing out of the 1962 Act are only one phase of developments in the field of tax administration relating to foreign income. The goal guiding the Treasury in this field is that we must develop as quickly as possible an informed tax administration capable of dealing wisely and expeditiously with the problems that our expanding foreign investment, our expanding foreign trade and -- the inevitable and necessary response -- our expanding tax rules will place before the Internal Revenue Service. The work in the earnings and profits area, both in the formulation of the Regulations and in the continuous informed research and guidance required for their sensible application, is one phase of this program.

Another phase of the program is the development of rules under section 482 responsive both to the scope of the problems arising under that section and the needs of taxpayers and revenue agents for rational guidance in meeting these problems. Thus we are preparing Regulations, expected to be issued in proposed form this year, formulating guidelines for determining the "arms length price" to be used as the allocation standard in a variety of situations. These guidelines will be as refined as possible and as closely related to the actual facts of the particular case as is possible. The situations encompass, for example, sales by United States companies to their foreign affiliates, sales by foreign companies to their U.S. affiliates, the use by one member of a controlled group of properties or patents owned by another member, and the payment by one member of the expenses of another member. These guidelines in turn will be supplemented by rules on a number of critical issues arising under the application of section 482, such as the treatment of interest-free loans, and whether reallocated income may be repatriated tax free.

These efforts to formulate appropriate standards to govern allocations under section 482 and similar matters are to be accompanied, as indicated above under the treaty discussion, by intensified efforts to achieve appropriate international techniques whereby the allocations of our taxpayers and administrators can be appropriately meshed with the rules and procedures of the other countries involved.

We are also aware of the problems that are arising as a result of section 482 allocations and are closely studying those problems. For example, one of the problems confronting us is the avoidance of double taxation for past years. The problem arises here because relief from any double taxation resulting from the section 482 allocation may not be available in the foreign country due to statutory limitations or legal or other administrative factors. One approach which the Internal Revenue Service is considering is that of adjusting any proposed deficiency by the amount of foreign taxes paid.

In much the same fashion the Service is moving to step up the pace of developing appropriated guidelines in its application of section 367, to be published this year in a comprehensive revenue procedure.

Another step in the process of keeping tax administration sufficiently informed and responsible in this area is the forthcoming Internal Revenue Service order which will place the existing Field Groups of the Office of International Operations under the supervision of the District Directors. This step will put issues in this area under the same procedures as any other matter as regards technical advice, rulings and audit review, thereby assuring close coordination between the field activities and Washington. The work of the Chief Counsel's Office in its interpretative and regulations activities will also be kept closely coordinated with problems arising in audit activity.

The activities of the Commissioner's Council on International Tax Administration is a phase of this overall development.

The combination of these steps should in large part eliminate present problems facing taxpayers and the Service alike in the transition to an improved tax administration capable of handling with wisdom and responsibility the tax issues involved in modern tax relationships.

Finally, we may note the statistical and other data which will become available to the Treasury for the first time as a result of the processing of the returns required by the 1962 Act. These data should be of material assistance in keeping abreast of issues and developments respecting the foreign operations of U. S. taxpayers.

In sum, our energies are here being directed to seeing that tax administration respecting foreign income comes of age, just as has happened in one area after another on the domestic side in response to new problems -- and, I might add, just as other Governments are beginning to recognize in their handling of their foreign income problems.

Study of European Indirect Taxes

To complete this consideration of the U. S. statutory taxation of foreign income mention whould be made of two matters that take us beyond the 1962 Act and the tax administration consequences we have been discussing. The first of these relates to the effects which the European tax systems, in their greater emphasis on indirect taxation, may have on the foreign trade of those countries and of the United States. In recent years considerable and increasing attention has been given to the turnover and value added taxes of Western Europe, and especially to the international trade aspects of those taxes -- the rebates which free European exports from their scope and the compensating taxes which are levied on their imports -- our exports -- to bring them within their network. The first round of attention brought assertions that these foreign components and the very presence of these indirect taxes discriminated adversely against our foreign trade, and the quick remedy suggested was a tax subsidy under our income tax for our exports. But careful study of that remedy disclosed many problems, ranging from a large waste of revenue if the proposed tax benefits were extended to existing exports on to the complexities and disclocations in accepted patterns of exporting if the benefits were offered only to increases in exports, and involving difficult questions of just how and in what areas a tax subsidy would either be appropriate or helpful and what would be the balance between revenue lost and benefits obtained. Approaching these questions in difficulty were the issues relating to international factors. Thus, would such a subsidy be permissible under GATT rules; if permissible, would the adoption of such a subsidy by a major exporting country set in motion a chain reaction of retaliatory adoptions by other countries.

The policy and technical difficulties presented by the subsidy approach were sufficiently serious to shift attention to an approach which involves an intensive analysis of the European situation,and discussions within the OECD, to see if the existing rules have a sound economic basis. At the same time the U. S. in the OECD has pressed for a stand-still in rebates and compensatory taxes to maintain the status quo as far as possible pending the results of this study. The basis need for additional economic data and further analysis of the economic issues involved has become evident as the work progresses.

30% Tax Credit for Investment Abroad

The second matter to be mentioned, and to which reference was made in the discussion of tax treaties with less developed countries, is that of the President's recommendation in connection with the AID legislation of a 30 per cent credit against United States tax for investment in less developed countries. The technical structure of such a credit, as developed by the Treasury Department in conjunction with the AID agency and the State and Commerce Departments, is embodied in the bill, H. R. 11524, introduced by Congressman Boggs. It is presumed that hearings will be held on this subject next year. The credit would operate as an incentive to such investment and rests on the judgment of the AID Administration and others both that an incentive of this nature appears needed to increase the rate and amount of our private investment in these countries and that such a development is important as respects our policies regarding less developed countries, and the further view that the tax system under these circumstances is an appropriate method of effecting this type of incentive.

III. UNITED STATES STATUTORY TAXATION OF FOREIGNERS

The past few years have thus witnessed extensive legislative changes in 1962 respecting the U. S. statutory taxation of foreign income followed now by a period of intensive administrative activity aimed at improving and modernizing tax administration in this area. When we turn, however, to the topic of the United States statutory taxation of foreigners receiving income from this country, we perceive an almost complete absence of activity in either the legislative or administrative field. Nor has this quietude been a feature of only the recent past. For a long period of time the taxation of foreigners has represented a corridor of our tax Code in which the dust gathered and was rarely disturbed. But now this corridor is being opened for a careful examination which is quite likely to produce significant legislative changes.

Interestingly enough, the main cause of the searching inquiry into this hitherto little noticed aspect of our tax law illustrates the importance of non-tax factors on international tax relationships, and underscores the imperative need periodically to consider whether our tax rules are responsive to basic changes in the economic and other aspects of international affairs. The most significant economic aspect of our international position has for several years been the balance of payments situation of the United States. We have seen how this was one of the factors responsible for a re-examination of our taxation of foreign income. We have also witnessed how balance of payments problems were responsible for the adoption of a brand new tax, the Interest Equalization Tax -- a device which broke new ground in making a tax system available as one of the ways in which a country could meet temporary balance of payments problems. It thereby significantly widened the flexibility and scope of our manoeuverability in this area. And now we find that the balance of payments situation is the factor which has prompted the study of our statutory taxation of foreigners.

All this does not mean that basic provisions of our revenue laws should swing to and fro in response to balance of payments movements. Of course a tax device which is designedly temporary and which can be temporarily added without affecting the rest of the tax system, such as the Interest Equalization Tax, is a proper short-range response. But clearly, many if not most of our tax provisions require a stability of concept and structure that would be impaired if they had to bend this way or that to each shift in balance of payments or other vital aspects of our economic well-being. On the other hand, current imperatives can be the occasion for a searching check of tax concepts and structures to ascertain if they embody clearly outmoded patterns which would not serve us well for as far as we can reasonably read the future. So it was with the Revenue Act of 1962, where the study showed both a need to move toward greater tax neutrality and -- and here is the important relationship to balance of payments -- that such a move at that time was consistent with our present balance of payments goals and hence could appropriately be made at that time.

The examination of our statutory taxation of foreigners is of the same nature. Our balance of payments position is such that it is desirable for us at this time to obtain a higher level of foreign investment in the United States. In seeking ways to achieve and encourage that investment it is proper to ask whether our tax laws affecting foreigners operate as a barrier to investment in this country by foreigners. If so, here also a shift to a more neutral position -- i.e., a position which would make U.S. taxes as neutral a factor as possible in the decision of a foreigner whether to invest at home, in another country or in the U.S. -- would seem appropriate. Such a shift of course would have to be consistent with other tax policies. But assuming that this consistency existed, then here also we can say that a change at this time is appropriate since change now is in harmony with our balance of payments program. In other words, balance of payments objectives can prompt the study of tax provisions and can properly affect the timing of desirable basic changes in tax concepts. But as far as possible, excepting measures specifically linked to a temporary period -- such as the Interest Equalization Tax -- the basic changes should be of such a nature that it would be proper to retain the new provisions even if our balance of payments posture were to alter.

Coming now more directly to the taxation of foreigners, a Presidential Task Force on Promoting Increased Foreign Investment in U.S. Corporate Securities and Increased Foreign Financing for U.S. Corporations Operating Abroad (the Fowler Report) recommended to President Johnson on April 27, 1964, a series of tax and non-tax measures to achieve the objectives its title embodied. The Treasury Department was consulted by this Task Force in the preparation of its report, and at the request of the President is now engaged in intensive consideration of its tax recommendations. Practically all of the tax recommendations relate to the taxation of foreigners investing in the U.S., and represent in basic approach a reduction in the extent to which the United States now taxes such foreigners. The consideration of these recommendations and their implementation has involved the Department in the study of matters beyond the specific recommendations of this Task Force. In large part the questions under consideration can be grouped into several main subjects. The discussion is here, as elsewhere in this paper, confined to the income tax, though it should be noted that the application of our estate tax to foreign decedents is also under examination.

Application of Progressive Rates

The United States applies a basic 30 percent withholding tax, except as reduced under treaties, to most compensation and investment income flowing to foreign individuals, but then subjects the foreigner's total income from U.S. source to our progressive individual income tax rates if the latter produce a higher tax. At 1965 rates the point where the progressive rates cut in is $21,200 of income. Few foreign individuals with incomes above that level, however, in fact pay these progressive rates, escaping them legally by making their U.S. investments through personal holding companies incorporated abroad, or illegally through the use of nominees to disguise their real ownership or other devices which make it impossible for the Service to cumulate the various income payments. Thus less than $1 million in taxes is collected from the application of progressive rates on non-residents. Given this situation, is it desirable to continue the present approach in the case of investment income? While it might be regarded as correct in theory, although most countries do not use this approach, is its complexity in administration worth the effort? Would elimination of this approach lead Americans to give up their citizenship while still retaining their investments in this country, and if so, should this be met by some specific provision?

Relating to this matter of the progressive rates is the present application of our personal holding company provisions to foreign corporations having U.S. investment income, which application is now required since this form of holding would otherwise permit avoidance of the progressive rates. If progressive rates were to be dropped, then consideration could be given in turn to dropping application of the personal holding company tax. Some troublesome problems would have to be solved such as a personal holding company with some U.S. shareholders, or a company in a treaty country, favored by a reduced U.S. withholding rate under the treaty, but owned by non-residents of that country who would secure the lower U.S. treaty rate. Related also to the progressive rates is our present source of income rule which treats a dividend from a foreign corporation deriving its income from U.S. sources as itself from U.S. sources. If the progressive rate approach is dropped, could this "second dividend" tax likewise be dropped at least where the U.S. source income of the foreign corporation is itself dividend income rather than trade or business income?

The dropping of the progressive rate approach means that returns would not be required from any foreigner having only investment income, so that his tax contact with the U.S. would be only through the withholding system.

Foreign Investor Also Engaged in U.S. Trade or Business

As indicated above, a foreigner investing in the United States can have his investment income subjected to rates above the 30 percent withholding rate if the income is large enough to bring into play the progressive rates. But, under another rule, even investment income below $21,200 can be subject to progressive rates if the foreigner is engaged in trade or business in the U.S., since then our Code requires that he be taxed on all his U.S. source income at the regular U.S. rates. The question here is whether this joining of the two types of income should occur, or whether instead the investment income, assuming it is not related to the trade or business, should be kept separate and thereby subjected only to the withholding tax. This joinder rule is, it may be noted, one of the "bitter-sweet" tax rules, since some taxpayers benefit by the joinder. Thus, a taxpayer with income from real estate not regarded as a trade or business can, through joinder with a trade or business, transform a 30 percent rate on the gross rentals into a tax at regular rates but on a much lower net income. Royalty income is another example. The allowance of a dividend received deduction to a foreign corporation which both receives dividends from U.S. sources and is engaged in trade or business in the U.S. is still another example. Hence any change in the joinder rule would require careful consideration of the gross income approach now applied to rental or royalty income to see whether a net income concept is more appropriate, even though the activity is not regarded by itself as a trade or business.

Capital Gains

The United States system of taxing U.S. capital gains of foreigners places great stress on the physical presence of the foreigner in the U.S. -- if he is here when the gain is realized, or if he is here for a total of 90 days, then he is subject to our capital gains tax on his U.S. gains. Such a rule would seem to invite only careful planning for its avoidance, so that it is productive of nuisance but not revenue. Consideration could be given to its abandonment, except perhaps where the presence in the U.S. is of longer duration, such as six months, and perhaps where the gains are also more speculative in nature, as short term gains.

Withholding System

The issues discussed above indicate that we now place great reliance on our withholding system to collect taxes on foreigners, and may place even greater reliance on that method in the future. Naturally, this leads to the question whether that withholding system is functioning satisfactorily; for example, does it reach all recipients; does it confine the various lower treaty rates to the recipients intended to be benefited or are others as well, such as residents of non-treaty countries, riding the coattails of the treaties; is our exemption of U.S. citizens from this withholding being abused by foreigners claiming to be citizens? Prudence would require that we give the withholding system a careful scrutiny.

Basic Problems

These represent some of the matters currently being studied by the Treasury Department. Since the overall thrust of the possible changes is that of reduced U.S. taxation of foreigners investing in the U.S., it can be argued that such changes would attract more investment to the U.S. This is the belief of the Presidential Task Force mentioned earlier. The types of investors who would respond and the extent of the response are probably not subject to empirical demonstration. Certainly changes of this nature should, however, at the very least improve the U.S. investment climate for foreign investors. But the case for re-examination of these rules need not be pitched on proof of a large absolute increase in foreign investment in the U.S. Rather, it is necessary to consider whether changes are appropriate from the standpoint of a more rational application of our tax to foreigners and hopefully one that would be somewhat simpler.

This approach in turn leads us to two important questions. The first is that of ascertaining what are the criteria of rationality when we are seeking to frame a tax structure applicable to foreigners. Clearly we must keep in mind that we are here dealing with international tax relationships. This means we should see that any new rules are in conformity with acceptable international norms. The U.S., with its large flows of capital and goods in and out of our country, has a responsibility to take a major role in developing a proper international tax framework against which the tax rules of any particular country can be considered. One basic factor in this respect is a fair and sensible allocation among the various countries of income from activities that reach across international borders. Another factor is a proper balance between the tax paid by our citizens on their U.S. income and that paid by foreigners on the same income. Still another factor is the desirability of maintaining as far as possible the free movement of capital and goods, with taxes in any country as neutral a factor as possible consistent with the domestic policies to be served by a tax system.

For example, care must be taken to see that in making changes designed to remove unwarranted tax barriers to investment in the U.S. we do not thereby turn the U.S. into a tax haven country vis-à-vis foreign investors. Moreover, we must be careful to prevent our adopting tax rules for foreigners that could be combined with the tax rules of another country to transform that country into a tax haven that would attract foreigners seeking to invest in the U.S. We have ourselves seen the problems which tax havens can cause for our tax system and economic policies, and hence have our own obligations not to place such holes in the international tax fabric. The recent changes in the Netherlands Antilles income tax treaty were made for this reason, since the former treaty when combined with the tax laws of the Antilles had made it an artificial way station for foreigners investing in the U.S. We now recognize that in all of our treaties we must be careful to avoid another Antilles situation, and the provision in the Luxembourg treaty guarding against this possibility is an example of our approach. We must also keep in mind the problems that can exist if our tax rules are so attractive that we drain off capital from less developed areas, such as Latin America, which are badly in need of that capital at home.

Relationship to Tax Treaties

The second question involves the relationship of these statutory tax rules respecting foreigners to our income tax treaties. Both these statutory rules and the treaties involve the same subject matter -- that of the U.S. taxation of the income of foreigners derived from U.S. sources. The Code rules considered above represent our statutory or unilateral approach; the treaties represent our bilateral approach. The treaties have the function, in this respect, of placing restrictions on the unilateral rules, in that the treaty rules are more favorable to foreigners than the Code rules. When we examine many of the statutory changes under consideration, we find they are similar to the changes discussed earlier in our new approach to income tax treaties. Thus both move along parallel lines -- e.g., lessened taxation of capital gains, the elimination of the force of attraction of a trade or business (statutory) or of a permanent establishment (treaty).

Any changes made unilaterally could thus present us with distinct difficulties in the treaty area. For treaties are bilateral and the restrictions are reciprocal. The concessions we make in a treaty to the foreigners of Country X investing in the U.S. are usually matched by the concessions Country X makes in the treaty to our citizens investing in that country. Hence, if we decide in a treaty to eliminate our taxation of the U.S. capital gains of foreigners or to eliminate the force of attraction of a permanent establishment in the U.S. for the investment income of a foreigner owning that establishment, we expect to receive similar treaty concessions from the other country. Such concessions both benefit our investors and traders abroad, and through lowered foreign taxes, and hence lowered foreign tax credits, provide us with a revenue increase to balance the revenue lost through our concessions. What, therefore, happens to our bargaining powers if these concessions are unilaterally made by the U.S. through a statutory change? This problem is a very real one, since many treaty negotiations develop essentially into formidable contract bargaining.

The desire to protect our revenues and own investors and traders, and caution as well, would thus point to making any changes, otherwise appropriate, only through treaties and not unilaterally. The principal offsetting factor is that of time -- treaties do move slowly and all else being equal if the changes are desirable they should be made at this time. The problem thus becomes one of searching for a mechanism which will protect the treaty process and still permit unilateral change. One possibility worth consideration is that of making the unilateral statutory changes but providing in the Code that the Secretary of the Treasury can rescind the more important of these changes as respects the residents of any foreign country if he finds that the country is not taking reasonable steps in treaty negotiations to grant relief to our citizens similar to the relief granted to its citizens by our statutory changes. Several present Code sections could be regarded as consistent, if not direct, precedents: Section 883 excluding from our tax the profits from the operation of foreign documented ships or aircraft if the country of documentation grants an equivalent exemption to our shipping and aircraft; and section 891 authorizing the President to double the rates of our tax as to citizens of a foreign country which he finds is subjecting our citizens to discriminatory or extra-territorial taxes. The objective in exploring the mechanism suggested, or others that may be suitable, is to achieve a flexibility in approach to our international tax relationships that will permit us to move in harmony both through statutory changes and treaty revisions.

Conclusion

The Treasury Department is engaged in a wide ranging program of improving our international tax relationships in the interest of increased international trade and investment and of the increased economic development of less developed areas. The above description of this program is necessarily lengthy and detailed. The program covers a range of activities reaching from tax treaties and multi-national tax discussions to United States statutory legislation and on to Treasury Regulations and operating procedures of the Internal Revenue Service. Moreover, in the tax field the full meaning and scope of any provision, be it in a treaty, statute, regulation or other form, lie in the details of that provision. Taxation is a technical subject and the details count.

A program of this breadth requires time for its full completion, and the persistent, patient activities of not only our tax officials but also those of many countries. It can also be immeasurably aided by the informed and patient cooperation of private tax experts, through associations or in their private capacities, who can bring their experience and problems to the shaping of the solutions. The Treasury welcomes this cooperation. It believes that the goals involved in this program will commend themselves to those concerned with international economic problems and that the accomplishment of those goals will represent a significant step forward in our international tax relationships.

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FOR RELEASE A. M. NEWSPAPERS,
Tuesday, September 22, 1964.

September 21, 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 June 25, 1964, and the other series to be dated September 24, 1964, which were offered on September 1 were opened at the Federal Reserve Banks on September 21. Tenders were invited for $1,300,000,000, 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 December 24, 1964		:	182-day Treasury bills maturing March 25, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv Annual Rate
High	99.108	3.529%	:	98.136	3.687%
Low	99.103	3.549%	:	98.131	3.697%
Average	99.105	3.542% 1/	:	98.133	3.692% 1/

1[illegible] percent of the amount of 91-day bills bid for at the low price was accepted
96 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 36,434,000	$ 21,372,000	:	$ 18,083,000	$ 9,883,0
New York	1,567,217,000	862,182,000	:	1,216,065,000	677,645,0
Philadelphia	32,289,000	17,289,000	:	10,765,000	3,865,0
Cleveland	38,114,000	29,444,000	:	76,999,000	55,595,0
Richmond	16,428,000	16,428,000	:	5,069,000	4,169,0
Atlanta	25,092,000	19,310,000	:	19,266,000	16,261,0
Chicago	262,546,000	179,356,000	:	153,201,000	78,981,0
St. Louis	35,800,000	29,233,000	:	11,422,000	7,982,0
Minneapolis	23,981,000	16,075,000	:	7,025,000	5,006,0
Kansas City	33,363,000	30,363,000	:	8,043,000	7,943,0
Dallas	26,767,000	18,957,000	:	9,471,000	5,471,0
San Francisco	102,081,000	61,871,000	:	88,514,000	27,924,0
Totals	$2,200,219,000	$1,301,880,000 a/		$1,623,923,000	$ 900,594,0

a/ Includes $246,116,000 noncompetitive tenders accepted at the average price of 99.1
b/ Includes $65,660,000 noncompetitive tenders accepted at the average price of 98.13
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 3.62%, for the 91-day bills, and 3.81%, for 182-day bills. Interest rates on bills are quoted in terms of bank discount wi 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 comput terms of interest on the amount invested, and relate the number of days remaini in an interest payment period to the actual number of days in the period, with annual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, September 22, 1964.

September 21, 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 June 25, 1964, and the other series to be dated September 24, 1964, which were offered on September 16, were opened at the Federal Reserve Banks on September 21. Tenders were invited for $1,300,000,000, 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 December 24, 1964		182-day Treasury bills maturing March 25, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
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Low	99.103	3.549%	98.131	3.697%
Average	99.105	3.542% 1/	98.133	3.692% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 36,434,000	$ 21,372,000	$ 18,083,000	$ 9,883,000
New York	1,567,217,000	862,182,000	1,216,065,000	677,645,000
Philadelphia	32,289,000	17,289,000	10,765,000	3,865,000
Cleveland	38,114,000	29,444,000	76,999,000	55,595,000
Richmond	16,428,000	16,428,000	5,069,000	4,169,000
Atlanta	25,092,000	19,310,000	19,266,000	16,261,000
Chicago	262,646,000	179,356,000	153,201,000	78,901,000
St. Louis	35,800,000	29,233,000	11,422,000	7,922,000
Minneapolis	23,981,000	16,075,000	7,025,000	5,005,000
Kansas City	33,363,000	30,363,000	8,043,000	7,943,000
Dallas	26,767,000	18,957,000	9,471,000	5,471,000
San Francisco	102,086,000	61,871,000	88,514,000	27,934,000
Totals	$2,200,219,000	$1,301,880,000 a/	$1,623,923,000	$ 900,594,000 b/

a/ Includes $246,116,000 noncompetitive tenders accepted at the average price of 99.105
b/ Includes $65,660,000 noncompetitive tenders accepted at the average price of 98.133
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.62%, for the 91-day bills, and 3.81%, 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 semi-annual compounding if more than one coupon period is involved.

D-1349

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 actuall; received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

BETA - MODIFIED

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated January 3, 1964, (91 days remaining until maturity date on December 31, 1964) and noncompetitive tenders for $ 100,000 or less for the 182 -day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on October 1, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 1, 1964. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, September 23, 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 October 1, 1964 , in the amount of $ 2,101,624,000 , as follows:

91 -day bills (to maturity date) to be issued October 1, 1964 , in the amount of $ 1,300,000,000 , or thereabouts, representing an additional amount of bills dated January 3, 1964 , and to mature December 31, 1964 , originally issued in the amount of $ 1,000,309,000/ (an additional $900,402,000 was issued July 2, 1964), the additional and original bills to be freely interchangeable.

182 -day bills, for $ 900,000,000 , or thereabouts, to be dated October 1, 1964 , and to mature April 1, 1965 .

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, September 28, 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.

September 23, 1964

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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182-day bills, for $900,000,000, or thereabouts, to be dated October 1, 1964, and to mature April 1, 1965.

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.

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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 $200,000 or less for the additional bills dated January 3, 1964, (91-days remaining until maturity date on December 31, 1964) and noncompetitive tenders for $100,000 or less for the 182-day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on October 1, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 1,1964. 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.
September 23, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WIRE ROPE
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined, following receipt of evidence of price revisions, that wire rope from the United Kingdom is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. Notice of the determination will be published in the Federal Register.

The dollar value of imports of the involved merchandise received during 1963 was approximately $1,300,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.
September 23, 1964

FOR IMMEDIATE RELEASE

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The dollar value of imports of the involved merchandise received during 1963 was approximately $1,300,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 24, 1964

FOR IMMEDIATE RELEASE

**TREASURY DECISION ON WINDOW GLASS
UNDER THE ANTIDUMPING ACT**

The Treasury Department has determined that window glass, 16-ounce through 28-ounce thicknesses, from Czechoslovakia is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act.

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

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

The dollar value of imports received during the year 1963 was approximately $53,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 24, 1964

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WINDOW GLASS
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Accordingly, this case is being referred to the United States Tariff Commission for an injury determination.

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The dollar value of imports received during the year 1963 was approximately $53,000.

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FOR RELEASE A. M. NEWSPAPERS,
Friday, September 25, 1964.

September 24, 1964

RESULTS OF REFUNDING OF $1 BILLION OF ONE-YEAR BILLS

The Treasury Department announced last evening that the tenders for $1,000,000,000 or thereabouts, of 365-day Treasury bills to be dated September 30, 1964, and to mature September 30, 1965, which were offered on September 18, were opened at the Federal Reserve Banks on September 24.

The details of this issue are as follows:

Total applied for - $1,848,868,000
Total accepted - 1,000,379,000 (includes $52,688,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 96.189	Equivalent rate of discount approx.	3.759% per annum
Low	- 96.169	" " " " "	3.779% " "
Average	- 96.174	" " " " "	3.773% " " 1/

(99% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 24,280,000	$ 1,780,000
New York	1,346,337,000	714,857,000
Philadelphia	12,908,000	2,908,000
Cleveland	115,000,000	47,900,000
Richmond	8,609,000	8,540,000
Atlanta	9,787,000	9,337,000
Chicago	181,845,000	121,565,000
St. Louis	7,638,000	4,538,000
Minneapolis	8,692,000	5,682,000
Kansas City	11,578,000	7,578,000
Dallas	16,645,000	1,645,000
San Francisco	105,549,000	74,049,000
TOTAL	$1,848,868,000	$1,000,379,000

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 3.94%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Friday, September 25, 1964.

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St. Louis	7,638,000	4,538,000
Minneapolis	8,692,000	5,682,000
Kansas City	11,578,000	7,578,000
Dallas	16,645,000	1,645,000
San Francisco	105,549,000	74,049,000
TOTAL	$1,848,868,000	$1,000,379,000

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D-1351

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, September 29, 1964.

September 28, 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 3, 196 and the other series to be dated October 1, 1964, which were offered on September 23, were opened at the Federal Reserve Banks on September 28. Tenders were invited for $1,300,000,000, 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 December 31, 1964		:	182-day Treasury bills maturing April 1, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv Annual Rate
High	99.106	3.537%	:	98.134	3.691%
Low	99.100	3.560%	:	98.120	3.719%
Average	99.101	3.555% 1/	:	98.124	3.711% 1/

66% of the amount of 91-day bills bid for at the low price was accepted
79% 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	$ 35,156,000	$ 29,946,000	:	$ 26,035,000	$ 23,625,000
New York	1,479,651,000	848,291,000	:	1,102,546,000	645,476,000
Philadelphia	29,562,000	14,562,000	:	8,185,000	3,185,000
Cleveland	31,261,000	31,261,000	:	20,240,000	19,190,000
Richmond	14,529,000	14,529,000	:	4,536,000	3,636,000
Atlanta	29,408,000	22,670,000	:	15,396,000	13,375,000
Chicago	253,836,000	172,128,000	:	128,754,000	78,264,000
St. Louis	42,230,000	37,030,000	:	15,261,000	13,156,000
Minneapolis	19,129,000	14,949,000	:	7,153,000	5,153,000
Kansas City	2[illegible],057,000	27,683,000	:	15,212,000	15,149,000
Dallas	23,[illegible]	14,000,000	:	11,129,000	7,919,000
San Francisco	[illegible],883,000	73,973,000	:	96,357,000	72,017,000
TOTALS	$2,[illegible]6,[illegible]02,000	$1,301,022,000 a/		$1,450,804,000	$900,365,000

a/ Includes $235,220,000 noncompetitive tenders accepted at the average price of 99.1
b/ Includes $71,408,000 noncompetitive tenders accepted at the average price of 98.12
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.64%, for the 91-day bills, and 3.83%, 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 terms of interest on the amount invested, and relate the number of days remaining an interest payment period to the actual number of days in the period, with semi-annual compounding if more than one coupon period is involved.

D-1352

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, September 29, 1964.

September 28, 1964

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Dallas	23,340,000	14,000,000	:	11,129,000	7,919,000
San Francisco	99,843,000	73,973,000	:	96,357,000	72,017,000
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D-1352

as the principal source of credit facilities and the major guardian of the financial conscience of the world, the International Monetary Fund. But we have also found, as time went on, that there was some place for purely supplemental arrangements among countries whose special needs might be adapted to special techniques, while yet adhering consistently to the Fund itself. And we are now initiating additional arrangements for improving our performance with respect to those aspects of credit facilities that are centered in the Group of Ten.

None of us has as yet surrendered any sovereignty to the Group of Ten. None of us is bound to accept advice from the Group of Ten. Each of us is free to withhold or to grant credits in forms that come under multilateral surveillance. But we are gaining, every month and year, more experience in working together to meet some of the special problems that are, at least in a relative sense, unique among countries of the size and characteristics included in the Ten. How better then could we be poised for a testing, in practical and operational terms, of the various kinds of considerations that are certain to arise in the studies of reserve asset creation?

The monetary authorities, and those interested in monetary affairs, in all countries are in a fortunate position. Our studies are going forward, pari passu, with the testing of some of the important premises on which a choice, among the various results of the studies, may ultimately depend. It is an exciting, in some ways an unprecedented, opportunity for rational progress in organizing international economic relations. It is one in which, I know, every economist will want to participate. The debate is on; I hope you will all join in.

by step, comparatively modest changes toward what might, of course, in time prove to be a major change in the composition of the world's monetary reserves.

By contrast, the French and some other countries believe that it will eventually be necessary to make a clean start, in deliberately displacing or replacing what we have, by consciously and explicitly creating something that is truly new. Their suggestion for the establishment of a composite reserve unit would involve a contribution by several of the leading industrial countries, putting agreed amounts of their own currencies into a common pool. Shifts among the participating countries in their claims on this pool would then be linked by a fixed ratio to gold transfers among these same countries. The ratio would naturally be changed as the participating countries altered the volume of composite reserve units. This is the heart of the French suggestion. Details might be spelled out in many ways, just as there are many variants for possible creation of owned reserves through the International Monetary Fund. No one, so far as I know, has an unalterable position on any of these matters. But we have taken clear initial positions in order to make certain that the relevant issues will in fact be thoroughly debated and analyzed as logically and fully as major decisions of this significance deserve.

I am sure you already see, with me, the very interesting parallels between this debate over the future creation of owned reserves and the pattern of experimentation that is now being followed as we proceed in the current phase toward elaboration of credit facilities. For we have today, III.

It was not multilateral surveillance that occasioned the differences at Tokyo. Those differences related to steps that might be taken at some time further on in the future, not in connection with the use of credit facilities, but in finding new ways to create actual, or owned, reserves. I have promised you a word of explanation as to why the expression of these differences came so fittingly at the current phase in the evolution of the international monetary system, when we are not in fact concerned by any shortage of owned reserves on a global basis but are instead pressing to improve the distribution of existing primary reserves -- through the Fund and bilaterally.

The answer, bluntly abbreviated, is that the various approaches now being utilized for the elaboration of credit facilities can, if we watch them closely, furnish important evidence bearing upon the other kind of choice that may have to be made in later years. Let me illustrate by briefly characterizing two of the more prominent positions expressed as to the future creation of owned reserves.

The United States, without pegging itself to an absolute commitment, would genuinely prefer that any further additions to the world's arrangements for creating owned reserves be established within the International Monetary Fund. We would, at least in our present thinking, like to see any such development, if it occurs, evolve out of practices with which countries are already familiar in the Fund. We would hope it could represent, step their own funds which represent true settlements of current transactions, those which represent long-term investment, and those which may be speculative or capricious.

Multilateral surveillance involves the creation of no new institution, but rather the strengthening of activity already under way, and the establishment of facilities for expediting and standardizing the flow of information among the Group of Ten (or Eleven) countries. It does not, indeed could not, require multilateral approval of particular transactions. It will not occasion delay in any foreign exchange transactions or the activation of swap arrangements. For it is the speed and flexibility with which these facilities have been used that have given international monetary cooperation its remarkable record of recent achievement.

It will be possible, as a result of the newly improved procedures, however, for any of the countries to take better stock of the financial factors affecting its own position as a basis for determining its own individual course of action -- not merely in extending credits or arranging to obtain them, but more importantly in formulating its own national economic policies with a view to furthering its own adjustment toward balance of payments equilibrium. And this orderly exchange of information will, as Secretary Dillon said at Tokyo, avoid any risk that a participating country "might drift into heavy and continuous reliance upon such essentially short-term credit facilities, delaying too long the necessary corrective action that should be taken to adjust its balance of payments."

I was asked at a press briefing a few weeks ago, when the Group of Ten statement of August 1 was published, whether multilateral surveillance meant that the countries involved would be giving us more advice than in the past. My reply then, and I think it is still fully applicable, was: "It would be hard to say that either they or we could give or get more advice than we have had in the last few months. This only means that, as the advice is being exchanged, the information base on which it rests is a little more assured and a little more current." And indeed it is in keeping each other more systematically informed concerning the flows that are taking place, as well as concerning the compensating action which one country or another initiates, that the procedures under "multilateral surveillance" will make their major contribution.

As you well know, a great variety of private capital movements, in addition to movements of official funds, are constantly exerting an impact both upon official reserves and upon commercial balances in the major countries. Some of these capital flows are equilibrating in nature, some are disequilibrating, some are seasonal, some are speculative. Current approximations as to the basic balance of payments implications for the various countries can be reached much more rapidly, and we in the United States can reach our own conclusions as to what they mean for us and the position of the dollar with much greater assurance, if we can have promptly available the best results that the responsible authorities of each country can produce -- in attempting to distinguish between those movements of capital transactions of the countries in the Group of Ten, now happily joined for this purpose by Switzerland (which is not a member of the International Monetary Fund), can, if they move seriously out of alignment, have grave repercussions on the functioning of the world economy as a whole. Detailed, confidential and systematic exchanges among these countries are clearly essential. In effect, what the Ten (or Eleven) countries are now providing through their arrangements for multilateral surveillance is a sort of international credit interchange bureau.

To assure efficient and informed processing of this information, the Ministers and Governors of the Ten have called upon the management of the Bank for International Settlements, which has agreed to perform these services. To assure full access, in suitably confidential form, to the management of the International Fund, representatives of the Fund have participated in all stages of the development of these new arrangements, and senior officials of the Fund, including where appropriate the Managing Director himself, will participate in any review and appraisal of the information being gathered.

Discussions based on this information will occur, as they have informally for a number of years, among the Central Bank Governors and their associates attending the monthly meetings of the BIS in Basle. Critical analysis by representatives of the various governments will occur as the new and regularized flow of information is made available to Working Party 3 of the OECD, on which, for example, I represent the United States, accompanied ordinarily by a senior spokesman for the Department of State, the Council of Economic Advisers, and, of course, the Federal Reserve System.

own reserves of gold and foreign exchange. Bilateral credit facilities can also be used to reduce in some measure the recourse which countries have to make to the International Monetary Fund, in calling upon multilateral credit facilities to help settle balance of payments accounts.

Before we jump to the conclusion that we have discovered the Aladdin's lamp of liquidity, however, we had best remember that credit of any kind, however extended, is in fact a claim upon the real resources of whomever extends the credit. That is why it is impractical to expect that there can ever, on any massive scale, be "fully automatic" credit facilities on which countries in balance of payments deficit may freely draw. The ultimate decision as to whether or not additional credit can safely and usefully be extended must remain with the creditor himself.

That fact, and the rapid recent increase in the use of bilateral facilities, has made all of us aware of the need for a critical evaluation, of the kind just conducted by both the Fund and the Ten. We had to determine whether, and if so, how, to regularize and carry forward what has been so successfully achieved, ad hoc, in these few recent years. That is why the United States has, from the beginning, been scrupulous in publishing, as soon after each event as prudence would permit, the full record of its operations. That is where, now, "multilateral surveillance" comes in.

Multilateral surveillance is essentially a means for improving the information available concerning the credit extended and the debt contracted by the leading industrial countries in the course of carrying their surpluses or financing their deficits. Quite obviously, the volume of trade and assassination in November, 1963, and the possibility of imminent crisis in the Italian foreign exchange market in March, 1964. Over most of this period, since late in 1961, a number of the same countries have also been able to carry out joint operations in the London gold market -- discouraging harmful speculation and encouraging a maximum flow of newly produced gold into official reserves rather than into speculative private hoards.

These are the concrete, creditable and conspicuous results of the cooperation. But the needs to be met by the world's monetary system are not only those calling for protection against crisis -- as important as such protection is. There are also regular needs for provision of the means of payment used in carrying on the daily transactions of a growing and diversifying world. And the potential for international financial cooperation extends beyond the averting of calamity to the helpful improvement of facilities for settling the net differences among nations that result from the conglomerate of their every-day trade and payments.

To generalize broadly, most of the direct uses thus far made by other countries of the new bilateral facilities have been to forestall crisis; most of the uses thus far made by the United States have been to smooth out the patterns of balance of payments settlements, both between ourselves and other countries and among other leading countries which make their settlements in dollars. Bilateral credit facilities can now be used, in the ordinary course (and distinct from crisis situations), as temporary supplements to the settlements which nations make by using, or by adding to, their

A parallel opportunity had been found within the OECD through the establishment of a limited membership group known as Working Party 3, in which responsible representatives of most of these same governments and central bank representatives could participate in a full review of their balance of payments positions, the interactions between these and domestic economic policies, the progress being made toward equilibrium, and the methods being used by each to finance its external deficit, or carry its surplus. In addition, the creation of the General Arrangements to Borrow had itself prompted meetings two or three times a year among the Finance Ministers and Central Bank Governors of the Ten countries to assure that the evolving situation was kept in view by all of them in order that they would be ready and able to act promptly in the event of need.

It was out of the combined results of these frequent contacts, and the unprecedented opportunities they gave responsible officials to know more about current developments affecting the economic policies and foreign economic position of each other, at first hand, that programs of special action have evolved for providing a tight ring of defenses around all the world's leading currencies. These made possible the almost instantaneous activation of resources to meet and withstand the series of potential speculative crises that have occurred over the past several years, including the Canadian dollar crisis in mid-1962, the threatened crisis at the time of the Cuban confrontation in October, 1962, the shock of the President's liquidity spectrum, while digesting and redistributing the large volume of owned reserves that has already been created. If that pattern is followed, as seems widely expected at least for the next few years, then it is indeed necessary, in our interest and that of the Group of Ten and of the IMF as a whole, that all countries understand and use, as appropriate, the facilities which those of us who were "Deputies of the Ten" have felicitously titled "multilateral surveillance."

II.

It was not altogether clear at first that a continuing role would be found for bilateral financial arrangements in the form of swaps, or forward operations, or the acquisition of foreign currencies on open account by the United States itself, or by other countries, or for the issuance by the United States of bonds denominated in other currencies. But enough had been accomplished with these facilities by the Autumn of 1963 to raise a question as to the need for finding some way of keeping such bilateral arrangements subject to a general review and appraisal by the other countries which were most directly affected by them, and which were most likely to be involved in them because of the strength and widespread use of their own currencies.

Such appraisal had, in various informal ways, already begun to evolve at the monthly meetings of the Bank for International Settlements attended by the various central bank governors and their principal associates.

U. S. effort centered, quite properly, on the handling of those aspects of its requirements that might be comparatively short-lived or reversible. At the same time, as situations occurred in which these bilateral facilities could suitably be introduced, attention was also given to the possibility that these same arrangements might be used by other countries to meet heavy or unusual needs of their own. And indeed, over the past three or more years, the actual magnitude of the use of the new bilateral facilities has been greater for meeting the unusual needs of other countries participating in these arrangements than it has been for the United States itself.

Paralleling the increase in reliance upon the IMF as the source of multilateral credit facilities, and as the working center of the international monetary system, and accompanying the more recent elaboration of bilateral credit facilities, there have been the continued large balance of payments deficits of the United States. While these deficits have poured billions of dollars into the outright, or owned, reserves of many countries, there must be no doubt that the phase of large U. S. dollar deficits is nearing its end. That is a principal reason why the present phase in the evolutionary progress of the monetary system calls for increasing reliance upon credit rather than upon owned reserves, and upon cooperation rather than upon unilateral action by us or any country.

As Secretary Dillon so forcefully emphasized at Tokyo, this is now the time to make greater use of the whole range of credit facilities -- multilateral and bilateral -- that form such an important part of the "rules of the game" provided by the International Monetary Fund were fully adequate to the new conditions. The answer then found was that a number of the leading industrial countries, whose currencies had become (or were about to become) convertible, would have to accept an increasing degree of special responsibility. They would among themselves have to assure the adequacy of resources available to the International Monetary Fund in the event that others among them encountered heavy need to draw on the Fund, most notably the United States. That is why the so-called Group of Ten was established to provide, within the framework of the Fund, the "General Arrangements to Borrow," making up to $6 billion equivalent in additional resources available to meet the needs of these countries, in the large magnitudes that such needs might reach, without impairing the capacity of the Fund to meet at the same time the current needs of any of its other members.

It followed from this recognition of common interest and special responsibility that the individual countries should attempt, as possibilities appeared, to develop additional arrangements for meeting and financing payments flows among themselves, in an effort to reduce somewhat the direct burden that might have to be carried, in the event of more lasting needs, through the Fund,i~~tself~~. With the United States, throughout this period of convertibility, having moved into substantial deficit, it had perhaps the broadest opportunities for the development of new and flexible bilateral payments arrangements, in conjunction with other interested countries. The lateral basis could be suitably adapted to the full range of differences in relations among individual countries that might emerge, and whether the Fund itself or any possible supplementary arrangements could preserve the element of discipline which must still be retained if the new resources were to be kept revolving from one use to another and not drained permanently into the continuing deficits of particular countries which proved unable or unwilling to keep their external accounts, over time, in balance.

What soon became compellingly clear, once most of the leading countries were convertible (at least on current account), was that money was now much easier and freer to move than goods or people or fixed capital. Whenever differences might then develop among countries, in the pace, or even in the composition, of their continuing advance, or in their capacity and readiness for trade, the compensating action could ordinarily be expected to occur first through the movements of short-term funds. And since the underlying causes of such movements at the time were often difficult to discern and slow to appear, there was a ready propensity for a movement of funds in any direction, once started, to become cumulative. Moreover, the mere existence of free and open markets in foreign exchange required the presence of private speculators, performing their accustomed role in a free and flexible market, so that sensitive market facilities for the transmission of capital flows quite naturally and indeed necessarily developed.

In these circumstances, it was ~~indeed~~ appropriate, in 1961, to question whether not only the facilities, but even more importantly, some of the

the shattering depression which followed, "beggar-my neighbor" trade policies, and eventually open economic warfare. Instead, the need after World War II was for a system of guidelines and facilities, flexibly utilized under a rule of reason. In the monetary field, that need was to be met by the International Monetary Fund.

The Fund introduced for the first time, on an organized and fully multilateral basis, the principle of reliance upon credit facilities to supplement the use of gold and the dollars, sterling or francs that had become imbedded in the "owned reserves" of various countries. In the IMF system, provided that a given country's reserves came under pressure because of unusual seasonal developments, or because its cyclical phasing differed from that of many other countries with whom it had extensive trade, or because its own growth pace had imposed strains that would require some time to relieve, the Fund could furnish credit for a period of three to five years in order to help bridge over the needed adjustments. As a country's drawings became larger, in relation to its size as reflected in Fund quotas, the degree of scrutiny and advice from the Fund would be intensified, and interest charges would rise. This could provide the needed measure of discipline as a substitute for the grotesque and grueling "contraction into balance" that the old gold standard, or presumably any purely automatic arrangement, would impose in today's world.

The questions for the further future, once the Fund began to meet the tests of wide-spread convertibility, were whether its own resources were adequate, whether facilities for the use of such resources on a fully multiwhose performance can have wide repercussions upon the trade and payments of the world as a whole, came with currency convertibility at the end of 1958. The entire drive of the postwar period, through the successive miracles of reconstruction and renewed development, was toward a world of greater freedom for trade and payments among nations. The unprecedented flourishing of prosperity during these two postwar decades testifies that the decision to move in this direction has been sound and that the potential to be realized by freeing the forces of the market-place is enormous. But the problem has been, as new strands created by the international division of labor wove increasingly complex patterns of economic relations among countries, to find and accept workable standards for normative behavior. A lunge toward full freedom meant chaos or anarchy. Yet the drive toward it had to be kept in motion. Quite understandably, it was to money -- or, more broadly, to liquidity arrangements -- the common denominator of economic affairs, that the world turned for some of its needed answers.

The world had already, at Bretton Woods in 1944, discarded the discredited concept of an automatic gold standard. In creating, and adhering to, the International Monetary Fund, the countries of a free trading world were declaring that international economic relations could no longer, in realistic practice, be guided by simple adherence to a system of rather rigid rules. No one was willing to repeat the turbulent history of the post World War I period, when that kind of system, trying to function within a modern environment, brought the gold standard crisis of the early 1930's, was in fact a reassuring demonstration of the solid strength on which our arrangements for international financial cooperation are now based.

I will not try today to re-state, nor to elaborate upon, the differences in diagnosis that were brought forth in Tokyo. I would like to take a brief look, with you, at the nature and meaning of the kind of international cooperation we have been evolving in the financial area. To do that leads, initially, to a look at some of the developments that have brought about this new emphasis upon international financial cooperation. Then, after some further explanation of what the cooperation actually consists of, perhaps I can make a little clearer the reasons why the debate which has now been initiated fits so well into the current phase in the evolution of that cooperation. Or, to put all this another way, if I may use the rather terrifying jargon of internationally negotiated language, I want to make a few comments, first, about "multilateral and bilateral credit facilities," then second, about "multilateral surveillance," and third, about the possible place of additional methods for the "creation of owned reserves." Fortunately, I have to make some other speeches on these matters over the next few weeks, so I will save a few thousand words for those efforts and will not actually try to keep you here until sundown, as perhaps you might apprehensively have suspected from this outline.

I.

The impetus to increased use of the International Monetary Fund, and to increasingly active bilateral operations among those leading countries to raise questions about the shape that system might take, or be moving toward, some years in the future. Each fully understood the profound concern of the other. Each recognized that the quality of any decisions that might be necessary in the future would be improved if there could be wider consideration of these various approaches inside and among all of the countries participating in the International Monetary Fund.

Each also knew that a thorough analysis of the current functioning of the system had just been completed by the International Monetary Fund, looking at the world as a whole, and by the so-called Group of Ten, looking at some of the additional special problems centering in the more industrialized countries. Each knew that, despite a number of genuine present needs for specific measures of improvement, there had been a unanimous finding that the basic structure of the system is sound, and its performance both healthy and flourishing. Moreover, every one of the principal actors on the Tokyo stage knew there was firm agreement that any unexpected crisis which might threaten to impair the smooth and sustained functioning of the international monetary system could and would be met and overcome by utilizing facilities which were fully developed, tested, and agreed upon.

There was no danger now of any speculative unrest because Ministers revealed, with an invitation to public debate, the differences they had discovered in their private discussions. This is what I mean, then, when I say that the open discussion of important differences in monetary analysis and in possible prescriptions for the future, as this occurred in Tokyo,

FOR SIMULTANEOUS RELEASE IN PHILADELPHIA AND WASHINGTON AT 12:30 P.M., EDT,
FOR RELEASE ON DELIVERY MONDAY, SEPTEMBER 28, 1964.

REMARKS BY THE HONORABLE ROBERT V. ROOSA
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
AT THE SIXTH ANNUAL MEETING
OF THE NATIONAL ASSOCIATION OF BUSINESS ECONOMISTS
AT THE WARWICK HOTEL, PHILADELPHIA, PENNSYLVANIA
MONDAY, SEPTEMBER 28, 1964, 12:30 P.M. (EDT)

THE MEANING OF INTERNATIONAL FINANCIAL COOPERATION

You have undoubtedly heard much in recent years about international financial cooperation. But you must also be wondering, from the newspaper accounts of the past two weeks, what happened to cooperation in Tokyo. To compound the confusion, I can assure you that the accounts were entirely accurate. Yet the answer I would give to that question, paradoxical as it may seem, is that this Tokyo experience has been one of the most striking evidences that has yet appeared of the strength and reliability of the international financial cooperation which now exists.

The differences expressed in Tokyo were not the unfortunate or accidental results of any failures of communication or of understanding. They were not the expression of suspicions or ambitions by one country or another. They were instead an open invitation to every interested person everywhere to begin to participate more fully, alongside the representatives of the various governments, in a fundamental analysis of some of the issues which have arisen as those governments have attempted, thus far behind closed doors, to survey the possible long-run course of the international monetary system.

The Minister or the Governor or the Chancellor or the Secretary who urged consideration of one possible line of thought or another at Tokyo did so knowing that there would be no impairment of the effective current functioning of the monetary system because one or another of them ventured

TREASURY DEPARTMENT
Washington

FOR SIMULTANEOUS RELEASE
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You have undoubtedly heard much in recent years about international financial cooperation. But you must also be wondering, from the newspaper accounts of the past two weeks, what happened to cooperation in Tokyo. To compound the confusion, I can assure you that the accounts were entirely accurate. Yet the answer I would give to that question, paradoxical as it may seem, is that this Tokyo experience has been one of the most striking evidences that has yet appeared of the strength and reliability of the international financial cooperation which now exists.

The differences expressed in Tokyo were not the unfortunate or accidental results of any failures of communication or of understanding. They were not the expression of suspicions or ambitions by one country or another. They were instead an open invitation to every interested person everywhere to begin to participate more fully, alongside the representatives of the various governments, in a fundamental analysis of some of the issues which have arisen as those governments have attempted, thus far behind closed doors, to survey the possible long-run course of the international monetary system.

The Minister or the Governor or the Chancellor or the Secretary who urged consideration of one possible line of thought or another at Tokyo did so knowing that there would be no impairment of the effective current functioning of the monetary system because one or another of them ventured to raise questions about the shape that system might take, or be moving toward, some years in the future. Each fully understood the profound concern of the other. Each recognized that the quality of any decisions that might be necessary in the future would be improved if there could be wider consideration of these various approaches inside and among all of the countries participating in the International Monetary Fund.

Each also knew that a thorough analysis of the current functioning of the system had just been completed by the International Monetary Fund, looking at the world as a whole, and by the so-called Group of Ten, looking at some of the additional special problems centering in the more industrialized countries. Each knew that, despite a number of genuine present needs for specific measures of improvement, there had been a unanimous finding that the basic structure of the system is sound, and its performance both healthy and flourishing. Moreover, every one of the principal actors on the Tokyo stage knew there was firm agreement that any unexpected crisis which might threaten to impair the smooth and sustained functioning of the international monetary system could and would be met and overcome by utilizing facilities which were fully developed, tested, and agreed upon.

There was no danger now of any speculative unrest because Ministers revealed, with an invitation to public debate, the differences they had discovered in their private discussions. This is what I mean, then, when I say that the open discussion of important differences in monetary analysis and in possible prescriptions for the future, as this occurred in Tokyo, was in fact a reassuring demonstration of the solid strength on which our arrangements for international financial cooperation are now based.

I will not try today to re-state, nor to elaborate upon, the differences in diagnosis that were brought forth in Tokyo. I would like to take a brief look, with you, at the nature and meaning of the kind of international cooperation we have been evolving in the financial area. To do that leads, initially, to a look at some of the developments that have brought about this new emphasis upon international financial cooperation. Then, after some further explanation of what the cooperation actually consists of, perhaps I can make a little clearer the reasons why the debate which has now been initiated fits so well into the current phase in the evolution of that cooperation. Or, to put all this another way, if I may use the rather terrifying jargon of internationally negotiated language, I want to make a few comments, first, about "multilateral and bilateral credit facilities," then second, about "multilateral surveillance," and third, about the possible place of additional methods for the "creation of owned reserves."

Fortunately, I have to make some other speeches on these matters over the next few weeks, so I will save a few thousand words for those efforts and will not actually try to keep you here until sundown, as perhaps you might apprehensively have suspected from this outline.

I.

The impetus to increased use of the International Monetary Fund, and to increasingly active bilateral operations among those leading countries whose performance can have wide repercussions upon the trade and payments of the world as a whole, came with currency convertibility at the end of 1958. The entire drive of the postwar period, through the successive miracles of reconstruction and renewed development, was toward a world of greater freedom for trade and payments among nations. The unprecedented flourishing of prosperity during these two postwar decades testifies that the decision to move in this direction has been sound and that the potential to be realized by freeing the forces of the market-place is enormous. But the problem has been, as new strands created by the international division of labor wove increasingly complex patters of economic relations among countries, to find and accept workable standards for normative behavior. A lunge toward full freedom meant chaos or anarchy. Yet the drive toward it had to be kept in motion. Quite understandably, it was to money -- or, more broadly, to liquidity arrangements -- the common denominator of economic affairs, that the world turned for some of its needed answers.

The world had already, at Bretton Woods in 1944, discarded the discredited concept of an automatic gold standard. In creating, and adhering to, the International Monetary Fund, the countries of a free trading world were declaring that international economic relations could no longer, in realistic practice, be guided by simple adherence to a system of rather rigid rules. No one was willing to repeat the turbulent history of the post World War I period, when that kind of system, trying to function within a modern environment, brought the gold standard crisis of the early 1930's, the shattering depression which followed, "beggar-my-neighbor" trade policies, and eventually open economic warfare. Instead, the need after World War II was for a system of guidelines and facilities, flexibly utilized under a rule of reason. In the monetary field, that need was to be met by the International Monetary Fund.

The Fund introduced for the first time, on an organized and fully multilateral basis, the principle of reliance upon credit facilities to supplement the use of gold and the dollars, sterling or francs that had become imbedded in the "owned reserves" of various countries. In the IMF system, provided that a given country's reserves came under pressure because of unusual seasonal developments, or because its cyclical phasing differed from that of many other countries with whom it had extensive trade, or because its own growth pace had imposed strains that would require some time to relieve, the Fund could furnish credit for a period of three to five years in order to help bridge over the needed adjustments. As a country's drawings became larger, in relation to its size as reflected in Fund quotas, the degree of scrutiny and advice from the Fund would be intensified, and interest charges would rise. This could provide the needed measure of discipline as a substitute for the grotesque and grueling "contraction into balance" that the old gold standard, or presumably and purely automatic arrangement, would impose in today's world.

The questions for the further future, once the Fund began to meet the tests of wide-spread convertibility, were whether its own resources were adequate, whether facilities for the use of such resources on a fully multilateral basis could be suitably adapted to the full range of differences in relations among individual countries that might emerge, and whether the Fund itself or any possible supplementary arrangements could preserve the element of discipline which must still be retained if the new resources were to be kept revolving from one use to another and not drained permentantly into the continuing deficits of particular countries which proved unable or unwilling to keep their external accounts, over time, in balance.

What soon became compellingly clear, once most of the leading countries were convertible (at least on current account), was that money was now much easier and freer to move than goods or people or fixed capital. Whenever differences might then develop among countries, in the pace, or even in the composition, of their continuing advance, or in their capacity and readiness for trade, the compensating action could ordinarily be expected to occur first through the movements of short-term funds. And since the underlying causes of such movements at the time were often difficult to discern and slow to appear, there was a ready propensity for a movement of funds in any direction, once started, to become cumulative. Moreover, the mere existence of free and open markets in foreign exchange required the presence of private speculators, performing their accustomed role in a free and flexible market, so that sensitive market facilities for the transmission of capital flows quite naturally and indeed necessarily developed.

In these circumstances, it was appropriate, in 1961, to question whether not only the facilities, but even more importantly, some of the "rules of the game" provided by the International Monetary Fund were fully adequate to the new conditions. The answer then found was that a number of the leading industrial countries, whose currencies had become (or were about to become) convertible, would have to accept an increasing degree of special responsibility. They would among themselves have to assure the adequacy of resources available to the International Monetary Fund in the event that others among them encountered heavy need to draw on the Fund, most notably the United States. That is why the so-called Group of Ten was established to provide, within the framework of the Fund, the "General Arrangements to Borrow," making up to $6 billion equivalent in additional resources available to meet the needs of these countries, in the large magnitudes that such needs might reach, without impairing the capacity of the Fund to meet at the same time the current needs of any of its other members.

It followed from this recognition of common interest and special responsibility that the individual countries should attempt, as possibilities appeared, to develop additional arrangements for meeting and financing payments flows among themselves, in an effort to reduce somewhat the direct burden that might have to be carried, in the event of more lasting needs, through the Fund. With the United States, throughout this period of convertibility, having moved into substantial deficit, it had perhaps the broadest opportunities for the development of new and flexible bilateral payments arrangements, in conjuction with other interested countries. The U. S. effort centered, quite properly, on the handling of those aspects of its requirements that might be comparatively short-lived or reversible. At the same time, as situations occurred in which these bilateral facilities could suitably be introduced, attention was also given to the possibility that these same arrangements might be used by other countries to meet heavy or unusual needs of their own. And indeed, over the past three or more years, the actual magnitude of the use of the new bilateral facilities has been greater for meeting the unusual needs of other countries participating in these arrangements than it has been for the United States itself.

Paralleling the increase in reliance upon the IMF as the source of multilateral credit facilities, and as the working center of the international monetary system, and accompanying the more recent elaboration of bilateral credit facilities, there have been the continued large balance of payments deficits of the United States. While these deficits have poured billions of dollars into the outright, or owned, reserves of many countries, there must be no doubt that the phase of large U. S. dollar deficits is nearing its end. That is a principal reason why the present phase in the evolutionary progress of the monetary system calls for increasing reliance upon credit rather than upon owned reserves, and upon cooperation rather than upon unilateral action by us or any country.

As Secretary Dillon so forcefully emphasized at Tokyo, this is now the time to make greater use of the whole range of credit facilities -- multilateral and bilateral -- that form such an important part of the liquidity spectrum, while digesting and redistributing the large volume of owned reserves that has already been created. If that pattern is followed, as seems widely expected at least for the next few years, then it is indeed necessary, in our interest and that of the Group of Ten and of the IMF as a whole, that all countries understand and use, as appropriate, the facilities which those of us who were "Deputies of the Ten" have felicitously titled "multilateral surveillance."

II.

It was not altogether clear at first that a continuing role)uld be found for bilateral financial arrangements in the form of vaps, or forward operations, or the acquisition of foreign currencies ı open account by the United States itself, or by other countries, r for the issuance by the United States of bonds denominated in ther currencies. But enough had been accomplished with these facili- ies by the Autumn of 1963 to raise a question as to the need for inding some way of keeping such bilateral arrangements subject to general review and appraisal by the other countries which were ɔst directly affected by them, and which were most likely to be nvolved in them because of the strength and widespread use of their wn currencies.

Such appraisal had, in various informal ways, already begun to ;volve at the monthly meetings of the Bank for International Settle- ents attended by the various central bank governors and their)rincipal associates. A parallel opportunity had been found within :he OECD through the establishment of a limited membership group known as Working Party 3, in which responsible representatives of most)f these same governments and central bank representatives could participate in a full review of their balance of payments positions, the interactions between these and domestic economic policies, the progress being made toward equilibrium, and the methods being used by each to finance its external deficit, or carry its surplus. In addition, the creation of the General Arrangements to Borrow had itself prompted meetings two or three times a year among the Finance Ministers and Central Bank Governors of the Ten countries to assure that the evolving situation was kept in view by all of them in order that they would be ready and able to act promptly in the event of need.

It was out of the combined results of these frequent contacts, and the unprecedented opportunities they gave responsible officials to know more about current developments affecting the economic policies and foreign economic position of each other, at first hand, that programs of special action have evolved for providing a tight ring of defenses around all the world's leading currencies. These made possible the almost instantaneous activation of resources to meet and withstand the series of potential speculative crises that have occurred over the past several years, including the Canadian dollar crisis in mid-1962, the threatened crisis at the time of the Cuban confrontation in October, 1962, the shock of the President's assassination in November, 1963, and the possibility of imminent crisis in the Italian foreign exchange market in March, 1964. Over most of this period, since late in 1961, a number of the same countries have also been able to carry out joint operations in the London gold market -- discouraging harmful speculation and encouraging a maximum flow of newly produced gold into official reserves rather than into speculative private hoards.

These are the concrete, creditable and conspicuous results of the cooperation. But the needs to be met by the world's monetary system are not only those calling for protection against crisis -- as important as such protection is. There are also regular needs for provision of the means of payment used in carrying on the daily transactions of a growing and diversifying world. And the potential for international financial cooperation extends beyond the averting of calamity to the helpful improvement of facilities for settling the net differences among nations that result from the conglomerate of their every-day trade and payments.

To generalize broadly, most of the direct uses thus far made by other countries of the new bilateral facilities have been to forestall crisis; most of the uses thus far made by the United States have been to smooth out the patterns of balance of payments settlements, both between ourselves and other countries and among other leading countries which make their settlements in dollars. Bilateral credit facilities can now be used, in the ordinary course (and distinct from crisis situations), as temporary supplements to the settlements which nations make by using, or by adding to, their own reserves of gold and foreign exchange. Bilateral credit facilities can also be used to reduce in some measure the recourse which countries have to make to the International Monetary Fund, in calling upon multilateral credit facilities to help settle balance of payments accounts.

Before we jump to the conclusion that we have discovered the Aladdin's lamp of liquidity, however, we had best remember that credit of any kind, however extended, is in fact a claim upon the real resources of whomever extends the credit. That is why it is impractical to expect that there can ever, on any massive scale, be "fully automatic" credit facilities on which countries in balance of payments deficit may freely draw. The ultimate decision as to whether or not additional credit can safely and usefully be extended must remain with the creditor himself.

That fact, and the rapid recent increase in the use of bilateral facilities, has made all of us aware of the need for a critical evaluation, of the kind just conducted by both the Fund and the Ten. We had to determine whether, and if so, how, to regularize and carry forward what has been so successfully achieved, *ad hoc*, in these few recent years. That is why the United States has, from the beginning, been scrupulous in publishing, as soon after each event as prudence would permit, the full record of its operations. That is where, now, "multilateral surveillance" comes in.

Multilateral surveillance is essentially a means for improving the information available concerning the credit extended and the debt contracted by the leading industrial countries in the course of carrying their surpluses or financing their deficits. Quite obviously, the volume of trade and capital transactions of the countries in the Group of Ten, now happily joined for this purpose by Switzerland (which is not a member of the International Monetary Fund), can, if they move seriously out of alignment, have grave repercussions on the functioning of the world economy as a whole. Detailed, confidential and systematic exchanges among these countries are clearly essential. In effect, what the Ten (or Eleven) countries are now providing through their arrangements for multilateral surveillance is a sort of international credit interchange bureau.

To assure efficient and informed processing of this information, the Ministers and Governors of the Ten have called upon the management of the Bank for International Settlements, which has agreed to perform these services. To assure full access, in suitably confidential form, to the management of the International Fund, representatives of the Fund have participated in all stages of the development of these new arrangements, and senior officials of the Fund, including where appropriate the Managing Director himself, will participate in any review and appraisal of the information being gathered.

Discussions based on this information will occur, as they have informally for a number of years, among the Central Bank Governors and their associates attending the monthly meetings of the BIS in Basle. Critical analysis by representatives of the various governments will occur as the new and regularized flow of information is made available to Working Party 3 of the OECD, on which, for example, I represent the United States, accompanied ordinarily by a senior spokesman for the Department of State, the Council of Economic Advisers, and, of course, the Federal Reserve System.

I was asked at a press briefing a few weeks ago, when the Group of Ten statement of August 1 was published, whether multilateral surveillance meant that the countries involved would be giving us more advice than in the past. My reply then, and I think it is still fully applicable, was: "It would be hard to say that either they or we could give or get more advice than we have had in the last few months. This only means that, as the advice is being exchanged, the information base on which it rests is a little more assured and a little more current." And indeed it is in keeping each other more systematically informed concerning the flows that are taking place, as well as concerning the compensating action which one country or another initiates, that the procedures under "multilateral surveillance" will make their major contribution.

As you well know, a great variety of private capital movements, in addition to movements of official funds, are constantly exerting an impact both upon official reserves and upon commercial balances in the major countries. Some of these capital flows are equilibrating in nature, some are disequilibrating, some are seasonal, some are speculative. Current approximations as to the basic balance of payments implications for the various countries can be reached much more rapidly, and we in the United States can reach our own conclusions as to what they mean for us and the position of the dollar with much greater assurance, if we can have promptly available the best results that the responsible authorities of each country can produce -- in attempting to distinguish between those movements of their own funds which represent true settlements of current transactions, those which represent long-term investment, and those which may be speculative or capricious.

Multilateral surveillance involves the creation of no new institution, but rather the strengthening of activity already under way, and the establishment of facilities for expediting and standardizing the flow of information among the Group of Ten (or Eleven) countries. It does not, indeed could not, require multilateral approval of particular transactions. It will not occasion delay in any foreign exchange transactions or the activation of swap arrangements. For it is the speed and flexibility with which these facilities have been used that have given international monetary cooperation its remarkable record of recent achievement.

It will be possible, as a result of the newly improved procedures, however, for any of the countries to take better stock of the financial factors affecting its own position as a basis for determining its own individual course of action -- not merely in extending credits or arranging to obtain them, but more importantly in formulating its own national economic policies with a view to furthering its own adjustment toward balance of payments equilibrium. And this orderly exchange of information will, as Secretary Dillon said at Tokyo, avoid any risk that a participating country "might drift into heavy and continuous reliance upon such essentially short-term credit facilities, delaying too long the necessary corrective action that should be taken to adjust its balance of payments."

III.

It was not multilateral surveillance that occasioned the differences at Tokyo. Those differences related to steps that might be taken at some time further on in the future, not in connection with the use of credit facilities, but in finding new ways to create actual, or owned, reserves. I have promised you a word of explanation as to why the expression of these differences came so fittingly at the current phase in the evolution of the international monetary system, when we are not in fact concerned by any shortage of owned reserves on a global basis but are instead pressing to improve the distribution of existing primary reserves -- through the Fund and bilaterally.

The answer, bluntly abbreviated, is that the various approaches now being utilized for the elaboration of credit facilities can, if we watch them closely, furnish important evidence bearing upon the other kind of choice that may have to be made in later years. Let me illustrate by briefly characterizing two of the more prominent positions expressed as to the future creation of owned reserves.

The United States, without pegging itself to an absolute commitment, would genuinely prefer that any further additions to the world's arrangements for creating owned reserves be established within the International Monetary Fund. We would, at least in our present thinking, like to see any such development, if it occurs, evolve out of practices with which countries are already familiar in the Fund. We would hope it could represent, step by step, comparatively modest changes toward what might, of course, in time prove to be a major change in the composition of the world's monetary reserves.

By contrast, the French and some other countries believe that it will eventually be necessary to make a clean start, in deliberately displacing or replacing what we have, by consciously and explicitly creating something that is truly new. Their suggestion for the establishment of a composite reserve unit would involve a contribution by several of the leading industrial countries, putting agreed amounts of their own currencies into a common pool. Shifts among the participating countries in their claims on this pool would then be linked by a fixed ratio to gold transfers among these same countries. The ratio would naturally be changed as the participating countries altered the volume of composite reserve units. This is the heart of the French suggestion. Details might be spelled out in many ways, just as there are many variants for possible creation of owned reserves through the International Monetary Fund. No one, so far as I know, has an unalterable position on any of these matters. But we have taken clear initial positions in order to make certain that the relevant issues will in fact be thoroughly debated and analyzed as logically and fully as major decisions of this significance deserve.

I am sure you already see, with me, the very interesting parallels between this debate over the future creation of owned reserves and the pattern of experimentation that is now being followed as we proceed in the current phase toward elaboration of credit facilities. For we have today, as the principal source of credit facilities and the major guardian of the financial conscience of the world, the International Monetary Fund. But we have also found, as time went on, that there was some place for purely supplemental arrangements among countries whose special needs might be adapted to special techniques, while yet adhering consistently to the Fund itself. And we are now initiating additional arrangements for improving our performance with respect to those aspects of credit facilities that are centered in the Group of Ten.

None of us has as yet surrendered any sovereignty to the Group of Ten. None of us is bound to accept advice from the Group of Ten. Each of us is free to withhold or to grant credits in forms that come under multilateral surveillance. But we are gaining, every month and year, more experience in working together to meet some of the special problems that are, at least in a relative sense, unique among countries of the size and characteristics included in the Ten. How better then could we be poised for a testing, in practical and operational terms, of the various kinds of considerations that are certain to arise in the studies of reserve asset creation?

The monetary authorities, and those interested in monetary affairs, in all countries are in a fortunate position. Our studies are going forward, _pari passu_, with the testing of some of the important premises on which a choice, among the various results of the studies, may ultimately depend. It is an exciting, in some ways an unprecedented, opportunity for rational progress in organizing international economic relations. It is one in which, I know, every economist will want to participate. The debate is on; I hope you will all join in.

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for Immediate Release

Sept. 29, 1964

~~DRAFT PRESS RELEASE~~

PRESIDENT'S COMMITTEE ON WARREN REPORT
HOLDS FIRST MEETING

The President's Committee on the Warren Report, which he named last Sunday night to advise him "on the execution of the recommendations of the Warren Commission," held its first meeting today at the Treasury Department.

Present at the meeting, which began at 11:00 a.m., and ended at 12:45, were Secretary of the Treasury Douglas Dillon, Acting Attorney General Nicholas deB Katzenbach, and Special Assistant to the President for National Security Affairs, McGeorge Bundy. The fourth member of the panel, Central Intelligence Agency Director John A. McCone, was out of town.

The Committee does not plan to announce its working sessions in advance, nor to issue public statements on its progress or recommendations prior to submission of its [redacted] report to the President.

P-1356

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 29, 1964

FOR IMMEDIATE RELEASE

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D-1354

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 30, 1964

FOR RELEASE AT 12 NOON (EDT)
WEDNESDAY, SEPTEMBER 30, 1964

TREASURY SECRETARY DILLON HONORS
TWO MARYLAND SAVINGS BOND VOLUNTEERS

The new and retiring volunteer State Chairmen for the U. S. Savings Bonds program in Maryland were honored in a special ceremony in the office of Secretary of the Treasury Douglas Dillon today.

The Secretary presented a formal Certificate of Appointment to Robert H. Levi, President of the Hecht Co. of Baltimore and Washington, who will serve for the next two years, and a Distinguished Service Award to Charles P. McCormick, Chairman of the Board of McCormick & Co., Baltimore, whom Mr. Levi succeeds.

Secretary Dillon said Mr. Levi's wide range of activity in the fields of retailing and finance, coupled with his many civic endeavors, would bring a background of broad experience into the Bond program. The Baltimore business man, associated with The Hecht Co. since 1942, also is a member of the board of the Mercantile Safe Deposit & Trust Co.; the Savings Bank of Baltimore; many civic organizations both in Baltimore and Washington, and is a trustee of Johns Hopkins and Sinai Hospitals.

The Secretary also commended Mr. McCormick's leadership in the fields of business, finance and civic activities which had enabled the Savings Bonds program to strengthen the foundation of its public support during his tenure. He cited that under Mr. McCormick, sales of Bonds had increased more than 19.5 per cent.

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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 ~~(16)~~ or less for the additional bills dated July 9, 1964 ~~(17)~~, (91 ~~(18)~~ days remaining until maturity date on January 7, 1965 ~~(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 October 8, 1964 ~~(22)~~, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 8, 1964 ~~(23)~~. Cash

~~[illegible]~~

~~[illegible]~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~[illegible]~~ September 30, 1964

~~XXXXXXXXXXXXXXXX(1)XXXXXXXXXXXXXXXXXX~~

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 October 8, 1964 x(3)x, in the amount of $ 2,101,267,000 x(4)x, as follows:

91 x(5)x -day bills (to maturity date) to be issued October 8, 1964 x(6)x, in the amount of $ 1,200,000,000 x(7)x, or thereabouts, representing an additional amount of bills dated July 9, 1964 x(8)x, and to mature January 7, 1965 x(9)x, originally issued in the amount of $ 900,046,000 xx(10)x, the additional and original bills to be freely interchangeable.

182 x(11)x -day bills, for $ 900,000,000 x(12)x, or thereabouts, to be dated October 8, 1964 x(13)x, and to mature April 8, 1965 x(14)x.

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, October 5, 1964 x(15)x. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

-1353

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 30, 1964

FOR IMMEDIATE RELEASE

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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).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, October 5, 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.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less for the additional bills dated July 9, 1964, (91-days remaining until maturity date on January 7, 1965) and noncompetitive tenders for $ 100,000 or less for the 182-day bills without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on October 8, 1964, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 8,1964. 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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efficient repression of common law crimes and offenses, with the strict exclusion of all matters having a political, religious, or racial character.

Such topics as international traffic in narcotic drugs, international counterfeiting, and major smuggling problems will be discussed at the Caracas conference. The delegates will also discuss matters dealing with automation of criminal records, ways to improve and facilitate exchange of information concerning international criminals, and means of strengthening extradition procedures against persons wanted for serious crimes.

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Official United States observers attending the Caracas Conference are:

Clark D. Anderson, Legal Attache, American Embassy, Mexico City;

Byron Engle, Director, Office of Public Safety, Agency for International Development, Department of State;

Frank A. Bartimo, Assistant General Counsel (Manpower), Department of Defense.

Mr. Sagalyn is senior Vice President of Interpol, a member of its nine-man executive committee. He was elected to a three year term at Interpol's General Assembly in Madrid in 1962 and holds this office as a representative of the Western Hemisphere. The President of Interpol is Mr. Fjalar Jarva, Commissioner of Police, Ministry of Interior, Finland. There are 90 member nations in the organization.

The purposes of Interpol are to insure and promote mutual assistance between criminal police authorities, within the limits of the laws existing in the different states, and to work toward

September 30, 1964

FOR IMMEDIATE RELEASE!

UNITED STATES OFFICIALS AT
INTERPOL CONFERENCE IN CARACAS

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Chairman of the delegation is Arnold Sagalyn, Director of Law Enforcement Coordination for the Treasury Department. Other delegates are:

George H. Gaffney, Deputy Commissioner, Bureau of Narcotics;

H. Alan Long, Director, Intelligence Division, Internal Revenue Service;

Paul J. Paterni, Deputy Chief, U. S. Secret Service.

Alternate delegates are: Thomas M. Allen, Senior Customs Representative, Mexico City, Mexico; William J. Durkin, District Supervisor, Bureau of Narcotics, Mexico City, Mexico; and Frank W. Levya, Special Agent in Charge, U.S. Secret Service, Puerto Rico.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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~~DRAFT PRESS RELEASE~~

TREASURY ANNOUNCES DRAWING FROM INTERNATIONAL MONETARY FUND

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The drawing is for $100 million in the currencies of Germany and the Netherlands. Total drawings, the first of which was made on February 13 of this year, now amount to $400 million.

As in the case of the previous drawings, the currencies will be sold for dollars to other Fund members for their use in making repayments to the Fund, including a current $50 million repayment by Canada.

Approve: ________________

Disapprove: ________________

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TREASURY DEPARTMENT

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