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United States Savings Bonds Issued and Redeemed Through March 31, 1965
(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	$ 11	.22
Series F & G-1941 - 1952	29,521	29,427	94	.32
Series J and K - 1952	400	383	17	4.25
UNMATURED				
Series E: 3/				
1941	1,843	1,579	264	14.32
1942	8,139	6,997	1,141	14.01
1943	13,103	11,291	1,812	13.82
1944	15,269	13,031	2,238	14.66
1945	11,962	9,966	1,997	16.69
1946	5,386	4,276	1,110	20.61
1947	5,082	3,864	1,218	23.97
1948	5,241	3,884	1,357	25.89
1949	5,162	3,743	1,419	27.49
1950	4,506	3,195	1,310	29.07
1951	3,901	2,762	1,140	29.22
1952	4,087	2,847	1,239	30.32
1953	4,654	3,115	1,538	33.04
1954	4,732	3,035	1,697	35.86
1955	4,919	2,984	1,935	39.34
1956	4,695	2,851	1,844	39.28
1957	4,412	2,615	1,797	40.73
1958	4,272	2,396	1,876	43.91
1959	3,998	2,202	1,795	44.90
1960	3,985	2,067	1,917	48.11
1961	4,000	1,902	2,098	52.45
1962	3,850	1,724	2,125	55.19
1963	4,265	1,616	2,649	62.11
1964	4,168	1,119	3,049	73.15
1965	390	-	390	100.00
Unclassified	350	374	-25	-
Total Series E	136,370	95,438	40,932	30.02
Series H (1952 - Jan. 1957) 3/	3,670	1,687	1,984	54.06
H (Feb. 1957 - 1965)	6,682	974	5,708	85.42
Total Series H	10,353	2,661	7,692	74.30
Total Series E and H	146,723	98,099	48,624	33.14
Series J and K (1953 - 1957)	3,325	2,015	4/ 1,311	39.43
All Series: Total matured	34,924	34,802	122	.35
All Series: Total unmatured	150,048	100,113	49,935	33.28
All Series: Grand Total	184,972	134,915	50,057	27.06

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

BUREAU OF THE PUBLIC DEBT

United States Savings Bonds Issued and Redeemed Through March 31, 1965
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BUREAU OF THE PUBLIC DEBT

United States Savings Bonds Issued and Redeemed Through April 30, 1965
(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	11	.22
Series F & G-1941 - 1952	29,521	29,430	91	.31
Series J and K - 1952	400	385	15	3.75
UNMATURED				
Series E: 3/				
1941	1,843	1,581	263	14.27
1942	8,142	7,006	1,136	13.95
1943	13,110	11,306	1,805	13.77
1944	15,272	13,050	2,222	14.55
1945	11,967	9,982	1,985	16.59
1946	5,389	4,283	1,106	20.52
1947	5,085	3,872	1,213	23.85
1948	5,245	3,893	1,352	25.78
1949	5,166	3,752	1,413	27.35
1950	4,509	3,204	1,305	28.94
1951	3,905	2,770	1,135	29.07
1952	4,090	2,856	1,234	30.17
1953	4,658	3,128	1,530	32.85
1954	4,737	3,052	1,685	35.57
1955	4,927	3,003	1,924	39.05
1956	4,701	2,861	1,840	39.14
1957	4,418	2,626	1,792	40.56
1958	4,278	2,407	1,872	43.76
1959	4,004	2,215	1,788	44.66
1960	3,991	2,079	1,912	47.91
1961	4,007	1,920	2,087	52.08
1962	3,856	1,741	2,115	54.85
1963	4,274	1,643	2,630	61.53
1964	4,179	1,220	2,960	70.83
1965	747	38	709	94.91
Unclassified	341	391	-50	
Total Series E	136,841	95,879	40,962	29.93
Series H (1952 - Jan. 1957) 3/	3,670	1,706	1,964	53.51
H (Feb. 1957 - 1965)	6,734	991	5,743	85.28
Total Series H	10,404	2,697	7,707	74.08
Total Series E and H	147,245	98,576	48,669	33.05
Series J and K (1953 - 1957)	3,327	2,037	4/ 1,289	38.74
All Series — Total matured	34,924	34,807	117	.34
All Series — Total unmatured	150,572	100,613	49,958	33.18
All Series — Grand Total	185,496	135,420	50,075	27.00

1/ Includes accrued discount.
2/ Current redemption value.
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All Series: Grand Total	185,496	135,420	50,075	27.00

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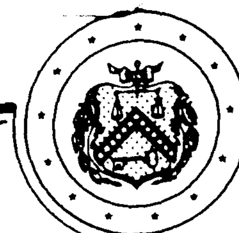
BUREAU OF THE PUBLIC DEBT

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, April 6, 1965.

April 5, 1965

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 7, 1965, a the other series to be dated April 8, 1965, which were offered on March 31, were opened at the Federal Reserve Banks on April 5. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 8, 1965		:	182-day Treasury bills maturing October 7, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.007	3.928%	:	97.984	3.988%
Low	99.002	3.948%	:	97.980	3.996%
Average	99.004	3.942% 1/	:	97.981	3.993% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 32,635,000	$ 22,310,000	:	$ 26,866,000	$ 11,366,000
New York	1,480,997,000	706,877,000	:	1,475,087,000	695,577,000
Philadelphia	23,971,000	10,971,000	:	14,502,000	7,352,000
Cleveland	32,719,000	27,719,000	:	54,575,000	15,175,000
Richmond	15,642,000	15,380,000	:	5,806,000	5,006,000
Atlanta	41,191,000	31,067,000	:	29,666,000	16,536,000
Chicago	275,167,000	120,442,000	:	337,484,000	94,599,000
St. Louis	38,932,000	31,463,000	:	17,838,000	13,488,000
Minneapolis	17,164,000	11,024,000	:	8,937,000	3,937,000
Kansas City	35,321,000	31,239,000	:	13,457,000	9,762,000
Dallas	29,175,000	22,035,000	:	11,216,000	6,216,000
San Francisco	257,766,000	171,274,000	:	192,498,000	122,153,000
TOTALS	$2,280,680,000	$1,201,801,000 a/		$2,187,932,000	$1,001,167,000

a/ Includes $242,920,000 noncompetitive tenders accepted at the average price of 99.004
b/ Includes $96,765,000 noncompetitive tenders accepted at the average price of 97.981
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.04%, for the 91-day bills, and 4.13%, 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.

F-1

international accounts into balance.

This is the course already clearly laid out in the President's economic program for this year. The excise tax reduction planned for mid-year is ~~but another~~ AN EXCELLENT illustration of the creative application of economic experience to ~~one of the most significant financial innovations of recent years.~~ maintain a healthy and balanced ~~economic~~ expansion.

Coming ~~in sequence~~ so soon after the liberalization of depreciation and the enactment of the investment credit of 1962 and the income tax cut of 1964, it underscores a willingness to use fiscal policy -- and tax reduction in particular -- as a more effective and flexible instrument for sustaining our economic growth by lifting burdensome or discriminatory taxes from the private sector while KEEPING SENSIBLE AND EFFECTIVE ~~placing sharp~~ limits on increases in Government expenditures.

helping achieve national economic goals, places the main reliance upon the private sector. BUT

Now for a few words about the Treasury.

Achieving the proper mix of these ECONOMIC policies -- both fiscal and monetary is vital to SUCCESSFULLY MEETING THE the central responsibilities of the Treasury. for appropriate financial and fiscal programs, for our international monetary relations, and for the defense of our gold and the stability of the dollar. The contributions of my predecessor and the able staff which he gathered about him -- and which I have happily in good measure inherited -- toward developing an effective new mixture of fiscal, monetary, and debt management policies attuned to the needs of the day are plain enough. The proper course ahead, as I see it, lies in carrying forward the main lines of these EXISTING policies, further sharpening the tools we have developed, and patiently applying the lessons we have learned in these RECENT years to the tasks of sustaining our DOMESTIC ECONOMIC momentum at home and AT THE SAME TIME bringing our

~~These goals have not changed.~~ Second, I do feel and hear a ~~stronger and~~ more insistent AND WELCOME emphasis on the fact that these challenges and opportunities in our national economy arise in large part out of the inherent dynamics of our free market system, as it ceaselessly changes and grows, and they can and must be met in that same framework.

Third, there is a considerable consensus on the fact that Government has an affirmative role, namely, a responsibility for helping to shape a fiscal and financial environment in which business can flourish, and in which the collective energies of business, labor, and Government can be applied to the achievement of these goals.

~~Fourth, in listening to my colleagues after sabbatical year, I am impressed by how much we, as a nation, have learned in recent years about achieving a flexible blend of public and private policies that give Government its role in~~

~~DRAFT - 4/5/65~~

Had your Conference been but a week earlier, I might have found myself on the other side of this platform, among the questioners. ~~And~~ The passage of a week's time and the change in seating arrangements are hardly enough to alter my basic role in your session. So I ~~have~~ counted it a privilege to listen and learn. ~~from Gardner Ackley, Jack Connor and Bill Martin about the new problems and policies that have arisen during my 11-month "vacation" from the Treasury.~~

~~But~~ But Even a recently returned sojourner from private life may be permitted a few general observations. First, the national economic goals referred to have the same familiar ring as they did when I left the Treasury twelve months ago. ~~-- sustained growth free from the distortions and inequities of inflation -- balance of payments equilibrium -- and a strong international monetary system -- alleviation of poverty and unemployment -- and all the rest.~~

[illegible]

~~Statement~~ of the Honorable Henry H. Fowler

Secretary of the Treasury

before

the Washington Conference

of the Advertising Council

~~Washington, D.C.~~

Tuesday, April 6, 1965, 12:15 P.M., EDT

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE
THE WASHINGTON CONFERENCE OF
THE ADVERTISING COUNCIL
TUESDAY, APRIL 6, 1965, 12:15 P.M., EDT.

Had your Conference been but a week earlier, I might have found myself on the other side of this platform, among the questioners. The passage of a week's time and the change in seating arrangements are hardly enough to alter my basic role in your session. So I count it a privilege to listen and learn.

But even a recently returned sojourner from private life may be permitted a few general observations. First, the national economic goals referred to have the same familiar ring as they did when I left the Treasury twelve months ago.

Second, I do feel and hear a more insistent and welcome emphasis on the fact that the challenges and opportunities in our national economy arise in large part out of the inherent dynamics of our free market system, as it ceaselessly changes and grows, and they can and must be met in that same framework.

Third, there is a considerable consensus on the fact that Government has an affirmative role, namely, a responsibility for helping to shape a fiscal and financial environment in which business can flourish, and in which the collective energies of business, labor, and Government can be applied to the achievement of these goals.

Achieving the proper mix of economic policies -- both fiscal and monetary -- is vital to successfuly meeting the responsibilities of the Treasury. The proper course ahead, as I see it, lies in carrying forward the main lines of existing policies, further sharpening the tools we have developed, and patiently applying the lessons we have learned in recent years to the tasks of sustaining our domestic economic momentum and at the same time bringing our international accounts into balance.

This is the course already clearly laid out in the President's economic program for this year. The excise tax reduction planned for mid-year is an excellent illustration of the creative application of economic experience to maintain a healthy and balanced expansion.

Coming so soon after the liberalization of depreciation and the enactment of the investment credit of 1962 and the income tax cut of 1964, it underscores a willingness to use fiscal policy -- and tax reduction in particular -- as a more effective and flexible instrument for sustaining our economic growth-by lifting burdensome or discriminatory taxes from the private sector while keeping sensible and effective limits on increases in Government expenditures.

Recent events abroad have made it plain for all to see that the international stability and standing of the dollar is not only a matter of concern to world business and trade, but also directly affects our national security and our capacity for effective diplomatic action throughout the world. A strong currency is an essential underpinning for worldwide responsibilities, and we cannot -- and we will not fail in the job of keeping the dollar strong.

This determination to balance our international accounts is an essential prerequisite to the successful negotiation of a sound modification of the international monetary system to adapt it to the changing requirements of an expanding Free World economy.

The intensified balance of payments program announced by the President in February is already yielding good results. But much more remains to be done before we can claim success -- for we need results not only this month, or through the spring and summer, but for the months and years ahead.

Sometimes we hear the complaint that the new elements in our total balance of payments program -- the voluntary efforts of business and financial institutions to achieve savings through their own operations -- represent no fundamental solution. Instead, some have suggested that we should, in effect don a protective shell of tight direct controls -- or accept instead the risks and hazards for our domestic economy that would come from applying a hard brake to credit expansion. I share none of that skepticism. American business, I am confident, will not relax its early response to the President's call for cooperation with the first sign of success.

But, I am equally certain that this kind of voluntary program cannot, and should not, be looked upon as a permanent solution. The clear need remains to make our own economy even more competitive in world markets and to encourage capital flows into the United States. Nor can we relax our efforts to economize in dollar outlays for defense and aid abroad. And perhaps even more important, we cannot escape the complex and difficult task -- a task that must be shared by our European friends -- of attacking at its roots the basic source of the disequilibrium in world capital markets.

That is the fundamental approach that has motivated the entire balance of payments effort since 1961. Moreover our unequalled record of price stability and sustained advances in productivity are beginning to pay off in a rising trade balance. Substantial economies in Government spending abroad have been achieved. The investment climate in the United States has vastly improved, with the result that greater outlets are developing at home to absorb our vast savings. And there are encouraging signs that Europeans more clearly recognize, and are beginning to deal with, deficiencies in their own capital markets.

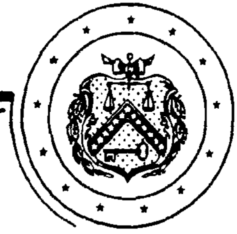
The fact that an extraordinary flow of capital abroad could undermine our progress last year -- and that the President was compelled to ask for special efforts to curb that outflow -- is evidence enough that our progress is still incomplete. But, as I take up my new responsibilities, I do so in confidence that the main elements in our program are sound, and that business and Government and all the people of our nation working together have both the capacity and will to achieve our national objectives at home and abroad.

oOo

covered by the new Executive Order has progressed to the point where its borrowers should not be in a privileged position in the acquisition of capital in the United States. Each is experiencing satisfactory domestic economic growth, and each has relatively large international resources to draw upon if it requires additional resources. Kuwait has become a net exporter of capital. The other four, in addition to their own domestic capital resources, have access to the capital markets of Europe.

oOo

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 6, 1965

FOR IMMEDIATE RELEASE:

THE BAHAMAS, BERMUDA, IRELAND, KUWAIT AND PORTUGAL
TO BE MADE SUBJECT TO INTEREST EQUALIZATION TAX

The President today notified the Congress that on or shortly after May 6, 1965, he intends to issue an Executive Order terminating the "less developed" designation of the Bahamas, Bermuda, Ireland, Kuwait and Portugal for purposes of the Interest Equalization Tax.

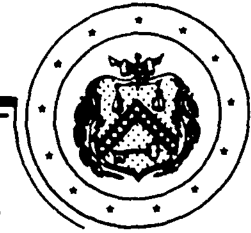
The President's action will have the effect of applying the Interest Equalization Tax to purchases by U. S. citizens from foreigners of stock and debt obligations originating from the three countries and the Bahamas and Bermuda which are currently exempt from the tax. All such purchases made after the date of the Executive Order will be subject to the Tax, except those for which firm written commitments existed prior to today.

The Interest Equalization Tax has been applied to the acquisitions of various foreign securities by U. S. citizens since July 18, 1963. The Tax is designed to help curb the outflow of capital from the United States, which has been a major factor contributing to this country's adverse balance of payments position. The Tax does not apply to stock and debt obligations issued by countries which, for the purpose of this Tax, are determined to be "less developed countries," and by certain corporations and residents of such countries.

The Interest Equalization Tax law authorizes the President to expand the list of countries considered not to be "less developed," so that the application of the Tax can be adjusted to reflect economic development in different parts of the world. When such changes are to be made, however, Congress must be given 30 days advance notice.

In connection with the intensified balance of payments program announced by President Johnson on February 10, 1965, the Administration has reviewed the list of "less developed countries" currently exempt from the Tax. The review showed that each of the five areas to be

TREASURY DEPARTMENT



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In connection with the intensified balance of payments program announced by President Johnson on February 10, 1965, the Administration has reviewed the list of "less developed countries" currently exempt from the Tax. The review showed that each of the five areas to be

(OVER)

covered by the new Executive Order has progressed to the point where its borrowers should not be in a privileged position in the acquisition of capital in the United States. Each is experiencing satisfactory domestic economic growth, and each has relatively large international resources to draw upon if it requires additional resources. Kuwait has become a net exporter of capital. The other four, in addition to their own domestic capital resources, have access to the capital markets of Europe.

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 7, 1965

FOR IMMEDIATE RELEASE

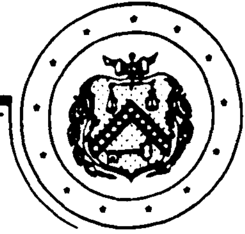
TREASURY MARKET TRANSACTIONS IN MARCH

During March 1965, 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 $83,189,050.00.

oOo

F-4

TREASURY DEPARTMENT



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F-4

~~BETA -- MODIFIED~~

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

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

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

~~BETA MODIFIED~~

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on April 15, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 15, 1965 ~~(17)~~. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, April 7, 1965

(1)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,200,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing April 15, 1965 (3), in the amount of $2,104,117,000 (4), as follows:

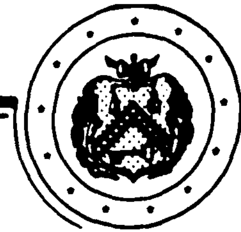
91 (5) -day bills (to maturity date) to be issued April 15, 1965 (6), in the amount of $1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated January 14, 1965 (8), and to mature July 15, 1965 (9), originally issued in the amount of $1,001,067,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $1,000,000,000 (12), or thereabouts, to be dated April 15, 1965 (13), and to mature October 14, 1965 (14).

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, April 12, 1965 (15). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 7, 1965

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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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on April 15,1965. in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 15,1965. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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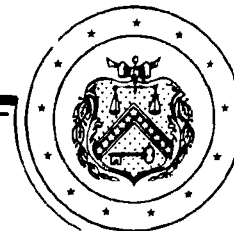
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 8, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON APPLE JUICE
UNDER THE ANTIDUMPING ACT

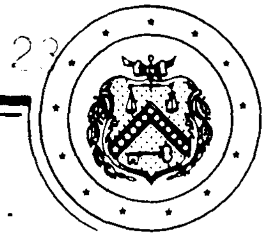
The Treasury Department has determined that apple juice from Canada, manufactured by Sun-Rype Products Ltd., Kelowna, B. C., Canada, is not being, nor likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act. This action is being taken pursuant to a "Notice of Intent to Discontinue Investigation and to Make Determination That No Sales Exist Below Fair Value," published in the Federal Register on February 16, 1965, because of termination of sales with respect to apple juice imported from Canada, manufactured by Sun-Rype Products Ltd., Kelowna, B. C., Canada, and that such fact is considered to be evidence that there are not, and are not likely to be, sales below fair value.

No persuasive evidence or argument to the contrary was presented within 30 days of the publication of the above-mentioned notice in the Federal Register.

Appraising officers are being instructed to proceed with the appraisement of this merchandise from Canada without regard to any question of dumping.

The dollar value of imports of the involved merchandise received during the period December 1, 1963, through August 1964 was approximately $252,000. No importations were reported for the period subsequent to August 1964.

TREASURY DEPARTMENT



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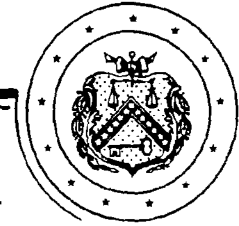


WASHINGTON, D.C.

April 8, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
BRAKE DRUMS

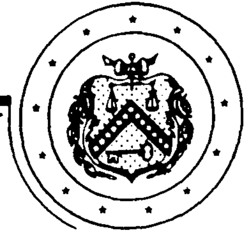
The Treasury Department is instructing customs field officers to withhold appraisement of brake drums from Canada, manufactured by Atom-Otive Products Co., Rexdale, Ontario, Canada, pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

Under the Antidumping Act, determination of sales in the United States at less than fair value would require reference of the case to the Tariff Commission, which would consider whether American industry was being injured. Both dumping price and injury must be shown to justify a finding of dumping under the law.

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Anti-dumping Act was received in proper form on August 24, 1964. The information was submitted by Biggs, Hensley, Hughes, Curtis and Biggs, St. Louis, Missouri, on behalf of Century Foundry.

The dollar value of imports received during the period August 1964 to date was approximately $100,000.

TREASURY DEPARTMENT



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of the rest of the Free World in the next few years. I approach this task with an open mind and a willingness to study all practicable proposals.

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Our determination to keep the dollar strong is an essential prerequisite to the successful negotiation of a sound ~~modification~~ ~~of~~ the international monetary system to adapt it to the changing requirements of an expanding free world economy. We have not been standing still amidst changing conditions. Discussions have been taking place among international experts seeking, for example, to evaluate various possibilities of supplementing the means of international payments when supplies of dollars abroad prove thin. And these studies are in any case an essential forerunner of any agreement on the path that ought to be taken.

Like Secretary Dillon before me, I think the greatest challenge in this area is to work out a steadily improving international monetary system.so as to facilitate a continuing expansion of trade and economic development in the Free World. That, I believe, is the major task facing our Treasury and the financial authorities

impression abroad. But we must remember that our position depends upon our ability to sell enough of our products in competitive world markets to cover both our imports and our other public and private outpayments. We must continue to screen carefully dollar expenditures abroad on government account. If we can attract foreign capital and foreign tourists, this will help. In addition, with our European friends, we will need to develop the lasting answers to the marked differences between our own large supplies of capital for investment and the deficiencies that appear in Europe and exert their attraction on American funds.

The success of our program, along with the promise of the improvement offered the British position by measures announced in the budget last Tuesday will, in growing degree, provide grounds for increasingly fruitful discussions of the international payments system.

For Immediate Release

REMARKS OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT A MEETING OF THE CABINET
THE WHITE HOUSE
THURSDAY, APRIL 8, 1965, 1:30 P.M.

Day by day, it is becoming increasingly clear that our national security and our capacity for effective diplomatic action throughout the world are directly related to the strength of our currency. A strong currency is an essential underpinning for our worldwide responsibilities.

We are, therefore, determined to keep the dollar strong by balancing our international accounts. Our Balance of Payments program is proving very successful -- and I am fully confident that the measures adopted will continue to do the job as long as we need them.

We have been gratified with the response of the American financial and business community, and we have achieved a favorable

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~~UK~~ U.K. - U.S. [illegible]
[illegible] Further [illegible]

~~DRAFT~~ ANNOUNCEMENT ON UK-US TAX TREATY NEGOTIATIONS

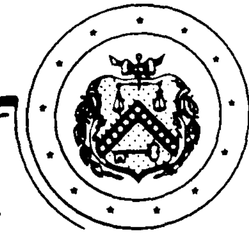
Revision of the income tax convention between the United States and the United Kingdom is expected to be initiated in the near future in the light of the fundamental changes in the British tax system which have been announced in the U.K. Budget Message, the Treasury stated today.

Under the existing income tax convention, the tax treatment of dividends flowing between the two countries is predicated on a British tax system under which the corporate tax covers the income tax liability of the shareholder. Under the new British system, a substantially lower rate of tax will be collected from corporations than is now the case but it will not cover the liability of the shareholder. The new British system is along the lines of the present U.S. corporation tax system.

As the British Chancellor of the Exchequer, Mr. James Callaghan, indicated in the Budget Message to Parliament, preliminary discussions were held between representatives of the United Kingdom Inland Revenue and the United States Treasury prior to the recent budget announcement and it was agreed that discussions would be continued at an early date.

Persons in the United States who wish to make any suggestions on possible modifications in the tax treatment of dividends as well as on other items covered by the income tax convention should submit their comments to Stanley S. Surrey, Assistant Secretary of the Treasury, Washington, D. C. The comments should be submitted before May 15.

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 9, 1965

FOR IMMEDIATE RELEASE

U.K. - U.S. TAX CONVENTION REVISIONS TO
BE TOPIC OF FURTHER DISCUSSIONS

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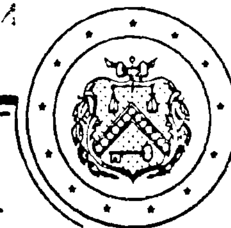
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, April 13, 1965.

April 12, 1965

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 14, 1965, and the other series to be dated April 15, 1965, which were offered on April 7, were opened at the Federal Reserve Banks on April 12. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 15, 1965		182-day Treasury bills maturing October 14, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.007	3.928%	97.989	3.978%
Low	99.003	3.944%	97.979	3.998%
Average	99.005	3.937% 1/	97.983	3.991% 1/

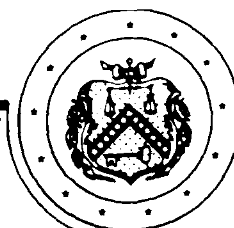
61 percent of the amount of 91-day bills bid for at the low price was accepted
29 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 25,508,000	$ 15,508,000	$ 33,765,000	$ 15,215,000
New York	1,600,006,000	705,713,000	1,189,899,000	619,049,000
Philadelphia	35,781,000	22,781,000	23,059,000	15,059,000
Cleveland	33,567,000	33,567,000	60,934,000	30,284,000
Richmond	15,012,000	15,012,000	5,734,000	5,734,000
Atlanta	63,819,000	55,974,000	25,295,000	22,523,000
Chicago	284,215,000	161,000,000	329,911,000	175,491,000
St. Louis	45,371,000	38,093,000	15,886,000	13,886,000
Minneapolis	21,162,000	17,992,000	13,277,000	11,922,000
Kansas City	42,786,000	42,786,000	18,602,000	15,602,000
Dallas	29,768,000	21,378,000	21,809,000	9,099,000
San Francisco	139,002,000	70,914,000	94,072,000	66,596,000
TOTALS	$2,335,997,000	$1,200,718,000 a/	$1,832,243,000	$1,000,460,000 b/

a/ Includes $298,370,000 noncompetitive tenders accepted at the average price of 99.005
b/ Includes $124,204,000 noncompetitive tenders accepted at the average price of 97.983
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.03%, for the 91-day bills, and 4.13%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



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RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 15, 1965		182-day Treasury bills maturing October 14, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.007	3.928%	97.989	3.978%
Low	99.003	3.944%	97.979	3.998%
Average	99.005	3.937% 1/	97.983	3.991% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 25,508,000	$ 15,508,000	$ 33,765,000	$ 15,215,000
New York	1,600,006,000	705,713,000	1,189,899,000	619,049,000
Philadelphia	35,761,000	22,761,000	23,059,000	15,059,000
Cleveland	33,567,000	33,567,000	60,934,000	30,284,000
Richmond	15,012,000	15,012,000	5,734,000	5,734,000
Atlanta	63,819,000	55,974,000	25,295,000	22,523,000
Chicago	284,215,000	161,000,000	329,911,000	175,491,000
St. Louis	45,371,000	38,093,000	15,886,000	13,886,000
Minneapolis	21,162,000	17,992,000	13,277,000	11,922,000
Kansas City	42,786,000	42,786,000	18,602,000	15,602,000
Dallas	29,768,000	21,378,000	21,809,000	9,099,000
San Francisco	139,002,000	70,914,000	94,072,000	66,596,000
TOTALS	$2,335,997,000	$1,200,718,000 a/	$1,832,243,000	$1,000,460,000

a/ Includes $298,370,000 noncompetitive tenders accepted at the average price of 99.0
b/ Includes $124,204,000 noncompetitive tenders accepted at the average price of 97.98
1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide yields of 4.03%, for the 91-day bills, and 4.13%, 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.

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON EXECUTIVE AND LEGISLATIVE REORGANIZATION
OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
ON REORGANIZATION PLAN NO. 1 OF 1965
PROVIDING FOR REORGANIZATION IN THE BUREAU OF CUSTOMS
OF THE DEPARTMENT OF THE TREASURY
10:00 A. M., APRIL 12, 1965

Mr. Chairman and Members of the Committee:

Introduction

I welcome this opportunity to appear before your Committee in support of Reorganization Plan No. 1 of 1965 providing for reorganization in the Bureau of Customs. This Plan is an essential element in the general program now under way for the modernization and improvement of the 175-year old Bureau of Customs and of the administration of its functions.

As the President said in his message transmitting the Plan to the Congress: "All that we do to serve the people of this land must be done, as has been my insistent pledge, with the least cost and the most effectiveness."

We cannot afford organizational arrangements such as those in the Bureau of Customs which have become obsolete and do not meet effectively the requirements of our times. We need a Government structure which is modern, streamlined, and capable of meeting current requirements with maximum efficiency and minimum costs.

We believe that the proposed Reorganization Plan and the administrative reorganization that it makes possible are responsive to the purposes of Congress as set forth in the Reorganization Act. We

particularly cite for your attention the following purposes as set forth in the Reorganization Act:

"(1) to promote the better execution of the laws, the more effective management of the executive branch of the Government and of its agencies and functions, and the expeditious administration of the public business;

"(2) to reduce expenditures and promote economy, to the fullest extent consistent with the efficient operation of the Government;

"(3) to increase the efficiency of the operations of the Government to the fullest extent practicable".

If Reorganization Plan No. 1 is permitted to become effective, all Bureau of Customs officials and employees will henceforth be appointed under the Civil Service laws. It will allow the Bureau to administer the Customs laws more effectively and swiftly and pave the way for an administrative reshaping of the Customs organizational structure and some legislative modification that will permit annual savings to the taxpayer of some $9 million, more than 10 percent of the Bureau's annual budget.

Background of Proposal

When my distinguished predecessor, Secretary Dillon, appeared before the House Appropriations Committee two months ago, he stated: "It is my judgment that, except for the special case of the Secret Service, the Bureau of Customs is far and away the most seriously understaffed of any bureau in Treasury."

Formal merchandise entries filed increased more than 5 percent last fiscal year and are continuing their steady climb in fiscal year 1965.

More than 174 million people entered our country in fiscal year 1964, most of them as passengers on nearly 51 million automobiles, vessels, aircraft or other carriers. It now appears that by 1966 these numbers will approximate 188 million people and 55 million carriers. The growth of Customs' work seems never-ending, and, of course, it is generated from sources entirely outside of our control. In the past ten years there has been a 70 percent increase in imported merchandise and a 50 percent increase in international travel. Increases in Customs personnel during the corresponding period to handle this tremendously increased flow of business have been less than 9 percent.

It is against this background that Secretary Dillon called two years ago for a thorough-going evaluation of the mission, organization and management of the Bureau of Customs. The Survey Group which carried out this study issued a 642-page report, a copy of which has been sent to each of the members of this Committee. The report contains 230 recommendations for an overall Customs modernization program.

It is only fair to say, Mr. Chairman, that I personally have not had an opportunity to examine in depth the detailed justification for every aspect of the Customs modernization program which will be outlined to you this morning. On the other hand I can assure you that this program is the product of two years of the most painstaking study by Treasury-Customs experts, who were themselves cross-checked by the collective judgment of the best brains on this subject we were able to find in the Bureau of Customs, Treasury Department, Bureau of the Budget and Civil Service Commission. The final results were then reviewed at the very highest levels of the Treasury Department, including Secretary Dillon personally.

Some of the most important recommendations made in the Survey Group report -- perhaps the most important -- are those dealing with the proposition that the Customs Service be placed on a career basis. That is the issue which is before your Committee. The President's Reorganization Plan proposes the elimination of all Bureau of Customs positions now filled by Presidential appointment. There are 53 such positions, two of which are now vacant.

Since many of the recommendations in the Survey Group report are still under consideration within the Treasury Department and are, of course, not included in Reorganization Plan No. 1, we are not asking your Committee to approve them. Copies of the report were furnished to the distinguished members of this Committee simply for the purpose of showing how Reorganization Plan No. 1 fits into the broad outline of Treasury's overall program for modernization of the Bureau of Customs.

Description of Present Customs Organization

The basic structure of the Bureau of Customs has changed little since its creation in 1789. Its present organizational fabric reflects in large part historical circumstances rather than sound concepts of modern management of Federal establishments which call for some degree of decentralization of decision-making from Washington to a regional set-up and supervision of far-flung field operations from a regional base. As new territories opened and trade patterns evolved, Congress established many collection districts with a view to meeting immediate needs. Thus, the growth of the Customs Service took place without particular relation to overall organization and management requirements.

As I said earlier, we have 53 positions to which appointments are required to be made by the President by and with the advice and consent of the Senate. Some incumbents of the offices have been known to take the view that they are responsible to one person, and one only, namely the President of the United States. It is obviously impossible to run an organization properly if the situation is such that a senior official could feel that he does not have a responsibility to the head of the organization, in this case the Commissioner of Customs.

Nor is this the only difficulty. The man to whom 45 of the Presidential appointees who are Collectors of Customs are organizationally required to report, is himself an appointee of the Secretary of the Treasury. Though the Commissioner has the superior responsibility, the Collectors have the superior status. It is as though generals were required to report to a colonel.

The present organizational arrangement creates problems even when the Presidential appointees choose, as most do, to cooperate with the Commissioner. As I stated, we have 45 Presidentially appointed Collectors of Customs reporting to the Commissioner. In addition, eight other Customs officials, two in the field and six in Washington, report to the Commissioner. Certainly no national business and few national Government organizations that I know of have any remotely similar set-up. The general rule, in business and in Government alike, is to limit strictly the number of persons who report to any one top official. All of us have from time to time seen this rule broken: we know harried executives with lines of vice presidents and special assistants trying to get the final word from the boss. But 53 to 1 -- that is beyond the realm of effective supervision and management.

With the present field structure it is impossible to exclude situations where a Collector in one port rules one way in a given circumstance, whereas a Collector in another port rules differently on an identical set of facts. The overworked Commissioner of Customs and his staff find it impossible to provide to the Collectors the type of guidance required to eliminate such inconsistencies. Persons dealing with Customs have a right to expect substantially equal treatment.

Back in the last century, when communications were far different from what they are today, it undoubtedly made sense to appoint to Customs field posts persons who had considerable independent political authority. It was not possible at that time to maintain constant touch with Washington by telephone, teletype, overnight mail service and frequent face to face meetings.

However, the role of the persons in charge of the Customs field offices is quite different today from what it was then. Now what is needed are individuals who can combine several qualifications in one.

First and foremost, our field office chiefs must be knowledgeable with respect to the intricacies and technicalities of Customs administration. They must also be skilled in government administration and management. Finally, they must have good public relations sense in dealing with local problems.

The more successful of the political appointees in the Customs Service possess some of these skills, but not many have all three qualifications. The first two, particularly, are gained primarily through experience. It is understandable that persons who are appointed to statutory four-year terms cannot become Customs experts in that time. Our Customs career

officials are, generally speaking, people who entered the Service at the bottom of the ladder, and who have by dint of hard work and attention to their jobs, gone up the ladder.

The Collectors, Appraisers and other Customs field office heads are constantly called upon to hand down decisions and rulings based on general guidance provided by the Bureau of Customs from Washington. Because of the many technicalities in the Customs field, we have found it necessary to back up the political appointees with an assistant who possesses the general technical background in Customs administration which the normal political appointee cannot be expected to have. These assistants, generally speaking, are senior people in the Customs Service who are in a position to act for and on behalf of the political appointees whenever this becomes necessary. This is obviously wasteful duplication.

Reorganization Plan No. 1

Reorganization Plan No. 1, upon becoming effective, would eliminate this duplication by putting the Customs Service on a career basis, and all Bureau officials and employees would henceforth be appointed under the Civil Service laws. About $1 million will be saved annually by abolition of the political appointee positions.

I trust you will agree with President Johnson, who gave the subject painstaking consideration before giving his approval, that the proposal is essential to good Government administration and economy.

Regionalization of Customs Service

Quite obviously, in addition to the simple proposition contained in Reorganization Plan No. 1, there is more that should be done in connection with modernization and improvement of the Customs Service. Some improvements will require legislation, which will be submitted to Congress for

its approval at a later date. Other improvements can be accomplished by administrative action, without reference to the Legislative Branch. In this category, one of the most significant is a proposal to regionalize the Customs Service. I believe it may be of interest to have this described in some detail.

Reorganization Plan No. 1 will, upon becoming effective, pave the way for realignment and consolidation of 113 independent field activities presently reporting directly to Washington with six regional Customs offices supervising approximately 25 district offices. At the headquarters level, four new offices are being established to replace seven divisions. Further, a new position of Special Assistant to the Commissioner will be created and charged with responsibility for insuring that all Customs employees conduct themselves in strict compliance with all applicable laws and regulations.

By virtue of existing authority, the Secretary of the Treasury is empowered to establish the Customs regional and district offices and the new headquarters offices without further Congressional action.

To understand the degree to which this new Customs field organization will simplify the management and administration of the Customs Service, it is necessary to compare this proposed new regional arrangement with the present Customs organization. The 113 independent field activities currently in operation break down as follows: 25 major collection districts, 22 smaller collection districts, 42 appraisement districts, 7 enforcement regions, 7 comptroller districts, 9 laboratory districts, and the Customs Information Exchange in New York City.

A regional organization of the Customs Service will make possible a net reduction of more than fifty principal field offices, by concentrating administrative and supervisory responsibilities in fewer officials in charge of regional and district activities. These moves will enable the Bureau of Customs to cut costs, eliminate much duplication of effort and strengthen the supervision of its many activities, while at the same time maintaining all essential services.

Assuming that Reorganization Plan No. 1 becomes effective by next June, the present schedule provides for initiating the regionalization program on September 1, 1965, with the establishment of Region 5 with headquarters in San Francisco. The announced timetable for establishment of the remaining five regions is as follows: Region 3 with headquarters at Miami, January 1966; Region 4 with headquarters at New Orleans, February 1966; Region 1 with headquarters at Boston, March 1966; Region 6 with headquarters at Chicago, April 1966; and Region 2 with headquarters at New York City, May 1966. This schedule will allow time for evaluation of the experience gained in the San Francisco region before the remaining five regions are created.

In selecting the headquarters for the proposed six regions, the Treasury-Customs officials concerned weighed a variety of factors: for example, the geographic location of the proposed headquarters within the region; convenience of transportation facilities from the headquarters to the various Customs offices within the region; communications facilities in the port contemplated as the headquarters location; concentrations of existing Customs personnel and installations within the region; the volume, types and complexity of importations handled by the port under consideration as a headquarters site; the extent to which selection of a particular

port would necessitate relocations of personnel and facilities; the availability of office space in the proposed regional headquarters location; whether the problems handled at the proposed location are fairly representative of those encountered at other ports in the region; and so on.

Since some disagreement has been expressed regarding the proposed regional headquarters locations already announced, I think it is important that I make my position clear on this question. The proposed decision with respect to the selection of each of the regional headquarters sites was reviewed with the greatest of care by a panel of senior Treasury and Customs officials. Where this panel could not agree, and to be candid this happened in certain instances, the question was further reviewed at the highest levels of the Department and by Secretary Dillon personally. The conclusions, as announced in the press releases of March 21 and 22 previously sent you, were reached on the basis of administrative considerations alone. Treasury and Customs were concerned only with one question -- to decide on a regional headquarters location which would best facilitate Customs administration.

In light of this background, I have every reason to believe that the headquarters locations mentioned in the press releases are the most suitable from the standpoint of Customs administration. At the same time, Mr. Chairman, since I personally have not had an opportunity to review the decisions, I am somewhat in the position of a judge considering a motion to show cause. Although I believe the decisions are correct, I do not have a closed mind on the subject.

Turning again to the broad picture, a regionalized Customs Service will be able to take full advantage of modern management concepts without, however, losing the benefits gained from the existing orientation of Customs field offices to local problems. For example, some administrative matters, such as those involving budget, audit, space and personnel, and operations such as laboratory analysis, accounting, drawback and liquidation of change entries would be handled on a consolidated basis at the Regional Commissioner level. On the other hand, the bulk of decisions now made locally by Customs officials would continue, generally speaking, to be made locally in the new organization. I wish to emphasize this point because I consider it most important. Local Customs officials will continue to make the broad range of decisions essential for providing efficient and effective service to the public.

The major difference under a regionalized organization will take place with respect to those decisions which at present are not, and cannot, be made locally because of the intricate technical or policy questions that are involved. Under existing procedure questions such as these are referred to the Bureau in Washington for decision. Because of the tremendous flow of requests from the 113 separate field activities to the Bureau for decisions, rulings and interpretations, such requests cannot be handled as efficiently or expeditiously as we would like and as the public has a right to expect.

Under a regionalized Customs Service questions such as these would, where necessary, be referred by the District Directors to the Regional Commissioner for decision. Since the latter will, by the nature of his

responsibilities, be oriented to the particular problems of his region and at the same time will be familiar with the policies of the Bureau and the Treasury Department, it is anticipated that all but the most intricate and difficult questions will be resolved at the regional level. As for those problems that will require the personal attention of Bureau officials in Washington, these they will be able to handle more expeditiously than under the current procedures, since the Washington officials will no longer be inundated with requests from numerous independent field activities all over the United States.

By the delegation of important authority from the Bureau in Washington to the regional offices, we expect to reduce significantly the time presently required in the decision-making process. All should benefit from this - local Customs officials, the importing public and the harassed Bureau officials in Washington.

Appointments to Key Positions

In his announcement of Reorganization Plan No. 1 the President stressed that the 52 persons then holding Presidential appointments in the Customs field organization would be given consideration for suitable employment in the Customs Service under the Civil Service laws in any position for which they may be qualified.

The abolition of the offices held by political appointees will occur on a time-phased basis and will take place as the new regions are established. Under present plans all offices would be abolished by May 1966.

There will be a number of senior positions in the regionalized Customs Service. It is contemplated that in each of the regional offices there will be a Regional Commissioner of Customs assisted by a Regional Counsel and not

more than four Assistant Regional Commissioners, each of whom will be in charge of one of the major segments of Customs activity. These officials will be responsible for overall supervisory responsibility in the districts comprising their regions.

At each of the approximately 25 new district headquarters there will be a District Director responsible not only for the functions of the present Collectors, but for those of the Appraisers of Merchandise as well.

At other important ports not administratively designated as district headquarters, there will be Port Directors, who, like the District Directors, will be responsible for both collection and appraisement functions at their ports.

Savings to be Achieved

The application of modern management concepts to the Customs Service will bring about substantial savings for the taxpayer which in a few years will total approximately $9 million annually, more than 10 percent of the present annual budget of the Bureau of Customs. These savings are broken down in a statement which, with the Chairman's permission, I would like to submit for the record without reading it in detail. I am assured, Mr. Chairman, that these savings figures have been checked and rechecked, and that they represent conservative estimates.

General Observations Regarding Modernization Program

There are certain additional observations that I should like to make, Mr. Chairman, which are applicable to all six regions.

Although the modernization plan I have described will, of necessity, involve some internal realignment and may in some cases necessitate re-training of personnel, I do not anticipate any losses in grade, or abolishing of positions other than those of the Presidential appointees. In view of

Customs' constantly increasing workload, there will not be an overall reduction in employment.

There is nothing in the Reorganization Plan which would affect the basic compensation or right to payment for overtime services of any Customs employee. No action will be taken by the Department in this regard without full consultation with the recognized employee organizations.

Involuntary transfers will be rare. Indeed we do not expect any at all. If necessary, involuntary transfers will be carried out with minimum inconvenience to the employees concerned.

The six Regional Commissioners' offices which are to be established will be staffed from present Customs personnel to the extent possible.

As the President has already stated in his transmittal message, the modernization measures which are to be put into effect will in no way prejudice any right of any person affected by the laws administered by the Bureau of Customs. To emphasize that this will be so, the following section has been incorporated into Reorganization Plan No. 1:

> "Preservation of Remedies.--The abolition of offices herein shall not prejudice any right to protest or to appeal to the United States Customs Court any action taken in the administration of the Customs laws."

Further, all essential services to the importing, exporting, and traveling public will continue to be performed. Indeed, after the initial shake-down period, I look to a significant improvement in Customs service to the public.

Conclusion

Mr. Chairman, like my predecessor, Secretary Dillon, I hope to maximize the efficiency of all operating bureaus and agencies falling under Treasury Department jurisdiction. Reorganization Plan No. 1 and the program of modernization of the Customs Service, which I have outlined to you today, are part and parcel of this effort. They are the result of more than two years of exhaustive study of the Customs Service.

It is my judgment, Mr. Chairman, that Reorganization Plan No. 1 and the program for modernizing the Bureau of Customs which I have described to you would substantially improve the efficiency of the Customs Service, and better equip it to handle its ever-increasing workload resulting from expanding international trade and tourist travel. It is my further judgment, Mr. Chairman, that through this improved efficiency annual savings totaling in excess of 10 percent of the current annual Customs budget could be achieved while improving present Customs services to the public at large. The changes involved in the program of Customs modernization would reduce the unit costs of Customs services to the taxpayer and make possible the sorely needed reduction of work backlog and the speed-up of entry, appraisement, and other operations.

I strongly recommend that the Congress allow Reorganization Plan No. 1 of 1965 to become effective.

Thank you, Mr. Chairman.

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
SENATE TREASURY SUBCOMMITTEE ON APPROPRIATIONS
ON THE TREASURY DEPARTMENT APPROPRIATION BILL
FOR THE FISCAL YEAR 1966
TUESDAY, APRIL 13, 1965, 10:00 A.M. EST

Mr. Chairman and Members of the Treasury Subcommittee on Appropriations.

It is an honor and a privilege to appear before you, as it is to lead the Treasury Department in its many responsible functions.

The devotion to duty of the officials and employees of the Treasury is well known. Their capacity for intelligent, effective, hard work is an established fact to which I can testify from personal experience. We have been fortunate to have had Secretary Dillon's strong leadership in the Treasury these last four years, and the foundations he has established will contribute much to the success of our operations in the years to come.

The House Committee on Appropriations reported (H. Rept. No. 223) the bill, H.R. 7060, making appropriations for the Treasury Department for fiscal year 1966. The bill, as passed by the House on April 5, provides regular annual operating appropriations of $1,272,252,000 and a reduction of $34,453,000 below the budget estimates submitted by the President. The principal reductions were $11,000,000 in the Coast Guard estimates and $26,420,000 in the Internal Revenue Service estimates. These reductions were partially offset by an increase of $3,877,000 over the budget estimates granted for augmentation of the protective capabilities of the Secret Service.

In my letter of April 9, 1965, to the Chairman of this Subcommittee were stated the items which I urge you to consider. I would like to offer a copy of the letter for the record and also, as supplementary information, a copy of the statement Secretary Dillon made to the House Committee, since it provides a comprehensive review of the budget programs of each of the Treasury bureaus.

F-10

Request for Restoration

We are requesting restoration of $33,900,000 of the House reductions. A table which compares the 1965 appropriations (including supplementals) with the amounts recommended in the House bill for 1966 is attached. You will have noted from my letter that we are appealing only four appropriations and two language changes -- on the others we will do our best to work out program adjustments to stay within the House bill allowances.

TREASURY DEPARTMENT
Comparative Statement of 1966 House Allowances
and 1966 Budget Estimates
(Dollars in thousands)

Bureau and Appropriation	1965 Appropriations (Adjusted) 1/ Av. Pos.	1965 Appropriations (Adjusted) 1/ Amount	1966 Budget Estimates Av. Pos.	1966 Budget Estimates Amount	Recommended in House Bill for 1966 Av. Pos.	Recommended in House Bill for 1966 Amount	Bill Compared with 1966 Estimates Av. Pos.	Bill Compared with 1966 Estimates Amount	Bill Compared with 1965 Appropriation Av. Pos.	Bill Compared with 1965 Appropriation Amount	Restoration Requested Av. Pos.	Restoration Requested Amount
Regular Annual Operating Appropriations:												
Office of the Secretary	502	$5,907	512	$5,920	509	$5,875	-3	-45	7	-32	—	—
Bureau of Accounts	1,558	32,764	1,529	33,765	1,529	33,500	—	-265	-29	736	—	—
Bureau of Customs	8,053	78,854	8,325	82,850	8,253	82,250	-72	-600	200	3,396	—	—
Bureau of Engraving and Printing:												
Air-conditioning the Engraving and Printing Buildings	—	5,750	—	—	—	—	—	—	—	-5,750	—	—
Bureau of the Mint:												
Salaries and Expenses	1,247	14,659	1,388	13,350	1,388	13,350	—	—	141	-1,309	—	—
Construction of Mint Facilities	—	16,500	—	1,000	—	1,000	—	—	—	-15,500	—	—
Bureau of Narcotics	431	5,657	454	5,970	454	5,970	—	—	23	313	—	—
Bureau of the Public Debt	2,619	50,237	2,613	50,330	2,613	50,330	—	—	-6	93	—	—
U.S. Coast Guard:												
Operating Expenses (Military)	31,033	273,752	31,591	285,200	31,591	284,000	—	-1,200	558	10,248	—	—
(Civilian)	3,618		3,626		3,626		—		108		—	
Acquisition, Construction and Improvements (Military)	68	85,000	117	109,250	117	101,000	—	-8,250	49	16,000	—	8,250
(Civilian)	168		178		178		—		10		—	
Retired Pay	—	36,961	—	40,300	—	40,000	—	-300	—	3,039	—	—
Reserve Training (Military)	934	20,939	1,045	23,750	1,045	22,500	—	-1,250	111	1,561	—	1,250
(Civilian)	155		176		176		—		21		—	
Total, Coast Guard (Military)	32,035	416,652	32,753	458,500	32,753	447,500	—	-11,000	718	30,848	—	9,500
(Civilian)	3,841		3,980		3,980		—		139		—	
Internal Revenue Service:												
Salaries and Expenses	1,387	16,841	1,482	18,120	1,437	17,600	-45	-520	50	759	—	—
Revenue Accounting and Processing	19,385	151,957	20,789	166,000	19,885	154,600	-904	-11,400	500	2,603	904	9,900
Compliance	41,440	429,557	[illegible]	453,500	42,090	439,000	-1,532	-14,500	650	9,443	1,532	14,500
Total, Internal Revenue Service	[illegible]	[illegible]	65,893	637,620	63,412	611,200	-2,481	-26,420	[illegible]	17,805	2,436	[illegible]
Office of the Treasurer	785	6,175	785	6,350	785	6,350	—	—	—	175		
U.S. Secret Service:												
Salaries and Expenses	630	8,310	661	8,750	920	12,627	+259	+3,877	290	4,317	—	—
White House Police	213	1,859	213	1,866	213	1,866	—	—	—	7	—	—
Guard Force	68	436	68	434	68	434	—	—	—	-2	—	—
TOTAL, Regular Annual Operating Appropriations (Military)	32,035		32,753		32,753		—		718		—	
(Civilian)	82,159		86,421		84,124		-2,297		1,965		2,436	
(Total)	114,194	[illegible]	119,174	1,306,705	116,877	1,272,252	-2,297	-34,453	2,683	[illegible]	2,436	[illegible]

1/ Includes supplemental appropriations as approved by the House for civilian and military pay costs and increased staffing in the Secret Service (H.R. 7091). Supplemental amounts total $[illegible] thousand of which $775 thousand is to be derived by transfer and $[illegible] thousand in additional obligational authority. Pay costs of Bureau of Narcotics ($[illegible]) and White House Police ($[illegible]) will be met by transfer from Bureau of Accounts. Of $810,000 Secret Service supplemental, $535,000 will be derived by transfer from Retired Pay, Coast Guard.

April 7, 1965
[illegible]

Coast Guard Acquisition, Construction and Improvements

We will plan to modify the Coast Guard's operating expenses programs to keep within the reduced amount allowed by action of the House. However, the large cost of facility maintenance found in Operating Expenses can only be improved by modernization of the Coast Guard plant through the Acquisition, Construction and Improvements appropriation. Appeal is made for restoration of the $8,250,000 reduction in this capital account.

I have previously referred to Secretary Dillon's statement to the House Appropriations Subcommittee. Secretary Dillon followed the Coast Guard facilities problem very closely. I would like to quote just briefly from his remarks before that Committee:

> "* * * The total amount requested (for Acquisition, Construction and Improvements) is $109.3 million. This is substantially below the approximately $170 million which would be required for orderly replacement of worn-out facilities within the time span envisioned in the approved long-range plans and for augmentation of facilities to meet the expanding workload. Full implementation of the long-range vessel replacement program alone would require more than $110 million a year through 1974. The request for vessels in this budget is only $73.4 million. This is only two-thirds of what is needed to carry out the program in the most orderly and economical way. This postponement of necessary acquisitions in accordance with approved plans will mean larger maintenance costs in the coming years and larger over-all costs for the

American taxpayer. The reduced figure is only acceptable because of the imperative need to hold the over-all 1966 budget request to a minimum. It is therefore essential that the full amount requested for AC&I be appropriated. Even this will leave us $71 million and 10 vessels short of the approved schedule. We are falling behind further each year. The 1966 program is a hard-core minimal program which will only take care of some of our most pressing problems."

The House Committee has affirmed its continuing interest in pursuing a reasonable and level program to modernize the Coast Guard. A reasonable and level program is just what we have sought in preparing the long-range improvement plans which we are implementing. The House Committee had questions in the matter of carryover of unobligated balances in the Acquisition, Construction and Improvements appropriation. Coast Guard has steadily improved its performance in this regard. At the end of fiscal year 1961, 30 per cent of available funds remained unobligated. In 1964 with twice the amount of available funds, less than 12 per cent was not obligated by year's end. Coast Guard, having further improved its obligating procedures, firmly plans to have only 4 per cent of available funds ($3.8 million) unobligated at the end of 1965. When Admiral Roland appears before you, he will be prepared to discuss this matter fully.

Coast Guard Reserve Training

The mission of Reserve Training in the Coast Guard was investigated in depth in the course of the study of Coast Guard Roles and Missions in 1962, and was strongly supported. The study recommended improvements in achieving personnel levels nearer to the mobilization manning requirements,

more complete unit equipment, and more thorough and realistic training of reservists. Within the President's request of $23,750,000 we are seeking: to add reservists in a program of two years of active duty alongside the Coast Guard regulars; to outfit additional units; and to provide more and better training. The House reduction of $1,250,000 will essentially stop these plans. Only 100 of the planned 500 reservists could be started in the new two-year program, and equipment for only four of fifteen units could be provided within the House allowance. We have endeavored to pursue a program which will give the maximum number of reservists suitable training for their emergency tasks. The House Report seems to object to the balancing of numbers and improved training and refers to it as "sweetening." We believe, however, that we must persist in trying to provide equipment for reserve units appropriate to their missions and in training reservists to useful levels of competence. We will continue to do our best ultimately to raise the number of Ready Reservists from the present 30,000 level to the 45,000 mobilization requirement and to increase the numbers in organized training units from 17,000 to the 29,000 goal. However, under the House allowance, it will not be possible to increase the levels above existing ones in any substantial amount.

Internal Revenue Service

House action on the three Internal Revenue Service appropriations has reduced funding for the Service by a total of $26,420,000 below the President's estimate. This is the largest reduction in recent years and comes at a time when the need for effective equitable revenue collection has never been greater.

The Salaries and Expenses portion ($520,000) of this total reduction will not be appealed. Adjustments will be made which, while not desirable, will enable us to operate at the reduced level.

We are appealing $9,900,000 of the reduction of $11,400,000 in the Revenue Accounting and Data Processing appropriation. Changes in planning for ADP equipment purchases since preparation of the estimate last fall make it possible to accept $1,500,000 of the reduction. Beyond this, however, the House action will have critical effects. The cut by the House, if sustained, will:

(1) Delay the completion of the nationwide Master File ADP System now scheduled for fiscal year 1967. This system, which has shown such promising results during the conversion from manual to ADP operations, is truly our hope for increasingly effective tax administration for the future. The proposed cut will result in failure to realize the benefits of the full system as soon as possible.

(2) Prevent the opening of the Detroit Data Center, in fiscal year 1966, to which Non-Master File work such as preparation of payrolls and statistics of income must be moved from regional service centers as they are converted to Master File processing. The opening of the Detroit Center is a necessary segment of the ADP conversion program.

(3) Eliminate all personnel requested to process the growth in numbers of tax returns estimated at 1.9 million in fiscal year 1966.

The request is based on Service experience that one employee can process approximately 6,000 returns per year.

Frankly, we cannot rationalize the large reduction in this appropriation. While some personnel reduction in manual operations results from ADP

conversion, the Master File System primarily provides for better tax enforcement through better analysis of the returns and development of leads to poor compliance.

We can understand the basis of the reduction in the Compliance appropriation, although we cannot agree with it. Here the House cut of $14,500,000 is directed primarily at the President's request for additional personnel for audit, collection and prosecution of actions to improve the level of compliance with the tax laws. The reduction, however, goes deeper than elimination of compliance improvement and reduces by 23 per cent the personnel requested to meet the workload created by growth in the number of taxpayers. We do not agree that Data Processing, without the subsequent follow-up of leads by enforcement personnel, can improve compliance to the extent that the estimated revenue gap of $4 billion will be narrowed. Unless some of this reduction is restored, the level of compliance will be below the level for 1965. Accordingly, we request restoration of this cut in its entirety.

Mr. Cohen, when he appears before you, will explain more fully the undesirable effects of the reduction proposed by the House.

Transfer Authority Language

The House Appropriations Committee, in reporting the Bill to the House, included a general provision permitting the Department to transfer funds between appropriations in an amount not to exceed 2-1/2 per cent of any appropriation. This authority was deleted by action on the floor of the House.

This authority, if granted, would greatly facilitate the management of the Department without loss of Congressional control over the expenditure of funds. The provision is of such importance to the better execution of

Treasury's responsibilities that I urge your careful and favorable consideration.

The language proposed by the House Committee limits to 2-1/2 per cent the amount to be transferred in or out of an appropriation. It further provides that it can be done only after the Secretary of the Treasury and the Director of the Bureau of the Budget approve. It also requires that an immediate report be made to the Senate and House Committees on Appropriations.

This type of transfer authority is not new in Government. Similar language is also contained in appropriations for the Atomic Energy Commission, General Services Administration, and the National Aeronautics and Space Administration. Other transfer authority exists, with varying limitations and modifications, in the appropriations for the Departments of Agriculture; Defense; Health, Education and Welfare; and Interior. The Foreign Aid Authorization Act also permits transfer, when the President so determines, and requires a report to the Congress. In 1965, a limited transfer authority was given to Internal Revenue Service to interchange between its three appropriations, but the Conference Report restricted its use to fiscal year 1965.

It is difficult for me to understand why such language which has proved its usefulness in other government agencies should be denied to the Treasury Department. Opposition to it can only be based on a lack of understanding of our very real need for it and a misconception that it would somehow reduce the effectiveness of Congressional control. I pledge to the Congress that the authority would not be used in the Treasury indiscriminately, or for purposes for which the Congress has indicated it should not be used. I would

expect the authority to be used sparingly and only with the full prior knowledge of the Committees. You recall that we now notify the respective Subcommittees when we desire a significant reprogramming of funds within the same appropriation that results in use of funds for a different purpose from that which was justified to the Subcommittee. This procedure has worked well and has led to greater efficiency and more prudent use of resources. The limited transfer authority would have the same useful effect with transfers between different appropriations.

There are a number of Treasury bureaus that are small in size of staff and appropriations. The present appropriation structure, without transfer authority, does not permit flexibility in meeting sudden or unexpected workload changes. The Bureau of Accounts, Public Debt, Customs, Secret Service, Mint,Narcotics, Office of the Treasurer -- all have largely uncontrollable workloads. Demands for services by these bureaus are generated by the public or other Government agencies. The ability to shift funds between bureaus, subject to prior consultation with the competent Subcommittees on Appropriations, would give the Treasury administrative flexibility to meet unexpected demands. Its omission will tend to increase resort to supplemental appropriations. Such authority would save both time and unnecessary effort for Treasury and the Congress alike.

If we had had this authority over the past four or five years, we could have saved the Government the expense of preparing and securing several supplemental appropriations by using unobligated balances which finally lapsed to the General Fund. We could have also saved the taxpayer, through reprogramming, some of the funds that because of the lack of the transfer

authority we were compelled to request in supplementals. If the authority had been available in June 1962, at the time of the delay in the passage of the Second Supplemental Appropriations Act, 1962, our Secret Service Agents would not have had to face a payless pay day. Such an event was only forestalled by the use of the President's Emergency Fund. The transfer authority, had it existed, would have permitted the Secret Service to have provided an orderly financing and avoided a number of administrative problems.

In summary, let me say I believe the transfer authroity will contribute to more efficient operations of the Treasury Department, will produce over-all savings to the Government, and will actually increase the effectiveness of Congressional control over the appropriation process by making maximum use of the knowledge of the Treasury Subcommittees.

U.S. Secret Service Language Change

In Secretary Dillon's statement before the House Committee, earlier presented, he explained in detail the need for expanded resources and personnel necessary to provide effective protection to the President of the United States. I concur completely with Secretary Dillon in his expression of the urgent need to implement this program.

The House allowed the full amount of $12,627,000 which was requested, but, through a technical oversight, did not provide the proper numerical limitation for the purchase of additional automobiles. These vehicles are essential to the over-all expansion program. The staff of the House Committee has advised us informally that the omission was an oversight.

U. S. Secret Service Expansion

Secretary Dillon told the House Committee that:

"The events of November 22, 1963, made it clear that the protection we have heretofore provided to our President has been inadequate. Nothing can redress the tragedy of that day, but we all bear an awesome responsibility both to our country and to the entire free world to insure that the protection now and hereafter provided our President, whoever he may be, is the most effective possible in our democratic society."

His statement reviewed in detail the manner in which the requested amount was arrived at. He further made it clear that $3,877,000 of the $12,627,000 requested was not in the President's Budget. He then stated:

"* * * it is perhaps unprecedented for a Cabinet officer, and particularly for the Secretary of the Treasury, to ask for an appropriation in excess of that requested in the President's Budget. This is, however, a very special and indeed unique situation. President Johnson feels that these substantial additional expenditures required for the increased protection of the President -- and I reemphasize the President, whoever he may be -- are so intimately connected with him that he should not personally pass upon them. He was aware, however, that I intend to request what I and the President's Committee feel to be necessary. He is fully content to leave the decision to the wisdom of the Congress."

As the newly-appointed Secretary of the Treasury, I now have the grave statutory responsibility for insuring the protection of the President. The

additional funds requested which were not in the President's Budget ($3,877,000) were recommended by the President's Committee to advise him on the Warren Report and by the Director of the Bureau of the Budget, who sat as an ex officio member of the Committee. That Committee included Secretary Dillon; Mr. Katzenbach, the Attorney General; Mr. McCone, the Director of Central Intelligence; and Mr. Bundy, the President's Adviser on National Security Affairs. Because of the intimate familiarity of these able and highly qualified men with the necessities of the situation, as viewed by them in the perspective of the Warren Report, I associate myself completely with the request. It was the conclusion of Secretary Dillon that without these additional resources it will simply not be possible to provide the protection to the President and his family that the tragic event of November 1963 has proved to be necessary.

However, I must, in all candor, advise the Committee of a situation which has developed since Secretary Dillon's request and the House action on the appropriation that affects the inclusion of $522,000 for two armored vehicles in the additional request for $3,877,000 not in the President's Budget.

On Monday afternoon, April 5, news stories were carried in the press concerning this request and its background. For the first time the President of the United States himself became aware of this particular request. He did not know about it until he saw it in the paper.

In the intervening period, his intentions have become known to me. He will not use or condone the use in his protection of the two armored vehicles for which the $522,000 is to be allocated should they be built and delivered. He will use the special protective armored vehicle reconstruct from an existing automobile by the Ford Motor Company and turned over to

Secret Service without cost, as well as another existing specially constructed protective vehicle assigned from another Federal Government source for his use.

Under these circumstances, I withdraw the request for $522,000 for the two armored vehicles.

Conclusion

This completes my statement on the Treasury's appropriation requests. Representatives of the Bureaus concerned are, of course, prepared to appear before you to explain their programs in greater detail; and I am at your disposal to answer questions or to discuss other subjects of interest to the Treasury.

A modification of the income tax treaty between the United States and the Netherlands last year led to elimination of the Netherlands Antilles as a place through which third country residents could similarly avoid taxes on investment income. As a result Canadian corporations may now be in the process of being established for the same purpose.

It is anticipated that discussions will be held soon with the Canadian authorities to consider appropriate measures to eliminate the tax avoidance described.

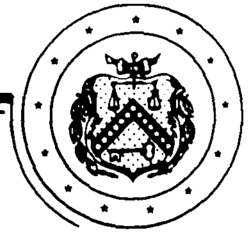
UNITED STATES TO ACT AGAINST TAX AVOIDANCE UNDER CANADIAN TAX TREATY

Action will soon be initiated by the United States to tighten the tax rules that apply to income flowing between the United States and Canada so as to eliminate a tax avoidance device which now permits people living outside both countries to receive investment income from the United States at substantially reduced tax rates, the Treasury Department announced today.

This unintended tax preference results from the interaction of existing Canadian law and the provisions of the existing tax treaty between the United States and Canada. The treaty provides that a company organized in Canada and receiving investment income from the United States is subject to a 15 percent U.S. withholding tax on such income rather than the usual 30 percent. However, Canadian law provides that a company organized under Canadian law but deriving its income from outside Canada shall be exempt from Canadian taxes if the company is managed and controlled outside Canada. The combination of these provisions makes it possible for such a Canadian company to be used by third country residents as a device to avoid U.S. taxes.

A holding company, a mutual investment fund, or a similar investment company created under Canadian law but managed and controlled in a "tax haven" country may be used to make investments in the United States by people living in countries that have no tax treaty with the United States. Such people can derive investment income subject only to a 15 percent withholding tax in the United States and to no tax whatsoever in either Canada or their home country.

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 13, 1965

FOR IMMEDIATE RELEASE

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It is anticipated that discussions will be held soon with the Canadian authorities to consider appropriate measures to eliminate the tax avoidance described.

F-11

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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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on April 22, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 22, 1965. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, XXXXXXXXX

April 14, 1965

XXXXXXXXXXXXXX(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 $ 2,200,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing April 22, 1965 (3), in the amount of $ 2,201,051,000 (4), as follows:

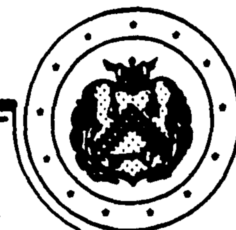
91 (5) -day bills (to maturity date) to be issued April 22, 1965 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated January 21, 1965 (8), and to mature July 22, 1965 (9), originally issued in the amount of $ 1,001,051,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 1,000,000,000 (12), or thereabouts, to be dated April 22, 1965 (13), and to mature October 21, 1965 (14).

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, April 19, 1965 (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



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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations noncompetitive tenders for each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on April 22, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 22, 1965 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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Commodity	Period and Quantity		Unit of Quantity	Imports as of April 3, 1965
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, 1964	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	Quota filled

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

F-13

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 April 3, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports as of April 3, 1965
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	377,897
Whole Milk, fresh or sour...	Calendar year	3,000,000	Gallon	15
Cattle, 700 lbs. or more each (other than dairy cows) ..	Jan. 1, 1965 - Mar. 31, 1965	120,000	Head	7,469
	Apr. 1, 1965 - June 30, 1965	120,000	Head	475
Cattle, less than 200 lbs. each	12 mos. from April 1, 1964	200,000	Head	64,994
	12 mos. from April 1, 1965	200,000	Head	526
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	24,383,589	Pound	6,940,614 1/
Tuna Fish	Calendar year	To be announced	Pound	5,631,316
White or Irish potatoes: Certified seed	12 mos. from Sept. 15, 1964	114,000,000	Pound	Quota filled
Other		45,000,000	Pound	Quota filled
Knives, forks, and spoons with stainless steel handles	Nov. 1, 1964 - Oct. 31, 1965	69,000,000	Pieces	Quota filled

1/ Imports for consumption at the quota rate are limited to 12,191,794 pounds during the first 6 months of the calendar year.

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utter substitutes containing over 45% of butterfat, and butter oil	Calendar year	1,200,000	Pound	Quota filled
'ibers of cotton processed but not spun	12 mos. from Sept. 11, 1964	1,000	Pound	-
'eanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)	12 mos. from August 1, 1964	1,709,000	Pound	Quota filled

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, 1964, to April 12, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1964, to April 12, 1965
United Kingdom	4,323,457	11,713	1,441,152	-
Canada	239,690	239,393	-	-
France	227,420	-	75,807	-
India and Pakistan	69,627	43,264	-	-
Netherlands	68,240	-	22,747	-
Switzerland	44,388	-	14,796	-
Belgium	38,559	-	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	25,425	25,443	-
Italy	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	319,795	1,599,886	

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

F-14

IMMEDIATE RELEASE
THURSDAY, APRIL 15,1965

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, 1964 - April 12, 1965

Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	-
Peru	247,952	68,899
India and Pakistan	2,003,483	-
China	1,370,791	-
Mexico	8,883,259	2,657,001
Brazil	618,723	-
Union of Soviet Socialist Republics	475,124	-
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	-
Indonesia and Netherlands New Guinea	71,388	-
1/ British W. Indies	21,321	-
Nigeria	5,377	-
2/ British W. Africa	16,004	-
Other, including the U.S.	-	-

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

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

Imports August 1, 1964 - April 12, 1965

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	39,350,206 (adjusted)
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	9,665
1-1/8" or more and under 1-3/8"	4,565,642	2,608,137

IMMEDIATE RELEASE
THURSDAY, APRIL 15,1965

Washington, D. C.

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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, 1964 - April 12, 1965

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan............	783,816	-	Honduras....................	752	-
Peru......................	247,952	68,899	Paraguay....................	871	-
India and Pakistan.........	2,003,483	-	Colombia....................	124	-
China.....................	1,370,791	-	Iraq........................	195	-
Mexico....................	8,883,259	2,657,001	British East Africa.........	2,240	-
Brazil....................	618,723	-	Indonesia and Netherlands New Guinea................	71,388	-
Union of Soviet Socialist Republics......	475,124	-	1/ British W. Indies...........	21,321	-
Argentina.................	5,203	-	Nigeria.....................	5,377	-
Haiti.....................	237	-	2/ British W. Africa...........	16,004	-
Ecuador...................	9,333	-	Other, including the U.S....	-	-

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

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

Imports August 1, 1964 - April 12, 1965

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	39,350,206 (adjusted)
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	9,665
1-1/8" or more and under 1-3/8"	4,565,642	2,608,137

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, 1964, to April 12, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1964, to April 12, 1965
United Kingdom............	4,323,457	11,713	1,441,152	-
Canada....................	239,690	239,393	-	-
France....................	227,420	-	75,807	-
India and Pakistan........	69,627	43,264	-	-
Netherlands...............	68,240	-	22,747	-
Switzerland...............	44,388	-	14,796	-
Belgium...................	38,559	-	12,853	-
Japan.....................	341,535	-	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	25,425	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	319,795	1,599,886	

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

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

QUARTERLY QUOTA PERIOD – January 1, 1965 – March 31, 1965

IMPORTS – January 1, 1965 – March 31, 1965

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	22,540,000	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	947,071
Bolivia	5,040,000	1,111,303	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	1,722,411
Mexico	-	-	36,880,000	32,260,643	70,480,000	70,480,000	6,320,000	6,317,826
Peru	16,160,000	16,160,000	12,880,000	12,879,230	35,120,000	35,120,000	3,760,000	3,759,758
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,947
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	12,743,519	-	-	-	-
All other countries (total)	6,560,000	5,539,156	6,080,000	243,048	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

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

QUARTERLY QUOTA PERIOD - January 1, 1965 - March 31, 1965

IMPORTS - January 1, 1965 - March 31, 1965

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	22,540,000	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	947,071
Bolivia	5,040,000	1,111,303	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	15,9[illegible]0,000	66,480,000	66,[illegible]30,000	37,840,000	7,840,000
Italy	-	-	-	-	-	-	3,600,000	1,722,4[illegible]
Mexico	-	-	36,880,000	32,[illegible],643	70,480,000	70,480,000	6,320,000	6,317,826
Peru	16,160,000	16,160,000	12,880,000	12,8[illegible],230	35,120,000	35,120,000	3,760,000	3,759,758
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,547
**Un. So. Africa	14,880,000	14,880,[illegible]	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	12,[illegible],51[illegible]	-	-	-	-
All other countries (total)	6,560,000	[illegible],533,156	6,080,000	[illegible]4[illegible],048	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

F-16

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1964, as follows:

Country of Origin	Wheat		Milled wheat products	
	Established Quota	Imports May 29, 1964, April 12, 1965	Established Quota	Imports May 29, 1964, April 12, 1965
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	720
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	397
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	110
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	800.000	795,000	4,000,000	3,816,227

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

F-16

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and milled wheat products authorized to be entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, and provided for in the Tariff Schedules of the United States, for the 12 months commencing May 29, 1964, as follows:

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	Established Quota	Imports May 29, 1964, April 12, 1965	Established Quota	Imports May 29, 1964, April 12, 1965
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	720
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	397
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	110
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
Other foreign countries or areas	-	-	-	-
	800,000	795,000	4,000,000	3,816,227

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

F-17

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

QUARTERLY QUOTA PERIOD - April 1, 1965 - June 30, 1965

IMPORTS - April 1, 1965 - April 9, 1965 (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	2,506,076	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***330,708
Bolivia	5,040,000	***3,754	-	-	-	-	-	-
Canada	13,440,000	***9,140,440	15,920,000	1,177,364	66,480,000	66,480,000	37,840,000	12,699,379
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	2,440,624	70,480,000	2,367,511	6,320,000	237,89[illegible]
Peru	16,160,000	***15,650,042	12,880,000	-	35,120,000	2,669,306	3,760,000	2,087,429
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***2,207,715	-	-	-	-
All other countries (total)	6,560,000	***1,161,098	6,080,000	***869,810	17,840,000	***6,583,636	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of April 12, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

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

QUARTERLY QUOTA PERIOD - April 1, 1965 - June 30, 1965

IMPORTS - April 1, 1965 - April 9, 1965 (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	2,506,076	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***330,708
Bolivia	5,040,000	***3,754	-	-	-	-	-	-
Canada	13,440,000	***9,140,440	15,920,000	1,177,564	66,480,000	66,480,000	37,840,000	12,69[illegible],379
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	2,440,624	70,480,000	2,367,511	6,320,000	237,89[illegible]
Peru	16,160,000	***15,650,042	12,880,000	-	35,120,000	2,659,306	3,760,000	2,[illegible]87,479
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***2,207,715	-	-	-	-
All other countries (total)	6,560,000	***1,1[illegible]1,098	6,080,000	***869,810	17,840,000	***6,533,636	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of April 12, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
WASHINGTON

IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

F-18

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to April 3, 1965, 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 April 3, 1965
Buttons........	510,000	Gross	128,249
Cigars.........	120,000,000	Number	1,810,487
Coconut oil....	268,800,000	Pound	169,712,459
Cordage........	6,000,000	Pound	2,238,342
Tobacco........	3,900,000	Pound	1,523,604

TREASURY DEPARTMENT
WASHINGTON

IMMEDIATE RELEASE
THURSDAY, APRIL 15, 1965

F-18

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Buttons........	510,000	Gross	128,249
Cigars.........	120,000,000	Number	1,810,487
Coconut oil....	268,800,000	Pound	169,712,459
Cordage........	6,000,000	Pound	2,238,342
Tobacco........	3,900,000	Pound	1,523,604

technological improvement in the Bureau of Engraving and Printing.

NEW SECRETARY WITNESSES FIRST
$1 NOTES BEARING HIS SIGNATURE

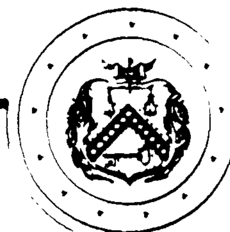
Secretary of the Treasury Henry H. Fowler today inspected the first sheet of 32 one dollar Federal Reserve Notes bearing his signature to come off the press.

Henry J. Holtzclaw, Director of the Treasury's Bureau of Engraving and Printing, supervised the first run during which the new signature was overprinted on the currency. The event has become traditional over the years.

On the same printing run each new note receives the overprinting of Secretary Fowler's signature, the Treasury Department's seal, a seal denoting the particular Federal Reserve Bank issuing the note and a serial number.

The sheets of currency ~~to be overprinted at the time of Secretary Fowler's visit~~ will be the initial production from new ultra-modern sheet-fed rotary intaglio presses which have just been installed as a part of a continuing program of

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 16, 1965

FOR IMMEDIATE RELEASE

NEW SECRETARY WITNESSES FIRST $1 NOTES
BEARING HIS SIGNATURE

Secretary of the Treasury Henry H. Fowler today inspected the first sheet of 32 one dollar Federal Reserve Notes bearing his signature to come off the press.

Henry J. Holtzclaw, Director of the Treasury's Bureau of Engraving and Printing, supervised the first run during which the new signature was overprinted on the currency. The event has become traditional over the years.

On the same printing run each new note receives the overprinting of Secretary Fowler's signature, the Treasury Department's seal, a seal denoting the particular Federal Reserve Bank issuing the note and a serial number.

The sheets of currency will be the initial production from new ultra-modern sheet-fed rotary intaglio presses which have just been installed as a part of a continuing program of technological improvement in the Bureau of Engraving and Printing.

oOo

F-19

these instruments in ways that respond to the needs of a complex and rapidly changing economic scene.

To succeed in that task requires that our approach be pragmatic rather than dogmatic, balanced rather than extreme, resilient rather than rigid. It requires that the public and the private sector of our economy work as partners in the pursuit of our national economic goals. We have seen what surpassing accomplishments can come from following this path. If we but continue to follow it, I see no end to those accomplishments.

We have learned in recent years that we cannot fashion successful economic policies by remaining in thrall to some rigid and abstract theory, or by adhering to some doctrinaire dictum of the past. We have learned the folly of relying upon one policy instrument alone -- to the exclusion of all the rest -- for a single solution to all our problems.

The success of the past four years has demonstrated how our various instruments of economic policy -- tax policy, expenditure policy, monetary policy -- can work together, in proper proportions, to move us simultaneously toward multiple economic goals. Each policy instrument has its strenghts and its limitations. The task is to coordinate

and as those deficits dwindle it will become more and more urgent that we progress toward some agreement with our foreign friends on ways to strengthen the international monetary system and assure international liquidity adequate for expanding international trade.

Thus, on both the international and domestic economic fronts, we do not suffer from any lack of challenge, or any lack of opportunity. But here is no challenge and no opportunity before us which we are not far more able to meet than we were four years ago. If we continue to build upon the progress and the policies of those years, we can look forward in all sober confidence to sustained economic progress on all fronts far into the foreseeable future.

our unflagging efforts to make our economy continually more competitive in world markets and continually more attractive and more accessible to foreign capital. It must come, as well, from European efforts to improve their own capital markets -- markets whose deficiencies become more apparent as our shorter-run measures to halt excessive capital outflows take firmer and firmer hold.

The very success of this nation in moving toward lasting balance in our payments has begun to throw into sharper and sharper relief a potential problem in our international payments system -- a problem that will require concerted attention in the months ahead. For the United States can no longer afford to furnish steady increases in international liquidity through deficits in our international payments --

I have no doubt that this voluntary program will succeed. And surely there can now be no doubt in anyone's mind -- here or abroad --that American government and American business are unswerving in their mutual determination to bring our balance of payments deficits to a swift and sure end. There will be no let up on our efforts to reach that goal. Reach it we must, and reach it we shall.

We do not, however, conceive of the voluntary program as a final or fundamental solution to our balance of payments problem. Nor do we join with those who would have us hide within a tight protective shell of direct controls or rashly risk the damage to our domestic economy that would come from applying a hard brake to essential credit expansion. On the contrary, the more lasting solution to our balance of payments problem must continue to come from

The President's new program calls for redoubling all our prior balance of payments efforts. But its crucial provision is the call to our businesses and banks to cut down on the flow of our capital abroad --until new arrangements in the international monetary system and improved capital markets abroad offer assurance that uninhibited capital flows will not endanger the soundness of the dollar or its position as the world's leading reserve currency. Over the next few weeks we will have some first hard figures to show exactly how successful that voluntary effort has been thus far. But we have only to look abroad and see how much dearer and scarcer dollars have become to recognize what good results that effort has yielded.

in markets abroad. As a result, our commercial exports last year exceeded the 1960 level of $900 million, or 28 percent -- giving us a commercial trade surplus of $3.8 billion.

We have also reduced by almost $500 million the annual balance of payments cost of a foreign aid program of far larger dollar dimensions. Today, 85 percent of our foreign aid commitments are spent for American goods and services. In spite of rising costs abroad, we have cut $700 million from our net military expenditures abroad.

Despite these improvements we had, as you know, a balance of payments deficit last year of $3 billion -- largely the result of swelling private capital outflows that last year amounted to $6.4 billion, $2.5 billion more than in 1960 and $2.1 billion more than in 1963.

[initiative of the American investor --] exceed the total of foreign investment in the United States, plus all other liabilities to foreigners, by some $18 billion, a figure that grows larger every year.

Moreover, the hard-won improvement in our competitive position, the balance of payments measures that we have employed over the past four years, and our rising returns from private foreign investment, have brought us some $3.5 billion worth of balance of payments improvement -- enough, all else aside, to have given us virtual balance in our payments last year.

In a climate of wage-price stability, our tax measures to heighten incentives and encourage greater productivity at at home, along with numerous direct aids to exports, have helped make American business a formidable competitor indeed

As President Johnson pointed out in his Balance of Payments Message earlier this year, we have the world's most productive and efficient economy, the world's largest supply of gold, the world's strongest creditor position, and -- by virtue of our fine record of price stability -- the world's most favorable trade position. Therefore, let there be no confusion: our balance of payments problem could scarcely be more unlike the classic pattern in which, because of its inability to compete successfully, one country fails to sell as much goods and services as it buys. Our commercial trade surplus last year stood at $3.7 billion -- over $1 billion larger than it was four years ago, and more than twice the size of West Germany's, the next largest in the world. And our private investments abroad -- reflecting the vigor and

commercial banks, where it might contribute to inflation.

But continued wage and price stability must depend in the future, as it has in the past, upon the determination of American business and American labor to avoid wage rises that outdistance our gains in productivity and price rises not justified by actual cost increases. Wage and price stability is vital to both our balance of payments andour domestic economic progress -- and it is to American business and American labor that we must look to maintain it.

On the international financial front, as in our home economy, the challenges that we face bear little resemblance to those we faced four years ago. For while the challenge we face today is urgent, we can meet it with the full confidence that we deal from a position of growing strength.

economic machine in history and apply them, more and more, to the task of helping the many poor or disadvantaged in our society who do not fully share in the creation or in the enjoyment of its abundant life.

At the same time, nothing could be so foolish or so WASTEFUL ~~harmful~~ as to expend our talents and our resources in trying to sustain our economic upsurge and extend its benefits to more and more of our citizens, if we fail to protect our hard-won gains against inflation. The policies of this Administration will continue to support strong and sound, but not excessive, growth in our economy and in the availability of credit essential to that kind of growth. For its part, the Treasury will continue to manage the public debt prudently ~~and soundly~~ -- seeking to place any increase in that debt in the hands of private savers rather than in

challenges we face in the domestic economic field. And any effective answer to these challenges cannot come from government programs alone -- it must come, on the contrary, from the joint effort of government and the private sector. ~~Already we see here and there~~ in the ~~country~~ private programs to train or retrain the unskilled and to place them in productive jobs. But surely there is enormous room, and need, for more programs of this kind. And most critical of all is the need for private industry to seek ways of synchronizing its recruitment policies with these retraining programs, whether public or private. It will do no good to equip men with skills unless they can find jobs in which to employ those skills.

The time has come for America to take the same private initiative and ingenuity that have fashioned the most powerful

But, while our economy is still not operating at full potential, it is quite clear that we are beginning to approach the point where growing demand alone cannot make the inroads upon unemployment we want without undermining the gains in efficiency we need or exerting a strain upon our prices. There is no question but that we must maintain a strong and balanced growth in demand to keep pushing down upon unemployment. At the same time, it is imperative for us to preserve stable price levels. This means growth in demand must be accompanied by a broad and growing attack on so-called hard core, or structural, unemployment. Through such programs as Manpower Retraining and the Job Corps we are just beginning to mount such an attack.

The need to reduce structural unemployment and the need to preserve price stability are two of the paramount

were largely the product of our failure, while our problems today issue, in large part, from the very success of our labors over the last four years.

Despite the sure progress we have made in creating more jobs we have still not yet reached even our interim goal of 4 percent unemployment. To reach that goal, we must sustain a steady growth in demand -- a growth to which government fiscal policies have made, and will continue to make a vital contribution.

The prudent amount of excise tax reduction we have scheduled for the last half of this year will, while improving our tax structure, also help sustain our economic momentum by expanding private purchasing power. At the same time, it will offer new incentives for price reductions.

wage-income for the working-man, greater profits for the businessman and the investor, and greater revenues at lower tax rates for the ~~government~~ taxpayer. Having seen what manifold benefits that kind of cooperation can bring to all Americans, it would be foolish indeed to set limits on what accomplishments the future can bring from growing cooperation between government and the private sector in the interest of the nation. For thus we will be bringing to bear, more than ever before in our history, the full resources of this nation in a concerted and coordinated attack upon the problems that confront it.

We are fortunate that the problems before us today are vastly different from those that loomed ahead four years ago. For those early problems -- domestically, at least --

overemphasize -- an achievement that, in my judgement, will prove itself more and more vital to our future growth and well-being.

I speak of the remarkable degree of cooperation that has gradually emerged over the past four years between business and labor and government. As we have pursued policies to fashion a better balance between the public and private sectors, business and labor and government have moved as well into closer unity and joint effort on a growing variety of fronts. They have discovered that by pulling together they can achieve much more than by pulling apart. They have been more concerned about working together toward greater abundance for all and less concerned about who receives the greater marginal advantage -- and the result has been greater

Our resurgent economic performance since early 1961 has added more than $100 billion in real terms to our national output -- a total that far exceeds the entire added output during the same period by <u>all</u> of Western Europe. In fact, the <u>increase</u> alone in our national output over the past four years surpasses the <u>total</u> national output of any other nation of the Free World -- and continues to widen the already enormous distance that separates our ability to produce from that of the Soviet Union.

These are the gains, and the policies, upon which we must build -- for they offer us solid ground from which we can move confidently into the future. These, however, are not the only gains the past four years have brought us. For underlying all these is an achievement whose importance is impossible to measure and equally impossible to

over 60 percent in profits after taxes. Business investment in new plant and equipment has recovered sharply from its tendency during the 1950's to lag or decline. This year's planned expenditures for plant and equipment stand, according to the latest official survey, at $50.2 billion, or more than double the level of a decade ago. And the $14.5 Billion growth in those expenditures for the five years 1961-1965 exceeds by $4.1 billion the increase for the entire decade of the 50's. And, after taxes and in constant dollars, average per capita income has grown by an average of 3 1/3 percent a year. And these have been real gains -- preserved by a record of price stability unmatched by that of any other major industrial country.

two-thirds below the average annual increase of $3 billion over the previous 10 years.

The response of the private economy to these policies has been magnificent. From the first quarter of 1961 to the quarter just ended, our Gross National Product has grown by an average of more than 5 percent a year, in constant prices. The unemployment rate has fallen from 619 percent in February of 1961 to 4.7 percent last month -- a seven-year low. At the same time, we have gained some 5 million jobs, including 1.7 million in the last twelve months. Particularly significant is the 600,000 million job gain in manufacturing over the last twelve months, bringing total manufacturing employment back around the peak level of 17½ million for 1953, [illegible]

Profits have reached new highs each year, for a total gain of

We complemented our initial move to encourage the vigorous private investment so essential to long-run growth by cutting more than $11.0 billion -- at current income levels -- from the tax load borne by individual taxpayers, thus providing a massive increase in private demand.

To these tax measures for expanding the role of our private sector, we joined a rigorous program of control over government expenditures -- a program that has reached new heights of intensity and effectiveness under the leadership of President Johnson. In his Administrative Budgets thus far -- those covering fiscal years 1965 and 1966 -- President Johnson has succeeded in holding down total expenditure increases to an average of $1 billion a year, $2 billion or

Our first step, therefore, was to redouble the incentives for greater private domestic investment in new plant and equipment -- investment that had been lagging for far too long and whose strength was essential if we were to have a firm foundation for sustaining uninterrupted economic growth for any long period of time. The Revenue Act of 1962 granted a tax credit of 7 percent on new investment in machinery and equipment, and in that same year the Treasury reformed and liberalized the tax treatment of depreciation. Together with the cut in the corporate tax rate contained in the Revenue Act of 1964 -- amounting to some $2.7 billion at current income levels -- these measures have raised the profitability of a typical investment in new equipment by more than ~~30 percent~~ one third.

We were firmly convinced that the only final answer to our problems on both the domestic and international fronts lay in restoring the private sector to its full and vigorous role as the prime mover in the achievement of our economic goals. The private economy simply could not do its job as long as it continued to labor under excessively high wartime tax rates -- rates originally applied to restrain strong inflationary pressures that ~~no longer existed.~~ We needed to sharpen private investment incentives, to heighten the private initiative and effort that alone could accelerate the strong and stable economic growth we had to achieve -- and that we knew we would achieve once the native ingenuity and drive of American business, freed of excessive tax rates, could turn its full attention to the tasks at hand.

today could scarcely be more different from those we faced four years ago.

Then we were just emerging from our fourth postwar recession -- acutely aware that each of the three prior recessions had been followed by successively shorter and weaker recoveries, and that the previous recession had produced the largest peacetime budget deficit in our history. Unemployment was intolerably high. Business investment was far less than we needed to generate more vigorous and viable economic growth. At the same time, a series of balance of payments deficits -- averaging, on the basis of regular transactions, almost $4 billion a year from 1958 through 1960 -- had made us vulnerable on the international front.

And to judge what those policies and that effort must be

if we are to sustain the current upsurge, we must understand

what they have been in the past.

Certainly, the expansion we now enjoy was far from a

foregone conclusion four years ago.

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According to the Gallup Poll published yesterday, the American people consider economic problems the least important facing the nation -- in contrast to the people in many countries abroad who cite economic problems as their most important. And the latest quarterly report on consumer attitudes by the University of Michigan finds consumer confidence in the nation's economic outlook at its highest level since 1956. The business community continues to demonstrate through its investment plans and behavior that it shares this same solid confidence in our economic prospects. But while our grounds for confidence are indeed firm, we must never make the cardinal mistake of taking continued progress as a foregone conclusion. For continued progress rests on the continued success of proper government policies and private effort.

that included World War II. There could be no better testimony to the success of our economic policies over the past four years. They have proven their prowess by, in very large part, achieving precisely what they were intended to achieve.

As Under Secretary of the Treasury, I was privileged to participate in the first formation of those policies -- and to assist at every major stage of their development, adoption and execution. I am convinced we must continue to build upon those policies -- and to revise them, adapt them, employ them in new combinations as new problems, new needs and new challenges may require.

For policies cannot be static in a world as rapidly changing as ours. And the problems and prospects we face

overhaul of our tax system to augment private incentives, initiative and effort and thus to enhance the role of the private sector in our economic growth -- and, second, an overall monetary approach that would assure the ample availability of long-term credit so essential to domestic growth while maintaining short-term rates at levels high enough to prevent any excessive outflow of dollars abroad. These policies, he declared, would lead us -- and I quote -- "to a period of growth and prosperity during the Sixties such as this Nation has never known."

Next month, the economic expansion that began in February of 1961 will become the longest expansion in the entire history of our nation -- except for the expansion

FOR RELEASE AFTERNOON NEWSPAPERS
SATURDAY, APRIL 17, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE ANNUAL CONVENTION OF THE AMERICAN
SOCIETY OF NEWSPAPER EDITORS
AT THE WASHINGTON HILTON HOTEL
SATURDAY, APRIL 17, 12:45 P.M., 1965

I am particularly happy to make this, my first full-fledged speech as Secretary of the Treasury, before a group that plays so vital a role in informing the American public about the complex and critical issues that confront our nation.

As I do so I am conscious that I observe a precedent set four years ago, almost to the day, when my distinguished predecessor and good friend, Douglas Dillon, made his maiden economic address as Secretary of the Treasury before this very same group.

In that address, he set forth a two-fold program to bring us closer to our economic goals: first, a complete

TREASURY DEPARTMENT
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In that address, he set forth a two-fold program to bring us closer to our economic goals: first, a complete overhaul of our tax system to augment incentives, initiative and effort in the private sector of our economy -- and, second, an overall monetary approach to assure the ample availability of long-term credit so essential to domestic growth while maintaining short-term rates at levels high enough to prevent any excessive outflow of dollars abroad. These policies, he declared, would lead us -- and I quote -- "to a period of growth and prosperity during the Sixties such as this Nation has never known."

Next month, the economic expansion that began in February of 1961 will become the longest in the entire history of our nation -- except for the expansion that included World War II. There could be no better testimony to the success of our economic policies over the past four years.

As Under Secretary of the Treasury I was privileged to participat in the first formation of those policies -- and to assist at every major stage of their development, adoption and execution. I am convinced we must continue to build upon those policies -- improving them as we can, and adapting them to meet new problems and new needs. But policies cannot be static in a world as rapidly changing as ours. The problems and prospects we face today could

scarcely be more different from those we faced four years ago.

According to the Gallup Poll published yesterday, the American people consider economic problems the least important facing the nation -- in contrast to the people in many countries abroad who cite economic problems as their most important. And the latest quarterly report on consumer attitudes by the University of Michigan finds consumer confidence in the nation's economic outlook at its highest level since 1956. The business community continues to demonstrate through its investment plans and behavior that it shares this same solid confidence in our economic prospects. But while our grounds for confidence are indeed firm, we must never make the cardinal mistake of taking continued progress as a foregone conclusion. For continued progress rests on the continued success of proper government policies and private effort. And to judge what those policies and that effort must be if we are to sustain the current upsurge, we must understand what they have been in the past, how the best features can be conserved and built upon for the future. It will be our purpose to appraise the past as a basis for the future.

Certainly, the expansion we now enjoy was far from a foregone conclusion four years ago.

Then we were just emerging from our fourth postwar recession -- acutely aware that each of the three prior recessions had been followed by shorter and weaker recoveries, and that the previous recession had produced the largest peacetime budget deficit in our history. Unemployment was intolerably high. Business investment was far less than we needed to generate more vigorous and viable economic growth and maintain a strongly competition position in world markets -- including our own home market which was becoming increasingly open to import competition. At the same time, a series of balance of payments deficits -- averaging, on the basis of regular transactions, almost $4 billion a year from 1958 through 1960 -- had made us vulnerable on the international front.

We were firmly convinced that the only final answer to our problems on both the domestic and international fronts lay in reinvigorating the private sector as the prime mover in the achievement of our economic goals. The private economy simply could not do its job as long as incentives were dulled and it continued to labor under excessively high wartime tax rates -- rates originally applied to restrain strong inflationary pressures that accompanied wars and emergencies.

Our first step was to redouble the incentives for greater private domestic investment in new plant and equipment -- investment that had been lagging for far too long and whose strength was essential if we were to have a firm foundation for sustaining uninterrupted economic growth for any long period of time. The Revenue Act of 1962 granted a tax credit of 7 percent on new investment in machinery and equipment, and in that same year the Treasury reformed and liberalized the tax treatment of depreciation. Together with the cut in the corporate tax rate contained in the Revenue Act of 1964 -- amounting to some $2.7 billion at current income levels -- these measures have raised the profitability of a typical investment in new equipment by more than one-third.

We complemented our initial move to accelerate private investment by reducing substantially personal income tax rates across the board, thereby cutting more than $11 billion -- at current income levels -- from the tax load borne by individual taxpayers, thus providing a massive increase in private demand.

To these tax measures for expanding the role of our private sector, we joined a rigorous program of control over government expenditures -- a program that has reached new heights of intensity and effectiveness under the leadership of President Johnson. In his administrative budgets thus far -- those covering fiscal years 1965 and 1966 -- President Johnson has held total expenditure increases down to an average of $1 billion a year, $2 billion or two-thirds, less than the average annual increase of $3 billion over the previous 10 years.

The response of the private economy to these policies has been magnificent. From the first quarter of 1961 to the quarter just ended, our Gross National Product has grown by an average of more than 5 percent a year, in constant prices. The unemployment rate has fallen from 6.9 percent in February of 1961 to 4.7 percent last month -- a seven-year low. At the same time, we have gained some 5 million jobs, including 1.7 million in the last twelve months. Particularly significant is the 600,000 job gain in manufacturing over the last twelve months, bringing total manufacturing employment back around the peak level of 17½ million for 1953, despite the tremendous technological advances in labor-saving devices in this period. Profits have reached new highs each year, for a total gain of over 60 percent in profits after taxes. Business investment in new plant and equipment has recovered sharply from its tendency during the 1950's to lag or decline. This year's planned expenditures for plant and equipment stand, according to the latest official survey, at

$50.2 billion, or more than double the level of a decade ago. And the $14.5 billion growth in those expenditures for the five years 1961 - 1965 exceeds by $4.1 billion the increase for the entire decade of the 50's. And, after taxes and in constant dollars, average per capita income has grown by an average of 3-1/3 percent a year. And these have been real gains -- preserved by a record of price stability unmatched by that of any other major industrial country.

Our resurgent economic performance since early 1961 has added more than $100 billion in real terms to our national output -- a total that far exceeds the entire added output during the same period by all of Western Europe. As a yardstick, one might remember that this added slice on our national cake in the last four years exceeds the entire Gross National Product of France and Belgium. In fact, the increase alone in our national output over the past four years surpasses the total national output of any other nation of the Free World -- and continues to widen the already enormous distance that separates our ability to produce from that of the Soviet Union.

These are the gains, and the policies, upon which we must build -- for they offer us solid ground from which we can move confidently into the future. These, however, are not the only gains the past four years have brought us. For underlying all these is an achievement whose importance is impossible to measure and equally impossible to overemphasize.

I speak of the remarkable degree of cooperation, understanding, and mutual confidence that has gradually emerged over the past four years between business and labor and government. As we have pursued policies to fashion a better balance between the public and private sectors, business and labor and government have moved together in a growing partnership for progress. They have discovered that by pulling together they can achieve much more than by pulling apart. They have become more concerned about working together toward greater abundance for all and less concerned about who receives the greater marginal advantage -- and the result has been greater wage-income for the working-man, greater profits for the businessman and the investor, and greater revenues for meeting the demands on Government at lower tax rates for the taxpayer. And these results merely suggest what accomplishments the future may hold as, more and more, we bring to bear the full resources of this nation in a concerted attack upon the problems that confront it. An essential ingredient in this better understanding between business, labor and government is national leadership. No man in our long national history has done more or labored with greater intensity to bring about this understanding than the man in the White House. He works at it night and day. And his

example is one for all of us to follow if we are to sustain our recent advances and cope with the emergent problems of our time.

We are fortunate that the problems before us today are vastly different from those that loomed ahead four years ago. For those early problems -- domestically, at least -- were largely the product of our failure, while our problems today issue, in large part, from the very success of our labors over the last four years.

Despite the sure progress we have made in creating more jobs we have yet to reach our interim goal of 4 percent unemployment. To reach that goal, we must sustain a steady growth in demand -- a growth to which government fiscal policies have made, and will continue to make, a vital contribution.

The prudent amount of excise tax reduction we have scheduled for the last half of this year, while improving our tax structure, will also help sustain our economic momentum by expanding private purchasing power. At the same time, it will offer new incentives for price reductions. But the excise tax reduction must be a prudent amount -- not an excessive one that will interrupt the movement of the last two years from large budget deficits towards balance as the economy moves forward to the objective of full employment with balanced budgets or surpluses.

While our economy is still not operating at full potential, we may approach the point where growing demand alone cannot make tl inroads upon unemployment we want without undermining the gains in efficiency we need or exerting a strain upon our prices. This means growth in demand must be accompanied by a broad and growing attack on so-called hard core, or structural, unemployment. Through such programs as Manpower Retraining and the Job Corps we are just beginning to mount such an attack.

In addition to the compassion we share with all for those who lack opportunity, there are hard-bitten financial and economic reasons why the Treasury was and will continue to be in the forefront of those supporting the efforts of the Department of Labor and the Office of Economic Opportunity in this area.

The need to reduce structural unemployment and the need to preserve price stability are two of the paramount challenges we face in the domestic economic field. And any effective answer to these challenges cannot come from government programs alone -- it must come, on the contrary, from the joint effort of government and the private sector. In this country we have long been familiar with private programs to train or retrain the unskilled

and to place them in productive jobs. But surely there is enormous room, and need, for more programs of this kind. And most critical of all is the need for private industry to seek ways of synchronizing its recruitment policies with these retraining programs, whether public or private. The time has come for America to take the same private initiative and ingenuity that have fashioned the most powerful economic machine in history and apply them, more and more, to the task of helping the many poor or disadvantaged in our society who do not fully share in its abundant life.

At the same time, nothing could be so foolish or so wasteful as to expend our talents and our resources in trying to sustain our economic upsurge and extend its benefits to more and more of our citizens, if we fail to protect our hard-won gains against inflation. The policies of this Administration will continue to support strong and sound, but not excessive, growth in our economy and in the availability of credit essential to that kind of growth. For its part, the Treasury will continue to manage the public debt prudently -- seeking to place any increase in that debt in the hands of private savers rather than in commercial banks, where it might contribute to inflation.

But continued wage and price stability must depend in the future, as it has in the past, upon the determination of American business and American labor to avoid wage rises that outdistance our gains in productivity and price rises not justified by actual cost increases. Wage and price stability is vital to both our balance of payments and our domestic economic progress -- and it is to American business and American labor that we must look to maintain it.

On the international financial front, as in our home economy, we can meet the challenges before us with the full confidence that we deal from a position of growing strength. As President Johnson pointed out in his Balance of Payments Message earlier this year, we have the world's most productive and efficient economy, the world's largest supply of gold, the world's strongest creditor position, and -- by virtue of our fine record of price stability -- the world's most favorable trade position.

Therefore, let there be no confusion: our balance of payments problem bears no kinship to the classic pattern in which, because it cannot compete successfully, one country cannot sell as much goods and services as it buys. Our commercial trade surplus last year stood at $3.7 billion -- over $1 billion larger than it was four years ago, and more than twice the size of West Germany's,

the next largest in the world. And our private investments abroad exceed the total of foreign investment in the United States, plus all other liabilities to foreigners, by some $18 billion, a figure that grows larger every year.

Moreover, the hard-won improvement in our competitive position, the balance of payments measures that we have employed over the past four years, and our rising returns from private foreign investment, have brought us some $3.5 billion worth of balance of payments improvement -- enough, all else aside, to have given us virtual balance in our payments last year.

In a climate of wage-price stability, our tax measures to heighten incentives and encourage greater productivity at home, along with numerous direct aids to exports, have helped make Americ business a formidable competitor indeed in markets abroad -- as our huge trade surplus demonstrates.

We have also reduced by almost $500 million the annual balance of payments cost of a foreign aid program of far larger dollar dimensions. Today, 85 percent of our foreign aid commitments are spent for American goods and services. In spite of rising costs abroad, we have cut $700 million from our net military expenditures abroad.

Despite these improvements we had, as you know, a balance of payments deficit last year of $3 billion -- largely the result of swelling private capital outflows that last year amounted to $6.4 billion, $2.5 billion more than in 1960 and $2.1 billion more than in 1963.

The President's new program calls for redoubling all our prior balance of payments efforts. But most important, it asks our businesses and banks to cut down on the flow of our capital abroad until new arrangements in the international monetary system and improved capital markets abroad offer assurance that uninhibited capital flows will not endanger the dollar. Over the next few weeks we will have some first hard figures to show exactly how successful that voluntary effort has been thus far. But we have only to look abroad and see how much dearer and scarcer dollars have become to recognize what good results that effort has already yielded.

I have no doubt that this voluntary program will succeed. And surely there can now be no doubt in anyone's mind -- here or abroa that American government and American business are determined to bring our balance of payments deficits to a swift and sure end. End them we must, and end them we shall.

We do not, however, conceive of the voluntary program as a final or fundamental solution to our balance of payments problem. Nor do we join with those who would have us hide within a tight protective shell of direct controls or rashly risk harm to our domestic economy by applying a hard brake to credit expansion. On the contrary, the more lasting solution to our balance of payments problem must continue to come from our unflagging efforts to make our economy continually more competitive in world markets and continually more attractive and more accessible to foreign capital. It must come, as well, from European efforts to improve their own capital markets -- markets whose deficiencies become more apparent as our interim measures to halt excessive capital outflows take firmer and firmer hold.

Our very success in moving toward lasting balance in our payments has begun to throw into sharper relief a potential problem in our international payments system -- a problem that will require concerted attention in the months ahead. For the United States can no longer afford to furnish steady increases in international liquidity through deficits in our international payments. As those deficits dwindle, it will become more and more urgent that we progress toward some agreement with our foreign friends on ways to strengthen the international monetary system and assure ample liquidity for expanding world trade.

Thus, on both the international and domestic economic fronts, we do not suffer from any lack of challenge, or any lack of opportunity. But there is no challenge and no opportunity before us which we are not far more able to meet than we were four years ago. If we continue to build upon the progress and the policies of those years, we can look forward in all sober confidence to sustained economic progress on all fronts far into the foreseeable future.

Our failures during the Fifties taught us that we cannot fashion successful economic policies by remaining in thrall to some abstract theory, or by adhering to some doctrinaire dictum of the past. They taught us the folly of exclusive or excessive reliance upon one policy instrument for a single solution to all our problems.

The success of the past four years has demonstrated how our various instruments of economic policy -- tax policy, expenditure olicy, monetary policy and many privately woven policies, as for xample, the avoidance of unstabilizing action in the field f wages, prices and inventories -- can work together, in proper roportions and with sound balance, to move us simultaneously oward multiple economic goals. Each policy instrument has its

strengths and its limitations under given conditions. The task is to coordinate these instruments in ways that respond to the needs of a complex and rapidly changing economic scene.

To succeed in that task requires that our approach be pragmatic rather than dogmatic, balanced rather than extreme, resilient rather than rigid. It requires that the public and the private sector of our economy work as partners in the pursuit of our national economic goals. We have seen what surpassing accomplishments can come from following this path. If we but continue to follow it, I see no end to those accomplishments.

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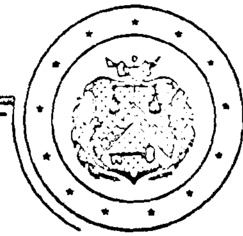
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, April 20, 1965.

April 19, 1965

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 21, 1965, and the other series to be dated April 22, 1965, which were offered on April 14, were opened at the Federal Reserve Banks on April 19. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 22, 1965		:	182-day Treasury bills maturing October 21, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.006	3.932%	:	97.978 a/	4.000%
Low	99.001	3.952%	:	97.971	4.013%
Average	99.003	3.946% 1/	:	97.974	4.008% 1/

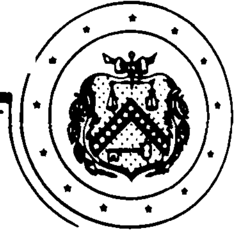
a/ Excepting 3 tenders totaling $1,534,000
62 percent of the amount of 91-day bills bid for at the low price was accepted
5 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 15,923,000	$ 15,923,000	:	$ 25,935,000	$ 25,935,000
New York	1,490,917,000	739,697,000	:	1,337,392,000	681,792,000
Philadelphia	28,232,000	15,232,000	:	16,436,000	6,916,000
Cleveland	26,137,000	26,137,000	:	37,899,000	23,149,000
Richmond	14,867,000	14,567,000	:	4,056,000	4,056,000
Atlanta	41,704,000	32,614,000	:	29,116,000	24,166,000
Chicago	291,551,000	136,431,000	:	267,813,000	112,513,000
St. Louis	53,705,000	44,679,000	:	13,446,000	11,946,000
Minneapolis	25,667,000	19,527,000	:	11,474,000	9,024,000
Kansas City	27,707,000	25,567,000	:	19,374,000	16,574,000
Dallas	28,348,000	20,968,000	:	23,394,000	7,969,000
San Francisco	203,307,000	110,071,000	:	135,009,000	77,272,000
TOTALS	$2,248,065,000	$1,201,413,000 b/		$1,921,344,000	$1,001,312,000 c/

Includes $260,097,000 noncompetitive tenders accepted at the average price of 99.003
Includes $108,127,000 noncompetitive tenders accepted at the average price of 97.974
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.04%, for the 91-day bills, and 4.15%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, April 20, 1965.

April 19, 1965

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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 April 30, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 30, 1965. 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, April 19, 1965

XXXXXXXXXX(1)XXXXXXXXXXXXXXXXX

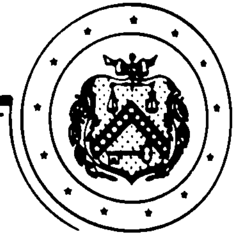
TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000 (2), or thereabouts, of 365 (3) -day Treasury bills, for cash and in exchange for Treasury bills maturing April 30, 1965 (4), in the amount of $1,001,439,000 (5), to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated April 30, 1965 (6), and will mature April 30, 1966 (7), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Friday, April 23, 1965 (8). 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 (9) 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

TREASURY DEPARTMENT



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oOo

business can do much to sustain our present economic

expansion at its present rate. Insert C

~~Of one thing we can be certain~~ We will face economic

problems in the future. But with the ~~sort of~~ enlightened

and energetic leadership we have today, and with the knowledge

and experience we have gained over the past few years, I am

confident that these problems will be solved, ~~and~~ Our economy

will thereby continue to provide the means to enrich the lives of

ourselves and our children as we move closer to the Great

Society in the years ahead.

Insert C - page 21

Government has modernized the tools of tax policy -- to help the builders and users of machine tools to modernize our industrial processes. The Government has retired Bulletin F and invested in a new depreciation policy and an investment credit -- so that business can retire its outworn machinery and invest in modern productive tools. Government has retired high tax rates and invested in sweeping tax reductions -- so that business can modernize and expand with confidence in a strong consumer demand. With the modernization of Government tax policies thus matched by a modernization of business practices, the forces for economic growth will be powerful and sustained.

a reduction in the scope and amount of
~~Congress approves the President's proposal~~ ~~for reducing~~

excise taxes.

The Government then, ~~has done, is doing~~ its part and will continue

so — to do ~~everything it can~~ to maintain a healthy climate for

business investment. This is a proper function of government,

since business is a vital part of our economy. At the same

time, business must cooperate if all the economic policies of

the government are to prove effective. We are now seeing a

splendid example of business cooperation in the voluntary

business efforts to help improve our balance of payments

position. At the same time, by making the most of ~~investment~~ and modernization

opportunities, by the exercise of responsible restraint in

maintaining price stability, and by aggressive exploration

of new markets and new opportunities both at home and abroad,

Whether your firm is large or small, the more you invest, the more you are helping your own business and the more you are helping the nation itself.

This is a big year in Detroit -- a record-breaking year in the auto industry. I am convinced -- and I think most economists would agree -- that the principal reason this is a record-breaking year is the tax cut which President Johnson signed into law just a little more than a year ago.

This tax cut created a real revolution in orthodox thinking about tax policy as an economic tool. You may be sure that, as a result, tax policy will be used again when it can help the economy -- as it will be this year with

The rewards of the modernization incentive provisions are not confined to big business or to small business or to any sector of the economy.

~~Insert~~ p. 18 a

Let me be still more specific. A basic question you will want to raise is not merely: Should I add new capacity to meet expanded customer requirements and keep my share of the market? For the experienced businessman this is relatively easy to answer.

Rather, it is the more challenging query -- one ~~quite~~ likely to be more vital to the long-range success of your enterprise: Can I profitably replace old, inefficient tools with new, more productive equipment that not only enables me to produce more but also makes it possible to deliver today's output at less cost?

This is the essence of modernization: the will to weed out the obsolete ~~and decrepit~~ machine and substitute a new ~~one~~ machine which embodies the latest technology.

The new tax provisions provide the drive and readily calculable monetary benefits to overcome hesitation or natural reluctance to make the financial commitments involved, which sometimes hold back decisions to modernize. They check the contagion of neglected obsolescence. For if the tempo of progress slows for some businesses, this makes it easier for others to slow down and still maintain their relative position in the competitive parade, until a whole industry or the whole economy stagnates. No business wants this to happen to itself, to its industry, or to the economy in which it operates. The new tax ~~incentives~~ ~~reinforces~~ climate [illegible] the inherent drive of American enterprise to seek ever more efficient cost-cutting techniques.

in February reports that planned expenditures for plant and equipment for 1965 will be 12 percent above last year's level and 41 percent above the 1960 level.

When you go back to your offices, it might be very useful -- useful in a dollars and cents way -- to call in your ~~mechanical~~ machine experts and your accountants and your tax counselors and ask: Am I getting the benefits of the depreciation reform? Have my investment plans been analyzed in the light of the investment credit and the tax rate reform? When my competitors here and abroad are newly modernized, can I compete? The answer may well determine the future course of your business and your share in the benefits of our expanding economy.

raises costs. It is a company standing still, immobilized in a world of rapid change. Such a firm is easy prey for a competitor who installs more efficient equipment, because the competitor can outproduce the laggard, in quality, in quantity, in price and in speed.

Therefore, it is not surprising that more and more businessmen are looking around for new ideas, new ways to modernize, new ways to take advantage of the substantial improvement in the investment climate. There is increasing evidence that more and more businesses are taking a fresh and dynamic look at their modernization potential in the light of the new tax incentives.

In fact, they are doing more than looking -- they are making concrete plans. A Commerce Department-SEC survey taken

to after-tax return. It is increasingly recognized that companies who ignore modernization needs are begging for trouble. An expectation that the company will share in general prosperity may be disappointed. Obsolete plant and equipment will hold it back.

Businessmen can't just sit back and expect to ride the wave of economic expansion. If they don't keep up the wave can go right over their heads. The man who is first to modernize has a competitive edge that's hard to beat -- he can deliver better goods faster, with fewer rejects. ~~That's~~ It is the kind of competition that brings in ~~the~~ reorders, and new business as well.

The company that tries to hang on and save money by operating with outdated equipment doesn't save money -- it

~~In 1961, there was an increase of a little over 5 percent to $687.1 million. The 1962 increase over the 1960 level was encouraging -- just under 10 percent. Orders totaled $713.1 million.~~ In 1963, the year following the introduction of the new tax measures, however, orders shot up over 42 percent above the 1960 level. Last year -- 1964 -- orders totaled $1,365.2 million, more than double the 1960 figure. Moreover, the index of sales of used machine tools has gone up -- purchases of used equipment incidentally, are subject to the investment credit -- indicating ~~some~~ up-grading as well as modernization.

Perhaps one of the most important contributions of the tax ~~investment incentive~~ changes has been the stimulus they have given to business management to re-examine its thinking and policies on modernization -- giving particular attention

together you find that in terms of after-tax rate of return on typical equipment outlays, the profitability of new investment -- in the important 10-15 year range for the useful life of an asset -- has been increased by some 35 to 45 percent depending on the extent borrowed capital is used. The overall effect on the rate of return is comparable to that which would have resulted from dropping the maximum corporate income tax rate from 52 percent to somewhere between 29 and 34 percent -- depending upon how much of the new investment is financed from borrowing. Insert B

The success of these tax measures in speeding modernization has been truly remarkable.

In 1960, for instance, orders for metal cutting and metal forming machines were at a level of $653.1 million.

Insert B - page 14

It must be emphasized that these tax measures are general measures -- the investment credit extends to all machinery and equipment, the depreciation reform covered all industry and business, the tax reduction was across the board. This approach is deliberate. Tax policy is most useful as a tool of over-all governmental policy when it is called upon to achieve such general goals. In contrast, the achievement of narrower goals, such as the development of depressed areas or other particular geographical regions, the alleviation of specific industrial ills, or the encouragement of specific industrial activities is nearly always better accomplished through other governmental devices.

In the last four years tax policy has [thus] markedly improved the climate for investment -- by providing the means for ~~an adequate rate of~~ greater cash flow, by providing measures to insure an ~~adequate~~ increased rate of return, and by providing consumer funds to support ~~adequate~~ a high level of demand. Since all these tax measures interact, each is more effective because of the others, and the total impact both on investment and on the economy is [thus] all the more significant.

[Thus,] the investment credit and the guidelines were effective by themselves. But their effectiveness is multiplied by the general tax cut. For, ultimately, machine tool makers and users will look to the consumer market for their products to justify increases in their investment. Tax policy has therefore recognized the important role of the consumer market in modernization incentives. The best economic stimulus to growth is [thus] a balanced one, which rests on both producer and investor incentives and on the buying power of people. Our tax policy reflects this broad-based approach to speeding up the tempo of modernization and growth, both in the capital goods and consumer goods sectors of the economy.

When you add the 1964 corporate rate reductions, the investment credit and the depreciation reform

The 1962 guideline procedure provided for an adjustment in the depreciable life when the reserve ratio test was not met. The lengthening of lives under the original procedure could be as much as 25 percent of the life used. Because this seemed to be too abrupt and bore no relation to the degree of failure, we adopted a schedule of minimal 5 and 10 percent adjustments.

~~I should mention that~~ We have been asked why we did not drop the reserve ratio test altogether. The answer is that we did not because such action would do nothing to encourage modernization --it would simply have distributed the benefits of the depreciation changes indiscriminately among those firms which were modernizing -- by replacing old equipment with new -- and those which were not. The reserve ratio will help to insure that the benefits go to those who modernize and not to the laggards. The test is thus in keeping with the basic objective of the depreciation reform.

First, the application of the reserve ratio test was unsatisfactory for a business with an irregular growth pattern -- which most businesses have. To overcome this problem, we developed the optional guideline form --a technique which enables a taxpayer to calculate a reserve ratio test tailored to his own growth experience.

The moratorium period, three years, was found to be too short a time for adjustment for many industries. To alleviate this condition, we used a guideline life -- one full life cycle starting in 1965 -- as the basis for the transition period combined with a gradual tapering down process, so that the adjustment could be made with allowance for the necessary lead time

Our next step was to make sure that the depreciation reform was working well. Business was using the guidelines to the extent that we had anticipated, but a serious problem had developed. Our studies indicated that about 60 percent of the firms we surveyed which had adopted the guideline procedure would be unable to meet the basic reserve ratio test at the end of the three-year moratorium.

The Treasury started a series of studies to learn the reasons for the failures and to find out how the guideline procedure was working. The studies showed difficulties in the reserve ratio mechanics and in the transition arrangement, ~~in the life-lengthening adjustment procedures~~.

In order to meet these problems we developed three major rules, which were announced early this year.

productive capacity. Further, investment looks to the long run and so demand must be not just for today's goods, but it must give evidence of continuing to absorb the goods of tomorrow's increased productivity.

~~But~~ And the desire for goods must, in turn, be supported by strong consumer purchasing power.

That is why we provided the greatest investment stimulus of all -- the individual and corporate rate reduction contained in the Revenue Act of 1964.

The new law cut individual income taxes by an average of 20 percent. If you add the continuing benefits of the investment credit, the depreciation reform and the rate cut, business also received a 20 percent overall cut in tax liabilities -- and small corporations received a cut of 27 percent.

of separate ~~useful~~ lives covering every piece of equipment imaginable. The guidelines offered instead ~~useful~~ lives for 75 broad classes of assets -- lives which on the average were 30 to 40 percent shorter than those in Bulletin F.

The central objective of the depreciation reform was to facilitate adoption of depreciable lives as short or even shorter than the guideline lives, provided only that the subsequent replacement practice ~~is~~ be reasonably consistent with the life selected. Taxpayers may pick what they want -- just so long as their future retirement practices justify the shorter lives. Thus, we provided lives allowing a maximum recovery of capital and greatly increased cash flow.

The climate to invest must be supported by strong consumer demand -- demand strong enough to spur expansion of

The investment credit is a real innovation in U.S. tax policy. It provides a direct credit against the tax liability of up to 7 percent of the cost of new equipment. The credit operates directly to increase the rate of return on investment. Because it is provided in addition to depreciation it is a potent factor in increasing profitability of new investment, and thus provides an effective incentive to modernization.

But in 1961 and 1962, at Congressional hearings on the tax bill which contained the investment credit proposal businessmen still strongly emphasized that they were held back from modernizing by unrealistic depreciation policies.

We were aware of that problem, however, and even then we were already well along in the studies that led in mid-1962 to the complete reform of the tax treatment of depreciation -- the optional use of new and more liberal depreciation guidelines.

The guidelines we announced offered businessmen an alternative to the old Bulletin F, which contains thousands

This in turn would foster modernization, encourage expansion, step up spending for plant and equipment, raise the ratio of investment in productive equipment to Gross National Product and thus set the stage for accelerating our national economic growth.

More modern equipment would lead to greater productivity, lower costs, and improve the competitive position of American producers in comparison with that of foreign producers, who had been modernizing rapidly.

Our new tax policies were designed with those requirements in mind.

The first measure we chose was the investment credit -- the central provision of the Revenue Act of 1962. The second measure was the 1962 reform of the tax treatment of depreciation.

Three requirements are essential to encouraging a business to modernize by replacing old equipment with new equipment:

First, there must be an adequate rate of return on such investment -- and usually what counts is the after-tax rate of return.

Second, there must be adequate funds for investment -- corporate cash flow must be capable of financing modernization.

Third, there must be adequate demand for the increased production resulting from modernization.

The task for tax policy was to operate on the factors affecting investment in such a fashion as to improve the climate for investment.

In 1953 for example, 54 percent of machine tools were more than 10 years old. In 1956, the proportion had climbed to 56 percent -- and be 1962, 67 percent of the machine tools in the Detroit region were over ten years old. In both the ten and twenty-year categories, Detroit was above the national average.

Obviously, this nation cannot maintain its technological leadership if it responds too slowly to technological advances. Nor can we increase our productivity if we do not invest in new tools and retire outmoded (and average) equipment.

~~For any business~~ to modernize, there must be a proper climate for investment. The decision to invest is based upon many factors, such as the amount of risk involved, the period of risk, the hope of return on investment and so on.

The Inventory of Metalworking Equipment reported in the June, 1963, American Machinist, produced some hard statistics on this trend. The survey showed almost two of every three machine tools in metalworking -- 64 percent to be exact -- were at least 10 years old. Five years earlier this figure was 60 percent. In the report, twenty-one percent of these machines -- more than one in five -- was more than twenty years old. Many of these old machines were built from designs of the 1930's. Some of them could be described as second-generation machines -- they were older than the men who operated them.

~~Here in the midwest, this disappointing trend toward obsolescence in the Detroit area had become a serious problem.~~

must keep pace with our advancing technology. We cannot maintain our leadership with old tools, with obsolete methods and with antiquated ideas.

Since the end of World War II, there had been a dismaying trend toward obsolescence in our machine tools and other capital equipment. This trend was not confined to a single industry or to a single geographic region. It was across-the - board and across the nation.

At the beginning of the 1960's the economic situation was characterized by a low ratio of investment in productive equipment to gross national product -- a ratio which had much to do with our lagging economic growth. ~~Businessmen were patching up old machinery and equipment to make it last still another year -- another year of declining productivity and declining after-tax~~ rate of reurn on the original investment.

REMARKS BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
AT THE COMMERCE DEPARTMENT MODERNIZATION CONFERENCE
COBO HALL, DETROIT, MICHIGAN
1 P.M. EST, TUESDAY, APRIL 20, 1965

TAXATION AND INDUSTRIAL MODERNIZATION

Tax policy ranks today as one of our most potent weapons for furthering our national economic goals.

One of the most effective methods we used to make tax policy a positive force for economic growth was to provide tax incentives to spur industrial modernization -- which has been and remains an urgent national need. The maintenance of the nation's economic vigor depends in large measure on the continuing infusion of new and more efficient tools of production. If we are to remain the foremost industrial nation in the world, our pool of capital equipment must grow -- and grow more productive -- even faster than it has been growing. If we are to be efficient at home and competitive abroad, it

TREASURY DEPARTMENT
Washington, D. C.

FOR RELEASE ON DELIVERY

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The Inventory of Metalworking Equipment reported in the June, 1963, American Machinist, produced some hard statistics on this trend. The survey showed almost two of every three machine tools in metalworking -- 64 percent to be exact -- were at last 10 years old. Five years earlier this figure was 60 percent. In the report, twenty-one percent of these machines -- more than one in five -- was more than twenty years old. Many of these old

machines were built from designs of the 1930's. Some of them could be described as second generation machines -- they were older than the men who operated them.

Obviously, this nation cannot maintain its technological leader ship if it responds too slowly to technological advances. Nor can we increase our productivity if we do not invest in new tools and retire outmoded and overaged equipment.

Three requirements are essential to encouraging a business to modernize by replacing old equipment with new equipment:

First, there must be an adequate rate of return on such investment -- and what counts is the after-tax rate of return.

Second, there must be adequate funds for investment -- corporat cash flow must be capable of financing modernization.

Third, there must be adequate demand for the increased production resulting from modernization.

The task for tax policy was to operate on the factors affectin investment in such a fashion as to improve the climate for investment.

Our new tax policies were designed with those requirements in mind.

The first measure we chose was the investment credit -- the central provision of the Revenue Act of 1962. The second measure was the 1962 reform of the tax treatment of depreciation.

The investment credit is a real innovation in U. S. tax policy It provides a direct credit against the tax liability of up to 7 percent of the cost of new equipment. The credit operates directly to increase the rate of return on investment. Because it is provided in addition to depreciation it is a potent factor in increasing profitability of new investment, and thus provides an effective incentive to modernization.

But in 1961 and 1962, at Congressional hearings on the tax bil which contained the investment credit proposal businessmen still strongly emphasized that they were held back from modernizing by unrealistic depreciation policies.

We were aware of that problem, however, and even then we were already well along in the studies that led in mid-1962 to the

complete reform of the tax treatment of depreciation -- the optional use of new and more liberal depreciation guidelines.

The guidelines we announced offered businessmen an alternative to the old Bulletin F, which contains thousands of separate lives covering every piece of equipment imaginable. The guidelines offered instead lives for 75 broad classes of assets -- lives which on the average were 30 to 40 percent shorter than those in Bulletin F.

The central objective of the depreciation reform was to facilitate adoption of depreciable lives as short or even shorter than the guideline lives, provided only that the subsequent replacement practice be reasonably consistent with the life selected. Taxpayers may pick what they want -- just so long as their future retirement practices justify the shorter lives. Thus, we provided lives allowing a maximum recovery of capital and greatly increased cash flow.

The climate to invest must be supported by strong consumer demand -- demand strong enough to spur expansion of productive capacity. Further, investment looks to the long run and so demand must be not just for today's goods, but it must give evidence of continuing to absorb the goods of tomorrow's increased productivity.

And the desire for goods must, in turn, be supported by strong consumer purchasing power.

That is why we provided the greatest investment stimulus of all -- the individual and corporate rate reduction contained in the Revenue Act of 1964.

The new law cut individual income taxes by an average of 20 perc If you add the continuing benefits of the investment credit, the depreciation reform and the rate cut, business also received a 20 percent overall cut in tax liabilities -- and small corporations received a cut of 27 percent.

Our next step was to make sure that the depreciation reform was working well. Business was using the guidelines to the extent that we had anticipated, but a serious problem had developed. Our studies indicated that about 60 percent of the firms we surveyed which had adopted the guideline procedure would be unable to meet the basic reserve ratio test at the end of the three-year moratorium.

The Treasury started a series of studies to learn the reasons for the failures and to find out how the guideline procedure was working. The studies showed difficulties in the reserve ratio mechanics and in the transition arrangement.

In order to meet these problems we developed three major rules, which were announced early this year.

First, the mechanics of the reserve ratio test were unsatisfactory for a business with an irregular growth pattern -- which most businesses have. To overcome this problem, we developed the optional guideline form -- a technique which enables a taxpayer to calculate a reserve ratio test tailored to his own growth experience.

The moratorium period, three years, was found to provide too short a time for adjustment for many industries. To alleviate this condition, we substituted a guideline life -- one full life cycle starting in 1965 -- as the basis for the transition period. We then combined this with an initial bonus or transitional allowance of 15 points which would gradually taper down so that the transition could be made with the necessary lead time for investment and retirement of assets.

The 1962 guideline procedure provided for an adjustment in the depreciable life when the reserve ratio test was not met. The lengthening of lives under the original procedure could be as much as 25 percent of the life used. Because this seemed to be too abrupt and bore no relation to the degree of failure, we adopted a schedule of minimal 5 and 10 percent adjustments.

We have been asked why we did not drop the reserve ratio test altogether. The answer is that we did not because such action would do nothing to encourage modernization -- it would simply have distributed the benefits of the depreciation changes indiscriminately among those firms which were modernizing -- by replacing old equipment with new -- and those which were not. The reserve ratio will help to insure that the benefits go to those who modernize and not to the laggards. The test is thus in keeping with the basic objective of the depreciation reform.

In the last four years tax policy has markedly improved the climate for investment -- by providing the means for greater cash flow, by providing measures to insure an increased rate of return, and by providing consumer funds to support a high level of demand. Since all these tax measures interact, each is more effective because of the others, and the total impact both on investment and on the economy is all the more significant.

The investment credit and the guidelines were effective by themselves. But their effectiveness is multiplied by the general tax cut. For, ultimately, machine tool makers and users will look to the consumer market for their products to justify increases in their investment. Tax policy has therefore recognized the important

role of the consumer market in modernization incentives. The best economic stimulus to growth is a balanced one, which rests on both producer and investor incentives and on the buying power of people. Our tax policy reflects this broad-based approach to speeding up the tempo of modernization and growth, both in the capital goods and consumer goods sectors of the economy.

When you add the 1964 corporate rate reductions, the investment credit and the depreciation reform together you find that in terms of after-tax rate of return on typical equipment outlays, the profitability of new investment -- in the important 10-15 year range for the useful life of an asset -- has been increased by some 35 to 45 percent depending on the extent borrowed capital is used. The overall effect on the rate of return is comparable to that which would have resulted from dropping the maximum corporate income tax rate 52 percent to somewhere between 29 and 34 percent -- depending upon how much of the new investment is financed from borrowing.

It must be emphasized that these tax measures are general measures -- the investment credit extends to all machinery and equipment, the depreciation reform covered all industry and business the tax reduction was across the board. This approach is deliberate Tax policy is most useful as a tool of overall governmental policy when it is called upon to achieve such general goals. In contrast, the achievement of narrower goals, such as the development of depressed areas or other particular geographical regions, the alleviation of specific industrial ills, or the encouragement of specific industrial activities is nearly always better accomplished through other governmental devices.

The success of these tax measures in speeding modernization has been truly remarkable.

In 1960, for instance, orders for metal cutting and metal forming machines were at a level of $653.1 million. In 1963, the year following the introduction of the new tax measures, however, orders shot up over 42 percent above the 1960 level. Last year -- 1964 -- orders totalled $1,365.2 million, more than double the 1960 figure. Moreover, the index of sales of used machine tools has gone up -- purchases of used equipment incidentally, are subject to the investment credit -- indicating up-grading as well as modernization.

Perhaps one of the most important contributions of the tax changes has been the stimulus they have given to business management to re-examine its thinking and policies on modernization -- giving particular attention to after-tax return. It is increasingly recognized that companies who ignore modernization needs are begging for trouble. An expectation that the company will share in general prosperity may be disappointed. Obsolete plant and equipment will hold it back.

Businessmen can't just sit back and expect to ride the wave of economic expansion. If they don't keep up the wave can go right over their heads. The man who is first to modernize has a competitive edge that's hard to beat -- he can deliver better goods faster, with fewer rejects. It is the kind of competition that brings in reorders, and new business as well.

The company that tries to hang on and save money by operating with outdated equipment doesn't save money -- it raises costs.

Therefore, it is not surprising that more and more businessmen are looking around for new ideas, new ways to modernize, new ways to take advantage of the new tax climate for investment.

In fact, they are doing more than looking -- they are making concrete plans. A Commerce Department-SEC survey taken in February reports that planned expenditures for plant and equipment for 1965 will be 12 percent above last year's level and 41 percent above the 1960 level.

When you go back to your offices, it might be very useful -- useful in a dollars and cents way -- to call in your machine experts and your accountants and your tax counselors and ask: Am I getting the benefits of the depreciation reform? Have my investment plans been analyzed in the light of the investment credit and the tax rate reform? When my competitors here and abroad are newly modernized, can I compete? The answer may well determine the future course of your business and your share in the benefits of our expanding economy.

Let me be still more specific. A basic question you will want to raise is not merely: Should I add new capacity to meet expanded customer requirements and keep my share of the market? For the experienced businessman this is relatively easy to answer.

Rather, it is the more challenging query -- one likely to be more vital to the long-range success of your enterprise: Can I profitably replace old, inefficient tools with new, more productive equipment that not only enables me to produce more but also makes it possible to deliver today's output at less cost?

This is the essence of modernization: the will to weed out the obsolete machine and substitute a new machine which embodies the latest technology.

The new tax provisions provide the drive and readily calculable monetary benefits to overcome hesitation or natural reluctance to make the financial commitments involved, which sometimes hold back decisions to modernize. They check the contagion of neglected obsolescence. For if the tempo of progress slows for some businesses, this makes it easier for others to slow down and still maintain their relative position in the competitive parade, until a whole industry or the whole economy stagnates. No business wants this to happen to itself, to its industry, or to the economy in which it operates. The new tax climate reinforces the inherent drive of American enterprise to seek ever more efficient cost-cutting techniques.

The rewards of the modernization incentive provisions are not confined to big business or to small business or to any sector of the economy. Whether your firm is large or small, the more you invest, and modernize, the more you are helping your own business and the more you are helping the nation itself.

This is a big year in Detroit -- a record-breaking year in the auto industry. I am convinced -- and I think most economists would agree -- that the principal reason this is a record-breaking year is the tax cut which President Johnson signed into law just a little more than a year ago.

This tax cut created a real revolution in orthodox thinking about tax policy as an economic tool. You may be sure that, as a result, tax policy will be used again where it can help the economy -- as it will be this year with a reduction in the scope and amount of excise taxes.

The Government then, is doing its part to maintain a healthy climate for business investment. This is a proper function of government, since business is a vital part of our economy. At the same time, business must cooperate if all the economic policies of the government are to prove effective. We are now seeing a splendid example of business cooperation in the voluntary business efforts to help improve our balance of payments position. At the same time, by making the most of investment and modernization opportunities, by the exercise of responsible restraint in maintaining price stability, and by aggressive exploration of new markets and new opportunities both at home and abroad, business can do much to sustain our present economic expansion at its present rate.

Government has modernized the tools of tax policy -- to help the builders and users of machine tools to modernize our industrial processes. The Government has retired Bulletin F and invested in a new depreciation policy and an investment credit -- so that business can retire its outworn machinery and invest in modern productive tools. Government has retired high tax rates and invested in sweeping tax reductions -- so that business can modernize and expand with confidence in a strong consumer demand. With the modernization of Government tax policies thus matched by a modernization of business practices, the forces for economic growth will be powerful and sustained.

We will face economic problems in the future. But with the enlightened and energetic leadership we have today, and with the knowledge and experience we have gained over the past few years, I am confident that these problems will be solved. Our economy will thereby continue to provide the means to enrich the lives of ourselves and our children as we move closer to the Great Society in the years ahead.

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The agreement will be submitted to the respective governments for approval and signature as soon as possible. The delegation from the United States was headed by Stanley S. Surrey, Assistant Secretary of the Treasury, and the Netherlands delegation was headed by W. H. van den Berge, State Secretary of Finance.

For release Tuesday, April 20, 1965
12:00 Noon Washington Time
6:00 P.M. Netherlands Time

Draft Press Release

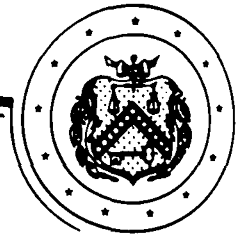
UNITED STATES-NETHERLANDS INCOME TAX TREATY TO BE REVISED

Agreement in principle on a supplementary convention modifying the existing income tax convention between the Netherlands and the United States was announced today by delegations from both countries.

Revision of the tax treatment of dividends, enabling the Netherlands to impose withholding taxes on dividends at the same rates as the United States, was one of the principal changes agreed upon. At present the Netherlands does not impose any withholding tax on dividends, while the United States withholds at 15 percent on dividends from portfolio investment and at 5 percent on dividends from direct investment. In the case of direct investment, the supplementary convention reduces the required percentage of corporate ownership from 95 percent to 25 percent. Continued tax-exemption for a transitional period of 2 years from the date the supplementary convention becomes effective would be granted non-profit charitable organizations and pension trusts in the United States on Netherlands shares held by them as of April 30, 1965, in view of special considerations between the United States and the Netherlands regarding such investment.

The agreement also contains provisions, among others, dealing with the tax treatment of capital gains, permanent establishment, professors and students, and the recognition to be given by one country to the taxes paid to the other.

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 20, 1965

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F-24

TREASURY DEPARTMENT
Washington

TOAST OFFERED BY SECRETARY OF THE TREASURY
HENRY H. FOWLER
AT THE LUNCHEON IN HONOR OF
PRIME MINISTER MORO OF ITALY, DECATUR HOUSE,
WASHINGTON, D. C., APRIL 20, 1965, 1:15 P.M.

In the first weeks of my incumbency as Secretary of Treasury I am particularly pleased to have this opportunity to exchange ideas with Prime Minister Aldo Moro of Italy and his Foreign Minister Amintore Fanfani.

Having served as a Treasury official for some years, I have been very impressed by the remarkable record of Prime Minister Moro's coalition over the past fifteen months in overcoming many of the urgent economic and fiscal problems that confronted Italy. The fact that Italy's balance of payments has moved in this period from over a billion dollar deficit to almost a billion dollar surplus is enough to make any Treasury Minister envious.

I look forward at some point, not too distant I hope, to meeting and comparing notes with the Prime Minister's able colleague, Treasury Minister Colombo.

I referred to Mr. Moro's achievements in overcoming the fiscal emergency that confronted his government. Since I was not personally involved it is not improper to point out that a little over a year ago this Department and other United States agencies cooperated with the Government of Italy in making available short-term credits in support of the lira. This is not a one-way street. Italy has shown great comprehension of our problems, and I trust that both countries will continue to cooperate in adjusting our financial arrangements to meet our broadening responsibilities.

I raise my glass to our distinguished visitors and to the President of the Republic of Italy, his Excellency Guiseppe Saragat.

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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 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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on April 29, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 29, 1965 ~~(17)~~. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, April 21, 1965

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $2,200,000,000, or thereabouts, for cash and in exchange for Treasury bills maturing April 29, 1965, in the amount of $2,205,619,000, as follows:

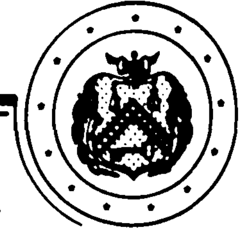
91-day bills (to maturity date) to be issued April 29, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated January 28, 1965, and to mature July 29, 1965, originally issued in the amount of $1,003,233,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated April 29, 1965, and to mature October 28, 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, April 26, 1965. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

TREASURY DEPARTMENT



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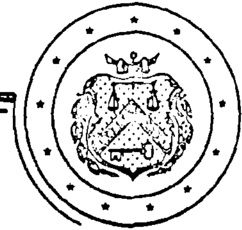

WASHINGTON, D.C.

April ~~16~~ 21, 196~~[4]~~5

FOR IMMEDIATE RELEASE

DIRECTOR OF PRACTICE ANNOUNCES
SPECIAL ENROLLMENT EXAMINATION

Thomas J. Reilly, Director of Practice, U. S. Treasury Department, has announced that the Special Enrollment Examination, for those seeking to qualify for enrollment to practice as agents before the Internal Revenue Service, will be held at IRS District Offices September ~~24~~ 23 and ~~25~~ 24, ~~1964~~ 1965. The examination will be similar in content to that held in 196~~[3]~~4.

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

Applications, which are to be filed with the Director of Practice, Washington, D. C., and detailed information concerning the examination, may be obtained from Internal Revenue Service District Offices. The examination fee of $25.00~~, established in 1963,~~ continues to be effective for 196~~[4]~~5.

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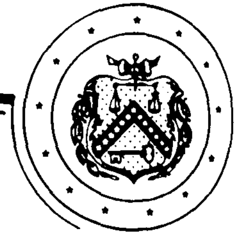
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 21, 1965

FOR IMMEDIATE RELEASE

DIRECTOR OF PRACTICE ANNOUNCES
SPECIAL ENROLLMENT EXAMINATION

Thomas J. Reilly, Director of Practice, U. S. Treasury Department, has announced that the Special Enrollment Examination, for those seeking to qualify for enrollment to practice as agents before the Internal Revenue Service, will be held at IRS District Offices September 23 and 24, 1965. The examination will be similar in content to that held in 1964.

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

Applications, which are to be filed with the Director of Practice, Washington, D. C., and detailed information concerning the examination, may be obtained from Internal Revenue Service District Offices. The examination fee of $25.00 continues to be effective for 1965.

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Prior to attending the Yale Law School, Mr. Hunt received his B.A. degree in 1946 from the University of North Carolina, and was elected to Phi Beta Kappa. He served in the U.S. Army until 1948.

Mr. Hunt is a member of the District of Columbia Bar, Bar of the U.S. Court of Appeals for the District of Columbia, and the Bar of the United States Supreme Court. He is also a member of the District of Columbia and American Bar Associations.

Married to the former Mary Jane Fairbairn Abdill, Mr. Hunt resides at 3617 Gunston Road, Alexandria. They have four children.

Mr. Hunt received the Treasury's Meritorious Service Award from former Secretary Dillon on September 2, 1964.

For the decade prior to joining the Treasury, Mr. Hunt had been engaged in private law practice with Gardner, Morrison and Rogers, of Washington, D.C. He came to that firm from the Yale Law School, where he received his LL.B. degree in 1951.

Mr. Hunt has also had an active career in civic and political affairs in Alexandria and Washington. From 1951 to 1961, he was a member of the Alexandria City Democratic Committee -- serving as its Vice-Chairman in 1957-59 and as its Chairman in 1959-60. He was Chairman of the Alexandria Delegation to the Virginia State Democratic Convention in 1960, and from 1956 to 1960 was Vice Chairman of the Committee for Job Opportunities of Washington, D.C.

LAW PRACTICE WITH THE NEW YORK FIRM OF SHEARMAN AND STERLING

TREASURY DEPARTMENT

April 21, 1965

FOR IMMEDIATE RELEASE

DOUGLASS HUNT NAMED SPECIAL ASSISTANT
TO SECRETARY FOWLER

Treasury Secretary Henry H. Fowler announced today the appointment, effective May 1, 1965 of Mr. Douglass Hunt as Special Assistant to the Secretary.

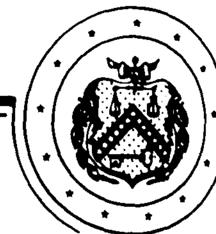
In this capacity, Mr. Hunt will aid Secretary Fowler in carrying out all phases of the Secretary's responsibilities.

Mr. Hunt has been serving as Acting Special Assistant to the Secretary of the Treasury since April, 1964. For the previous three years he had been serving as Special Assistant to Mr. Fowler in his capacity as Under Secretary of the Treasury.

In recognition of for his valuable assistance to the Under Secretary and his significant contributions to the Revenue Acts of 1962 and 1964, as well as to other legislation and to various fields of tax administration,

HE REPLACES ROBERT CARSWELL, WHO IS RETURNING TO PRIVATE

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 22, 1965

FOR IMMEDIATE RELEASE

DOUGLASS HUNT NAMED SPECIAL ASSISTANT
TO SECRETARY FOWLER

Treasury Secretary Henry H. Fowler today announced the appointment, effective May 1, of Mr. Douglass Hunt as Special Assistant to the Secretary.

In this capacity, Mr. Hunt will aid Secretary Fowler in carryin out all phases of the Secretary's responsibilities. He replaces Robert Carswell, who is returning to private law practice with the New York firm of Shearman and Sterling.

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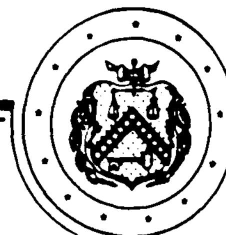
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Saturday, April 24, 1965.

April 23, 1965

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

The Treasury Department announced last evening that the tenders for $1,000,000,00 or thereabouts, of 365-day Treasury bills to be dated April 30, 1965, and to mature April 30, 1966, which were offered on April 19, were opened at the Federal Reserve Ban on April 23.

The details of this issue are as follows:

Total applied for - $2,572,794,000
Total accepted - 1,000,762,000 (includes $36,662,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 95.951	Equivalent rate of discount approx.	3.994% per annum
Low	- 95.945	" " " " "	3.999% " "
Average	- 95.949	" " " " "	3.996% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 32,735,000	$ 5,235,000
New York	1,967,888,000	923,368,000
Philadelphia	13,575,000	2,310,000
Cleveland	39,448,000	4,448,000
Richmond	20,232,000	2,132,000
Atlanta	19,522,000	2,522,000
Chicago	293,454,000	28,607,000
St. Louis	12,855,000	3,655,000
Minneapolis	9,580,000	1,580,000
Kansas City	2,940,000	2,940,000
Dallas	30,995,000	995,000
San Francisco	129,570,000	22,970,000
TOTAL	$2,572,794,000	$1,000,762,000

1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide a yield of 4.18%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills pay at maturity rather than the amount invested and their length in actual number of d related to a 360-day year. In contrast, yields on certificates, notes, and bonds computed in terms of interest on the amount invested, and relate the number of day 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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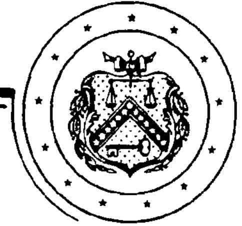
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 26, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON FIELD STRENGTH METERS
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that Benco Model FSP-3B Field Strength Meters and accessories (MT-FS, PM-50, PM-75, and LCC) imported from Canada, manufactured by Benco Television Associates Limited, Rexdale, Ontario, Canada, are not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act. A "Notice of Intent To Discontinue Investigation Regarding Fair Value," was published in the Federal Register on March 9, 1965, stating that price revisions with respect to Benco Model FSP-3B Field Strength Meters and accessories (MT-FS, PM-50, PM-75, and LCC) imported from Canada, manufactured by Benco Television Associates Limited, Rexdale, Ontario, Canada, were considered to be evidence that there are not, and are not likely to be, sales below fair value.

No persuasive evidence or argument to the contrary was presented within 30 days of the publication of the above-mentioned notice in the Federal Register.

The dollar value of imports of the involved merchandise received during the period April 1, 1964, through January 31, 1965, was approximately $26,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 26, 1965

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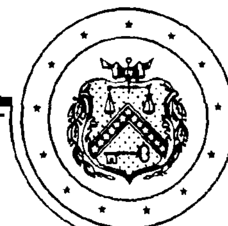
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 26, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON FERTILIZERS
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that fertilizers: ammonium phosphate type, ammonium nitrate type from Canada are not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act. A "Notice of Tentative Determination," was published in the Federal Register on March 10, 1965.

No written submissions or requests for an opportunity to present views in opposition to the tentative determination were presented within 30 days of the publication of the above-mentioned notice in the Federal Register.

Appraising officers are being instructed to proceed with the appraisement of this merchandise from Canada without regard to any question of dumping.

The dollar value of imports of the involved merchandise received during the year 1964 was approximately $15,000,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

April 26, 1965

FOR IMMEDIATE RELEASE

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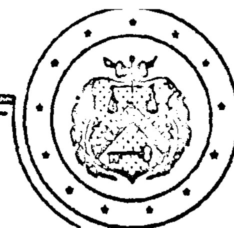
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, April 27, 1965.

April 26, 1965

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 28, 1965, and the other series to be dated April 29, 1965, which were offered on April 21, were opened at the Federal Reserve Banks on April 26. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing July 29, 1965		:	182-day Treasury bills maturing October 28, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.014	3.901%	:	97.993	3.970%
Low	99.009	3.920%	:	97.988	3.980%
Average	99.010	3.916% 1/	:	97.989	3.977% 1/

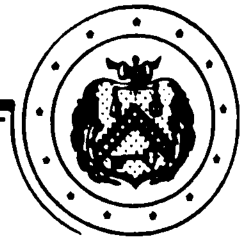
98 percent of the amount of 91-day bills bid for at the low price was accepted
69 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 24,330,000	$ 13,314,000	:	$ 26,034,000	$ 12,880,000
New York	1,482,420,000	757,980,000	:	1,356,423,000	574,963,000
Philadelphia	27,869,000	14,869,000	:	27,950,000	4,919,000
Cleveland	23,996,000	23,694,000	:	34,254,000	34,104,000
Richmond	11,420,000	11,384,000	:	9,216,000	3,813,000
Atlanta	55,841,000	40,154,000	:	39,115,000	30,473,000
Chicago	299,701,000	157,840,000	:	422,625,000	251,225,000
St. Louis	34,144,000	27,128,000	:	12,256,000	8,446,000
Minneapolis	23,379,000	18,319,000	:	30,385,000	17,715,000
Kansas City	36,158,000	35,935,000	:	16,713,000	11,508,000
Dallas	24,626,000	13,963,000	:	19,414,000	4,414,000
San Francisco	223,460,000	86,467,000	:	216,359,000	48,913,000
TOTALS	$2,267,344,000	$1,201,047,000 a/		$2,210,744,000	$1,003,373,000 b/

a/ Includes $234,576,000 noncompetitive tenders accepted at the average price of 99.010
b/ Includes $92,706,000 noncompetitive tenders accepted at the average price of 97.989
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.01%, for the 91-day bills, and 4.12%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



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While Mr. Saul's primary responsibility was in the municipal bond field, he participated in the formulation of policies affecting the quality and maturity composition of the Bank's bond portfolio which comprises U.S. Treasury, state and municipal,corporate and foreign obligations.

Mr. Saul served with the U.S. Army from 1951 to 1953.

Mr. Saul was born in Belleville, New Jersey, on November 26, 1929. He received his B.S. in Economics from the Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania, in 1951. In 1962, he attended the Stonier Graduate School of Banking at Rutgers, the State University, in New Brunswick, New Jersey. He is a member of the Municipal Bond Club of New York, and the Cashiering and Procedures Sub-Committee, Municipal Section, of the Investment Bankers Association of America.

FOR IMMEDIATE RELEASE

FRANKLIN R. SAUL NAMED ASSISTANT
TO THE SECRETARY OF THE TREASURY

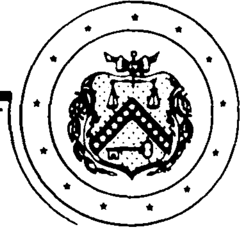
Secretary of the Treasury Henry H. Fowler today announced the appointment, effective May 1, 1965, of Franklin R. Saul, a Vice President of the First National City Bank of New York, as Assistant to the Secretary (Debt Management).

Mr.Saul succeeds Daniel S. Ahearn who resigned recently to join Wellington Management Company of Philadelphia, investment adviser to the Wellington Fund.

Mr. Saul will aid in developing and coordinating plans and policies for debt management.

Since 1953, Mr. Saul has been with the First National City Bank of New York -- serving since 1963 as a Vice President and a senior officer of the Bond Administration Division.

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 27, 1965

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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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 6, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 6, 1965. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

April 28, 1965

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 May 6, 1965 , in the amount of $ 2,202,477,000 , as follows:

91 -day bills (to maturity date) to be issued May 6, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated February 4, 1965 , and to mature August 5, 1965 , originally issued in the amount of $1,003,580,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $1,000,000,000 , or thereabouts, to be dated May 6, 1965 , and to mature November 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, May 3, 1965 . 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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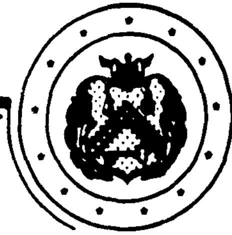
TREASURY DEPARTMENT



WASHINGTON, D.C.

April 28, 1965

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 May 6, 1965, in the amount of $2,202,477,000, as follows:

91-day bills (to maturity date) to be issued May 6, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated February 4, 1965, and to mature August 5, 1965, originally issued in the amount of $1,003,580,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated May 6, 1965, and to mature November 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, May 3, 1965. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury 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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 6, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 6, 1965. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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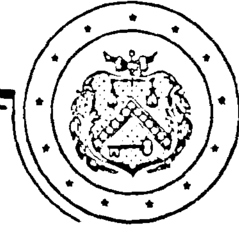
The 4-1/4% bonds are redeemable prior to maturity at par in payment of Federal estate taxes if owned by the decedent at time of death.

Interest on the 4% notes will be payable on August 15, 1965, and February 15 and August 15, 1966. Interest on the 4-1/4% bonds will be payable on May 15 and November 15.

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE April 28, 1965

TREASURY ANNOUNCES MAY 15 REFUNDING TERMS

The Treasury today offered a choice between a 4% 15-month note and a 9-year 4-1/4% bond to holders of $8,436 million of Treasury notes maturing May 15. Public holdings of the maturing securities amount to $4.1 billion; the remaining $4.3 billion is held by the Federal Reserve and Government investment accounts. The two securities offered in exchange are as follows:

An additional amount of 4% Treasury Notes of Series A-1966, dated February 15, 1962, and maturing August 15, 1966, at 99.85 (to yield about 4.12%) and accrued interest from February 15 to May 15, 1965 ($9.83425 per $1,000); or

An additional amount of 4-1/4% Treasury Bonds of 1974, dated May 15, 1964, and maturing May 15, 1974, at 100.25 (to yield about 4.22%).

There are now outstanding $5,156 million of the 4% notes and $1,532 million of the 4-1/4% bonds.

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

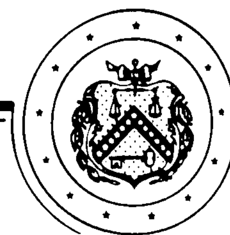
$1,816 million of 4-5/8% Treasury Notes of Series A-1965, dated May 15, 1960; and

$6,620 million of 3-7/8% Treasury Notes of Series C-1965, dated November 15, 1963.

The books will be open for three days only, on May 3 through May 5, for the receipt of subscriptions. Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Office of the Treasurer of the United States, and placed in the mail before midnight, May 5, will be considered as timely. The payment and delivery date for the new securities will be May 17, 1965. The new notes and bonds will be made available in registered as well as bearer form. All subscribers requesting registered notes and bonds will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service.

Exchanges of the maturing notes will be made in a like face amount of the new securities as of May 15. Coupons dated May 15 on the maturing notes should be detached and cashed when due. The final interest due on registered maturing notes will be paid by issue of interest checks in regular course to holders of record on April 15, 1965, the date the transfer books closed.

TREASURY DEPARTMENT



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F-32

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Estimated Ownership of May 15, 1965 Maturities

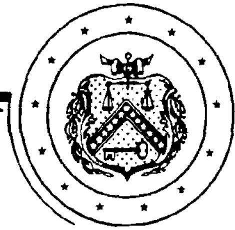
As of March 31, 1965

(In millions of dollars)

	4-5/8% Note	3-7/8% Note	Total
Commercial banks..................	$ 585	$1,350	$1,935
Mutual savings banks..............	103	18	121
Insurance companies:			
Life............................	3	1	4
Fire, casualty and marine.......	80	45	125
Total, insurance companies......	83	46	129
Corporate pension funds...........	35	30	65
Corporations......................	50	350	400
Savings & loan associations.......	45	60	105
State & local governments.........	125	160	285
All other private investors.......	507	549	1,056
Total, privately held.............	1,533	2,563	4,096
Federal Reserve Banks and Government Investment Accounts...	283	4,057	4,340
Total outstanding.................	$1,816	$6,620	$8,436

Office of the Secretary of the Treasury — April 28, 1965

TREASURY DEPARTMENT



WASHINGTON, D.C.

April 28, 1965

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON STEEL JACKS

On April 13, 1965, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(b) of the Customs Regulations indicating a possibility that steel jacks imported from Canada, manufactured by J. C. Hallman Manufacturing Co., Ltd., Waterloo, Ontario, Canada, are being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

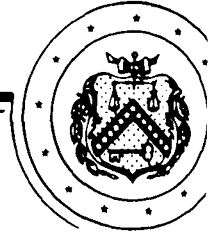
In order to establish the validity of the information, the Bureau of Customs is instituting an inquiry pursuant to the provisions of section 14.6(d)(1)(ii), (2) and (3) of the Customs Regulations.

The information was submitted by the Harrah Manufacturing Company, Bloomfield, Indiana.

An "Antidumping Proceeding Notice" to this effect is being published in the Federal Register pursuant to section 14.6(d)(1)(i) of the Customs Regulations.

The dollar value of imports received during the period January 1, through March 31, 1965, was approximately $50,000.

TREASURY DEPARTMENT



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First, how can we make certain that any new scheme will be entirely compatible with the evolution of the existing system? This will require that nations should not be penalized -- nor benefitted -- as a result of the composition of their reserves, when and if some new liquidity asset is developed.

Secondly, how can we assure that any new system will increase and not reduce world liquidity? World liquidity would be reduced to the extent that existing reserve currency holdings are converted into gold. What, then, should be our attitude toward proposals which might stimulate such conversion or cast doubt upon the stability or the convertibility of existing reserve currency holdings?

Thirdly, how can we make sure that any new system will maintain machinery for giving appropriate weight to the views of both creditor and debtor countries? Should it be subject to the arbitrary control of either, or to the veto of a single country?

These are three broad questions, among many, that will need to be kept in mind as we proceed to examine most carefully the various ideas that have been or may be suggested. We are conscious that the creation of any new type of reserve asset by international agreement would be a step of profound significance. We must be sure that it is a step in the right direction. The mechanism of the international monetary system is an intricate and complicated mechanism, the successful functioning of which is of world-wide concern. We must make certain that any adjustments made in that mechanism will be the best that experience and intelligence and concern for the welfare of all nations can devise.

--oOo--

There would be no real economic impact at this stage. But as soon as the newly-created asset or unit began to be used, those surplus countries which accumulated the unit would be extending credit to the deficit countries. And the extension of credit from one country to another reflects the transfer of real assets. The surplus country foregoes present consumption in exchange for higher reserves -- or for future potential consumption. A creditor country has, of course, considerable freedom of action in controlling the credit it will extend. There are many acceptable ways in which a balance of payments surplus can be reduced. Study of the adjustment process to determine appropriate policies to be followed -- both by deficit countries to correct their deficits and by surplus countries to reduce their surpluses -- is another area to which the Group of Ten is giving attention.

With respect to the deficit countries, no country can expect to receive unlimited automatic credit from its trading partners. The search for assurance that adequate international liquidity will be maintained in the future will not in any sense be a search for automatic credit for persistent debtors.

I have mentioned a few of the issues connected with the liquidity discussions without giving any clear indication of what the answers should be. The answers must await continued hard study and, at an appropriate stage, perhaps hard negotiations. I will advance only three questions for your consideration at this time.

were to be subject to a unanimous agreement, which is to say if any country could veto an expansion or a contraction, it would hardly be accurate to say that decisions regarding the adequacy of international liquidity had been placed under international control in any meaningful way.

The importance of the conditions which might govern creation of new assets would be no less if new reserve assets should be created in the International Monetary Fund. Proposals of this type call for creation of claims on the Fund that can be drawn upon at will to meet balance of payments deficits. For example, automatic drawing rights could be accorded against some part of the existing credit tranches in the Fund. Another proposal is that the Fund might be authorized to invest some of its holdings of currencies in member countries, thereby providing those countries with assets useable internationally.

Again, a number of questions would have to be considered. Would operation of the normal weighted voting procedures in the Fund serve the interests of creditor and debtor countries equitably? Should reserve assets be created for all countries or for only those countries that might be expected to be in both surplus and deficit over a period of years?

However additional reserves are created, their use implies a credit operation. The original creation could take the form for each participating country of an equal increase in its liabilities and in its assets -- the latter becoming, by terms of the agreement, an international reserve asset.

value of reserve units. These would represent a proportionate claim upon the aggregate pool of resources and these claims or units would be transferable among the members in settlement of surpluses or deficits. The reserve unit itself would be held or used much as gold is now held in reserves or used in international settlements. By agreement among the members, it would assume the nature of gold -- it would be held as reserves -- its value would be fixed in terms of gold -- its acceptance by any member would be automatic according to stipulated conditions.

For example, some proposals would call for creation of a limited amount of reserve units and for the use of these units in fixed proportion with gold in making all settlements among members. The economic effect would be little different from the gold standard itself. It would operate like the gold standard with some reserve units added. Like a return to the gold standard, itself, it could call into question the continuing usefulness of reserve currency holdings and would probably encourage the conversion of some holdings into gold. To the extent such conversions should occur, the world would face a decline in total world liquidity, rather than an increase.

A second important condition would be that dealing with the manner in which decisions would be made for increasing or, if necessary, decreasing the amount of units in existence. To over-simplify, it would be in the apparent interest of creditor countries to resist -- and of debtor countries to favor -- the creation of additional units. If new issues

when this operation has been completed. That will provide an appreciable addition for international liquidity in the form of credit facilities.

The most intriguing aspect of the liquidity question, however, doubtless lies in efforts to devise a new type of reserve asset. I mentioned that the Deputies of the Group of Ten, in their Report to Ministers, announced that they had established a "Study Group on the Creation of Reserve Assets" to study the problem which its name implies. This Group is meeting periodically. It is expected to present to the Deputies some time this summer a study which will "assemble the elements necessary for evaluation of the various proposals" which have been put forward.

I cannot speak in detail about the work of this Group. But its terms of reference are public information. The Deputies to the Group of Ten spoke of two types of proposals:

> "One, the introduction, through an agreement among the member countries of the Group, of a new reserve asset which would be created according to appraised over-all needs for reserves;
>
> "and the other based on the acceptance of gold tranche or similar claims on the (International Monetary) Fund as a form of international asset, the volume of which would, if necessary, be enlarged to meet an agreed need."

Proposals of the first type vary substantially in detail. Essentially, however, these schemes provide that a limited group of countries, by depositing their own currencies or gold, establish a central pool of monetary resources which would provide the backing for a new reserve unit. Members would receive in exchange for their respective subscription an equal

express the opinion, which is shared by an overwhelming majority of commercial and financial interests, that such a system, in practice, would prove extremely disruptive to world trade and financial transactions. The Ministers and Governors of the Group of Ten have ruled out consideration of any such system and the International Monetary Fund has operated for nearly thirty years in defense of a regime of generally fixed exchange rates, with individual exchange rate adjustments regarded as appropriate from time to time when individual countries have fallen into a position of fundamental disequilibrium.

As we consider possible methods for assuring adequate liquidity in the future, the next question is whether some new type of asset should be created or whether liquidity needs can be met by further development and refinement of existing credit mechanisms.

On the credit side, agreement has already been reached, in principle, on a 25 percent increase in International Monetary Fund quotas. I say "in principle" because, while more than 80 percent of the membership ~~voted in favor of~~ the increase, each member must now determine for itself, in accordance with its own legislative procedures, whether it will accept its appropriate share of such increase. The United States Administration is seeking Congressional approval for an increase of $1,035 million in the U. S. quota. The House of Representatives voted favorably on this bill on Tuesday of this week. We are confident that the total of aggregate quotas in the Fund will be increased from about $16 billion to about $21 billion

has been corrected, I should acknowledge that there is a school of thought -- and one which appears to be quite strong in academic circles -- that believes in solving the liquidity problem not by increasing liquidity but by reducing the need for liquidity. Members of that school are the advocates of floating exchange rates. They hold that fixed exchange rates alone create the need for large reserves. More importantly, perhaps, they feel that fixed exchange rates constitute a restraining influence preventing individual countries from following domestic policies which might be deemed appropriate for domestic aims. If exchange rates were free to move up and down in the market, a balance of payments deficit would be reflected in a cheapening of the country's currency rather than in a loss of reserves. The cheapening of the currency, in turn, the argument runs, would bring about adjustments in the trade pattern -- lower imports and higher exports, among other changes -- which would restore balance of payments equilibrium. No country would need to hold large reserves and each country could choose its internal monetary and fiscal policies according to its own system of priorities and without regard for balance of payments effects.

I am not going to try to argue the case for or against floating rates. I would admit, as any student of economics will admit, that the theoretical arguments for floating exchange rates can be presented with great precision and appeal. Operation of the system in a world of imperfect knowledge, imperfect governmental and monetary institutions, and conflicting national ambitions and policies would be something else again. I will merely

eliminated by measures which would have a minimum impact both on the
te of economic growth in our own country and on the continued economic
osperity of the rest of the Free World. We have ruled out measures
ich would have denied our responsibilities in defense of the Free World
in the economic development of less developed countries -- and we have
ne so in the interest of free men everywhere. Our deep reluctance to
opt more restrictive monetary or fiscal policies at home has derived
om the unshakable conviction that a strong and growing economy in the
ited States is a prerequisite both to lasting correction of our balance
payments difficulties and to continued prosperity in the Western world.

I shall not digress at any length to review the extent to which our
lance of payments position has, in fact, been strengthened in recent
ars. The splendid record of price stability which we have maintained
rough fifty months of steady economic growth has established for us a
rong competitive position in world trade and/our trade balance is highly
vorable. We have reduced the balance of payments impact of our military
d foreign aid operations without retreating from our commitments in these
eas. More recently, measures have been taken to dampen the outflow of
pital from the United States by means of the voluntary cooperation of
e banking system and the business community. The United States will,
wever, continue to be an important source of productive capital.

Before I resume commenting briefly on what I think will be the
incipal issues to be decided as we cooperate in working out arrangements
assure that adequate world liquidity will be maintained when our deficit

some $14.5 billion of dollar reserves of foreign official holders at a rate of $70 for an ounce of gold rather than the existing $35 per ounce. The United States would be left at the end of the operation with gold reserves near the present level, according to the new valuation, and would have wiped out its official liabilities to foreign monetary authorities.

Such a proposal is thoroughly unacceptable to the United States. It combines the proposal that the world once again accept automatic regulation of its money supply according to the vagaries of world gold production with the proposal that the implied and stated commitments of the gold exchange be repudiated to the advantage of a few and the disadvantage of many. It is easy to see how it might be appealing to the major gold-producing countries, including the Union of South Africa and the U.S.S.R., and to countries holding a high proportion of their reserves in gold. It would, of course, be highly discriminatory against countries which have kept a substantial fraction of their reserves in the form of reserve currencies. Our commitment to maintain the fixed parity of $35 an ounce between gold and dollars is basic to the stability of the world monetary system. President Johnson has reiterated our unchanging determination to maintain this parity.

We share fully, however, the European view that our balance of payments deficit should be promptly corrected. We do not believe that the existence of the present monetary system has weakened our resolve to eliminate our balance of payments deficit. We have, however, insisted that the deficit

size and persistence of U. S. deficits, and the resulting supply of dollars.

It is no secret that some European countries feel that the long-continued deficit of the United States has been at best made possible and at worst encouraged and stimulated by the ability of the United States to finance a very substantial portion of its deficit during the past seven years by paying out dollars that have been added to foreign reserves. If the U. S. deficit had been settled entirely in gold, they assert, the United States would have taken earlier and more rigorous steps to bring its payments into equilibrium.

Accordingly, some of these countries are prepared to argue that the international monetary system at the present time is experiencing a surplus of liquidity, not a shortage. This is perhaps the basis for the suggestion of General de Gaulle that the world should return to a gold standard system. A return to a gold standard would imply a sharp curtailment of world reserves and world liquidity and would carry the threat of world-wide deflation. I need not -- for this audience -- spell out the detailed mechanism by which this would come about. I mentioned Jacques Rueff, who recently expressed his support for a return to the gold standard in public statements in the United States. Recognizing that this alone would create dangerous deflationary pressures, he couples his proposal with the suggestion that the price of gold be doubled and that the United States then pay off its liquid liabilities to foreign central banks in gold at the new price. That would mean redeeming

monetary gold would alone be insufficient to provide an adequate secular growth in reserves. You will recall that new gold supplied only about one-third of the ten year growth in reserve assets.

The United States also looks forward to a changing situation; it is not in our interest to continue substantial balance of payments deficits, to pay out increasing amounts of dollars to the rest of the world, and then to be faced with financing a substantial part of that deficit in gold because other countries no longer wish to accumulate important amounts of dollars in their reserves. There is certainly no fixed or absolute level or ratio of our short-term dollar liabilities to our gold reserves. But officially-held dollar claims of a liquid character are now just about equal to our gold reserves. They have been rising for about fifteen years, and rising quite sharply since 1958. It is quite essential that we bring this long series of balance of payments deficits to a halt. In doing so, we will also stop the process of providing gold and dollar reserves to the rest of the world.

When this happens, there may then be a question as to how to provide supplementary reserves in some form, to add to gold and the existing holdings of dollars and sterling exchange. It is, in my view, unrealistic to assume that the world can or should attempt to do away with these existing foreign exchange holdings. The gold exchange standard in itself is a useful and meritorious instrument. But, at the same time, we must exercise moderation in its use, and realize that it has been over-strained by the

a thorough study of the measures and instruments best suited for avoiding and correcting large and persistent international imbalances, compatibly with the pursuit of essential internal objectives. They recommended a procedure for "multilateral surveillance" of the ways and means of financing balance of payments disequilibria. Looking further into the future, since there was a possibility that the supply of gold and foreign exchange reserves may prove to be inadequate for the over-all reserve needs of the world economy, they authorized a study group to examine various proposals regarding the creation of reserve assets either through the IMF or otherwise. Finally, they agreed that they would support a moderate general increase in quotas in the IMF.

It might be asked why there was so much concern regarding the future of international liquidity when reserves had increased so rapidly in the previous ten years. The eight continental members of the Group of Ten and Switzerland nearly tripled their reserves during the ten year period, 1954 to 1963. In fact, some of these countries consider that the growth in their reserves has been excessive and has been a contributing factor to inflationary pressures on the European Continent. Thus, they are particularly concerned that the growth in reserves not be excessive in the future, as a result of continuing deficits in the United States balance of payments.

At the same time, they join with the United States in recognizing that there may be conditions in the future, given the remarkably vigorous expansion of world trade and investment, when annual supplies of new

Apart from the global picture, it is useful to pause a moment to look at the regional aspects of this growth in reserves. During the ten year period, eight major countries and Switzerland on the Continent of Europe acquired $18-1/2 billion of reserve assets, or $1-1/2 billion more than the world as a whole. These countries comprise the major part of a persistent surplus area in Continental Europe, which has had an unexampled prosperity and an unprecedentedly strong balance of payments position. Moreover, this group of countries acquired nearly $11 billion in gold, nearly twice the total of new gold supplies available for monetary use in the world as a whole. They were able to do so through a substantial redistribution of the gold reserves of the United States.

This was the pattern of the ten years prior to the study undertaken by the Group of Ten in 1964. Against this pattern, the Ministers and Governors concluded that, "For the international monetary system as a whole, supplies of gold and reserve currencies are fully adequate for the present and are likely to be for the immediate future. These reserves are supplemented by a broad range of credit facilities. The continuing growth of world trade and payments is likely to entail a need for larger international liquidity. This need may be met by an expansion of credit facilities and, in the longer run, may possibly call for some new form of reserve asset."

The Ministers and Governors of the Group of Ten then took several decisions looking toward the future of the monetary system. They undertook

as "credit facilities," and these might be available to potential deficit countries in the future, subject to individual credit arrangements. Reserve assets represented the claims of creditor countries that had been established by the extensions of credit to others in the past on their part, through the International Monetary Fund or directly, and that could readily be mobilized for their own use in case they, in their turn, needed foreign exchange resources. This latter category included also the gold tranche claims on the Fund acquired by past subscriptions of gold to the IMF.

During the ten year period, the reserves of all the countries in the Free World rose about $17 billion or nearly a third. Gold accounted for nearly $6 billion. Foreign exchange, principally in the form of dollars and sterling, rose nearly $8 billion, and $3 billion was contributed by increased claims on the Fund and by the use of bilateral credit facilities.

You will note that only about a third of the total addition to reserves, defined broadly to include the ~~credit facilities~~ noted, was provided by gold. At the end of 1963, countries held in their reserves about $40 billion in gold or about 57 percent of the total reserves of $70 billion. $25 billion was held in the form of foreign exchange, one-half in sterling, and one-half in dollars. These foreign exchange holdings were official reserves and take no account of some $15 billion in liquid assets held by non-official private entities, almost entirely as claims in dollars or sterling.

of payments deficit. These may be denominated in the currency of the holder and are convertible at short notice by the holders into cash. Foreign currency bonds now outstanding amount to $1.1 billion. Foreign monetary authorities holding these bonds regard them either as part of their reserve assets or as an asset similar to reserves.

In considering international liquidity, it is also appropriate to take into account the availability of credit from the International Monetary Fund beyond the gold tranche positions. As I have said, one-quarter of a country's quota represents its gold tranche; three-quarters represent its drawing rights beyond the gold tranche. These borrowing rights are not so automatic as gold tranche drawing rights and, hence, not so highly liquid. Consequently, they are not generally regarded as reserves. However, they are available in accordance with well understood standards and have been widely used for many years. They represent an important element in total international liquidity.

The report of the Deputies of the Group of Ten, released in August of last year, following their study, brought out several interesting points relative to the growth of international liquidity, as the report defined it, during the ten years from 1954 to 1963. As noted, they dealt with international liquidity as being a spectrum divided into two broad categories: "reserves" and "credit facilities." The dividing line between these two closely related classifications was fixed in this manner. Credit availabilities that had not been utilized were, broadly speaking, treated

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There are other forms of international credit about as liquid as gold tranche positions in the Fund. In the last four or five years, a network of short-term credit facilities has been created among monetary authorities and central banks of the highly industrialized countries. These are generally referred to as "swap" lines. They consist of agreements that the authorities of one country will make its currency available to its swap partners up to agreed amounts, usually for an initial period of 90 days. If, for example, Italy should find itself in need of dollar currency, it could deposit lire to the account of the Federal Reserve System and the Federal Reserve System would deposit an equivalent sum in dollars to the credit of the Italian authorities. These agreements represent a highly liquid asset for the countries concerned. Swap lines can be activated on only a few hours' notice, and many of them have been so activated throughout the network in many directions in recent years. The total of swap agreements at the present time throughout the network amounts to more than $2-1/2 billion.

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a reserve asset. The reserve currency status of the dollar is greatly buttressed by the fact that the United States is the only country which stands ready to deliver gold at the fixed price of $35 an ounce to foreign monetary authorities upon request.

But international liquidity has broader dimensions than gold and reserve currencies. When representatives of the Group of Ten leading industrial countries began a couple of years ago to study what has come to be called the "liquidity problem," they placed emphasis upon a broad liquidity spectrum which shaded from owned reserves through certain credit availabilities.

It was agreed that the first additional asset to be included in the broader liquidity concept should be the "gold tranche" position of member countries in the International Monetary Fund. The International Monetary Fund has 102 member countries, and each of these has a borrowing quota for which it has paid one-quarter in gold and three-quarters in its own national currency. As a result, one-quarter of its drawing or borrowing rights in the Fund are referred to as its "gold tranche"rights. Any member country is entitled to borrow from the Fund, virtually without question, any currency it may need up to the amount of its gold tranche position. There is general agreement, accordingly, that the aggregate of gold tranche positions in the Fund, amounting to approximately $4 billion, should appropriately be considered an element in international liquidity.

payments equilibrium. In this, the purpose of international reserves is very similar to the purpose of individuals and businesses in setting aside and holding liquid assets for an emergency. A complication with which I shall not deal today is that international reserves in many countries play an additional role as partial determinants of the domestic money supply.

International reserves, of course, are not held in the same form as the reserves of a private business. The traditional reserves of nations are gold and reserve currencies. A reserve currency, if you will excuse the tautology, is a currency which, by general agreement, nations are prepared to hold in their reserves. The dollar is today the major reserve currency. The pound sterling is held rather widely, particularly by sterling area countries, and the French franc is regarded as a reserve currency in some parts of Africa. Each nation makes its own decision as to what it will regard as a reserve currency. It bases its decision on the extent to which that currency can be widely used in international transactions, the confidence it has in the stability of that currency in terms of gold and in terms of goods, and the ease with which it may invest and disinvest both its working balances and additional holdings of the currency in question.

The status of the dollar as a reserve currency developed over the years, particularly since the Second World War, from the voluntary decision of many countries that this was the currency which best met their needs as

system so as to facilitate a continuing expansion of trade and economic development in the Free World."

The United States position with respect to the liquidity issue has been made very clear by President Johnson, who said in his Message to Congress on the Balance of Payments:

> "The measures I have proposed in this message will hasten our progress toward international balance without damage to our security abroad or our prosperity at home. But our international monetary responsibilities will not end with our deficit. Healthy growth of the free world economy requires orderly but continuing expansion of the world's monetary reserves.
>
> "During the past decade, our deficits have helped meet that need. The flow of deficit dollars into foreign central banks has made up about half of the increase in free world reserves. As we eliminate that flow, a shortage of reserves could emerge. We need to continue our work on the development of supplementary sources of reserves to head off that threat.
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Today I would like to discuss with you just what it is that all of these distinguished people are talking about and why there is this general and widespread interest in international liquidity.

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REMARKS BY THE HONORABLE FREDERICK L. DEMING,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
AT THE OHIO STATE UNIVERSITY IN CONNECTION WITH
"DISTINGUISHED LECTURES IN MONETARY POLICY"
JOINTLY SPONSORED BY THE UNIVERSITY AND THE OHIO BANKERS ASSOCIATION
ON THURSDAY, APRIL 29, 1965, AT 3:30 PM

Fifteen days ago, the Prime Minister of Great Britain, Mr. Harold Wilson, devoted a section of his major public speech in New York to consideration of international liquidity. He took the view that the world should push forward promptly in comprehensive planning to avoid a liquidity squeeze which might result from the disappearance of the United States balance of payments deficit.

Some weeks ago, President de Gaulle suggested that the world should return to a gold standard system, and Mr. Jacques Rueff, a well-known French economist, has recently proposed the same course of action, with the additional suggestion that the price of gold be doubled in order that reversion to a gold standard system might take place without drastic deflationary consequences for the world economy.

The President of the German Bundesbank, Karl Blessing, recently endorsed the present international monetary system but suggested the possible desirability of standardizing the composition of national reserves by agreeing on an appropriate ratio between holdings of gold and reserve currencies.

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potential deficit countries in the future, subject to individual credit arrangements. Reserve assets represented the claims of creditor countries that had been established by the extensions of credit to others in the past on their part, through the International Monetary Fund or directly, and that could readily be mobilized for their own use in case they, in their turn, needed foreign exchange resources. This latter category included also the gold tranche claims on the Fund acquired by past subscriptions of gold to the IMF.

During the ten year period, the reserves of all the countries in the Free World rose about $17 billion or nearly a third. Gold accounted for nearly $6 billion. Foreign exchange, principally in the form of dollars and sterling, rose nearly $8 billion, and $3 billion was contributed by increased claims on the Fund and by the use of bilateral credit facilities.

You will note that only about a third of the total addition to reserves, defined broadly to include the reserve assets noted, was provided by gold. At the end of 1963, countries held in their reserves about $40 billion in gold or about 57 percent of the total reserves of $70 billion. $25 billion was held in the form of foreign exchange, one-half in sterling, and one-half in dollars. These foreign exchange holdings were official reserves and take no account of some $15 billion in liquid assets held by non-official private entities, almost entirely as claims in dollars or sterling.

A part from the global picture, it is useful to pause a moment to look at the regional aspects of this growth in reserves. During th ten year period, the eight major non-reserve currency countries of the Group of Ten and Switzerland acquired $18-1/2 billion of reserve assets, or $1-1/2 billion more than the world as a whole. This group of countries includes the major part of a persistent surplus area in Continental Europe, which has had an unexampled prosperity and an unprecedentedly strong balance of payments position. Moreover, this group of countries acquired nearly $11 billion in gold, nearly twice the total of new gold supplies available for monetary use in the world as a whole. They were able to do so through a substantial redistribution of the gold reserves of the United States

This was the pattern of the ten years prior to the study undertaken by the Group of Ten in 1964. Against this pattern, the Ministers and Governors concluded that, "For the international monetary system as a whole, supplies of gold and reserve currencies are fully adequate for the present and are likely to be for the

immediate future. These reserves are supplemented by a broad range of credit facilities. The continuing growth of world trade and payments is likely to entail a need for larger international liquidity. This need may be met by an expansion of credit facilities and, in the longer run, may possibly call for some new form of reserve asset."

The Ministers and Governors of the Group of Ten then took several decisions looking toward the future of the monetary system. They undertook a thorough study of the measures and instruments best suited for avoiding and correcting large and persistent international imbalances, compatibly with the pursuit of essential internal objectives. They recommended a procedure for "multilateral surveillance" of the ways and means of financing balance of payments disequilibria. Looking further into the future, since there was a possibility that the supply of gold and foreign exchange reserves may prove to be inadequate for the over-all reserve needs of the world economy, they authorized a study group to examine various proposals regarding the creation of reserve assets either through the IMF or otherwise. Finally, they agreed that they would support a moderate general increase in quotas of the IMF.

It might be asked why there was so much concern regarding the future of international liquidity when reserves had increased so rapidly in the previous ten years. The eight members of the Group of Ten and Switzerland nearly tripled their reserves during the ten year period, 1954 to 1963. In fact, some of these countries consider that the growth in their reserves has been excessive and has been a contributing factor to inflationary pressures on the European Continent. Thus, they are particularly concerned that the growth in reserves not be excessive in the future, as a result of continuing deficits in the United States balance of payments.

At the same time, they join with the United States in recognizing that there may be conditions in the future, given the remarkably vigorous expansion of world trade and investment, when annual supplies of new monetary gold would alone be insufficient to provide an adequate secular growth in reserves. You will recall that new gold supplied only about one-third of the ten year growth in reserve assets.

The United States also looks forward to a changing situation; it is not in our interest to continue substantial balance of payments deficits, to pay out increasing amounts of dollars to the rest of the world, and then to be faced with financing a substantial

part of that deficit in gold because other countries no longer wish to accumulate important amounts of dollars in their reserves. There is certainly no fixed or absolute level or ratio of our short-term dollar liabilities to our gold reserves. But officially-held dollar claims of a liquid character are now just about equal to our gold reserves. They have been rising for about fifteen years, and rising quite sharply since 1958. It is quite essential that we bring this long series of balance of payments deficits to a halt. In doing so, we will also stop the process of providing gold and dollar reserves to the rest of the world.

When this happens, there may then be a question as to how to provide supplementary reserves in some form, to add to gold and the existing holdings of dollars and sterling exchange. It is, in my view, unrealistic to assume that the world can or should attempt to do away with these existing foreign exchange holdings. The gold exchange standard in itself is a useful and meritorious instrument. But, at the same time, we must exercise moderation in its use, and realize that it has been over-strained by the size and persistence of U. S. deficits, and the resulting supply of dollars.

It is no secret that some European countries feel that the long-continued deficit of the United States has been at best made possible and at worst encouraged and stimulated by the ability of the United States to finance a very substantial portion of its deficit during the past seven years by paying out dollars that have been added to foreign reserves. If the U. S. deficit had been settled entirely in gold, they assert, the United States would have taken earlier and more rigorous steps to bring its payments into equilibrium.

Accordingly, some of these countries are prepared to argue that the international monetary system at the present time is experiencing a surplus of liquidity, not a shortage. This is perhaps the basis for the suggestion of General de Gaulle that the world should return to a gold standard system. A return to a gold standard would imply a sharp curtailment of world reserves and world liquidity and would carry the threat of world-wide deflation. I need not -- for this audience -- spell out the detailed mechanism by which this would come about. I mentioned Jacques Rueff, who recently expressed his support for a return to the gold standard in public statements in the United States. Recognizing that this alone would create dangerous deflationary pressures, he couples his proposal with the suggestion that the price of gold be doubled and that the United States then pay off its liquid liabilities to foreign central banks

in gold at the new price. That would mean redeeming some $14.5 billion of dollar reserves of foreign official holders at a rate of $70 for an ounce of gold rather than the existing $35 per ounce. The United States would be left at the end of the operation with gold reserves near the present level, according to the new valuation, and would have wiped out its official liabilities to foreign monetary authorities.

Such a proposal is thoroughly unacceptable to the United States. It combines the proposal that the world once again accept automatic regulation of its money supply according to the vagaries of world gold production with the proposal that the implied and stated commitments of the gold exchange standard be repudiated to the advantage of a few and the disadvantage of many. It is easy to see how it might be appealing to the major gold-producing countries, including the Union of South Africa and the U.S.S.R., and to some countries holding a high proportion of their reserves in gold. It would, of course, be discriminatory against countries which have kept a substantial fraction of their reserves in the form of reserve currencies. Our commitment to maintain the fixed parity of $35 an ounce between gold and dollars is basic to the stability of the world monetary system. President Johnson has reiterated our unchanging determination to maintain this parity.

We share fully, however, the European view that our balance of payments deficit should be promptly corrected. We do not believe that the existence of the present monetary system has weakened our resolve to eliminate our balance of payments deficit. We have, however, insisted that the deficit be eliminated by measures which would have a minimum impact both on the rate of economic growth in our own country and on the continued economic prosperity of the rest of the Free World. We have ruled out measures which would have denied our responsibilities in defense of the Free World or in the economic development of less developed countries -- and we have done so in the interest of free men everywhere. Our deep reluctance to adopt more restrictive monetary or fiscal policies at home has derived from the unshakable conviction that a strong and growing economy in the United States is a prerequisite both to lasting correction of our balance of payments difficulties and to continued prosperity in the Western world.

I shall not digress at any length to review the extent to which our balance of payments position has, in fact, been strengthened in recent years. The splendid record of price stability which we have maintained through fifty months of steady economic growth has established for us a strong competitive position in world trade and

our trade balance is highly favorable. We have reduced the balance of payments impact of our military and foreign aid operations withou retreating from our commitments in these areas. More recently, measures have been taken to dampen the outflow of capital from the United States by means of the voluntary cooperation of the banking system and the business community. The United States will, however, continue to be an important source of productive capital.

Before I resume commenting briefly on what I think will be the principal issues to be decided as we cooperate in working out arrangements to assure that adequate world liquidity will be maintained when our deficit has been corrected, I should acknowledge that there is a school of thought -- and one which appears to be quite strong in academic circles -- that believes in solving the liquidity problem not by increasing liquidity but by reducing the need for liquidity. Members of that school are the advocates of floating exchange rates. They hold that fixed exchange rates alone create the need for large reserves. More importantly, perhaps, they feel that fixed exchange rates constitute a restraining influence preventing individual countries from following domestic policies which might be deemed appropriate for domestic aims. If exchange rates were free to move up and down in the market, a balance of payments deficit would be reflected in a cheapening of the country's currency rather than in a loss of reserves. The cheapening of the currency, in turn, the argument runs, would bring about adjustments in the trade pattern -- lower imports and higher exports, among other changes -- which would restore balance of payments equilibrium No country would need to hold large reserves and each country could choose its internal monetary and fiscal policies according to its owı system of priorities and without regard for balance of payments effects.

I am not going to try to argue the case for or against floating rates. I would admit, as any student of economics will admit, that the theoretical arguments for floating exchange rates can be presented with great precision and appeal. Operation of the system in a world of imperfect knowledge, imperfect governmental and moneta institutions, and conflicting national ambitions and policies would be something else again. I will merely express the opinion, which is shared by an overwhelming majority of commercial and financial interests, that such a system, in practice, would prove extremely disruptive to world trade and financial transactions. The Ministers and Governors of the Group of Ten have ruled out consideration of any such system and the International Monetary Fund has operated for nearly twenty years in defense of a regime of generally fixed exchange rates, with individual exchange rate adjustments regarded as appropriate from time to time when individua countries have fallen into a position of fundamental disequilibrium.

As we consider possible methods for assuring adequate liquidity in the future, the next question is whether some new type of asset should be created or whether liquidity needs can be met by further development and refinement of existing credit mechanisms.

On the credit side, agreement has already been reached, in principle, on a 25 percent increase in International Monetary Fund quotas. I say "in principle" because, while more than 80 percent of the membership favored the increase, each member must now determine for itself, in accordance with its own legislative procedures, whether it will accept its appropriate share of such increase. The United States Administration is seeking Congressional approval for an increase of $1,035 million in the U. S. quota. The House of Representatives voted favorably on this bill on Tuesday of this week. We are confident that the total of aggregate quotas in the Fund will be increased from about $16 billion to about $21 billion when this operation has been completed. That will provide an appreciable addition for international liquidity in the form of credit facilities.

The most intriguing aspect of the liquidity question, however, doubtless lies in efforts to devise a new type of reserve asset. I mentioned that the Deputies of the Group of Ten, in their Report to Ministers, announced that they had established a "Study Group on the Creation of Reserve Assets" to study the problem which its name implies. The Group is meeting periodically. It is expected to present to the Deputies some time this summer a study which will "assemble the elements necessary for evaluation of the various propsoals" which have been put forward.

I cannot speak in detail about the work of this Group. But its terms of reference are public information. The Deputies to the Group of Ten spoke of two types of proposals:

> "One, the introduction, through an agreement among the member countries of the Group, of a new reserve asset which would be created according to appraised over-all needs for reserves;
>
> "and the other based on the acceptance of gold tranche or similar claims on the (International Monetary) Fund as a form of international asset, the volume of which would, if necessary, be enlarged to meet an agreed need."

Proposals of the first type vary substantially in detail. Essentially, however, these schemes provide that a limited group of countries, by depositing their own currencies or gold, establish a central pool of monetary resources which would provide the backing for a new reserve unit. Members would receive in exchange for their respective subscriptions an equal value of reserve units. These would represent proportionate claims upon the aggregate pool of resources and these claims or units would be transferable among the members in settlement of surpluses or deficits. The reserve unit itself would be held or used much as gold is now held in reserves or used in international settlements. By agreement among the members, it would assume the nature of gold -- it would be held as reserves -- its value would be fixed in terms of gold -- its acceptance by any member would be automatic according to stipulated conditions.

For example, some proposals would call for creation of a limited amount of reserve units and for the use of these units in fixed proportion with gold in making all settlements among members. The economic effect would be little different from the gold standard itself. It would operate like the gold standard with some reserve units added. Like a return to the gold standard, itself, it could call into question the continuing usefulness of reserve currency holdings and would probably encourage the conversion of some holdings into gold. To the extent such conversions should occur, the world would face a decline in total world liquidity, rather than an increase.

A second important condition would be that dealing with the manne in which decisions would be made for increasing or, if necessary, decreasing the amount of units in existence. To over-simplify, it would be in the apparent interest of creditor countries to resist -- and of debtor countries to favor -- the creation of additional units. If new issues were to be subject to a unanimous agreement, which is to say if any country could veto an expansion or a contraction, it would hardly be accurate to say that decisions regarding the adequacy of international liquidity had been placed under international control in any meaningful way.

The importantance of the conditions which might govern creation of new assets would be no less if new reserve assets should be created in the International Monetary Fund. Proposals of this type call for creation of claims on the Fund that can be drawn upon at will to meet balance of payments deficits. For example, automatic drawing rights could be accorded against some part of the existing credit tranches in the Fund. Another propsoal is that the Fund might be authorized to invest some of its holdings of currencies in member countries, thereby providing those countries with assets useable internationally.

Again, a number of questions would have to be considered. Would operation of the normal weighted voting procedures in the Fund serve the interests of creditor and debtor countries equitably? Should reserve assets be created for all countries or for only those countries that might be expected to be in both surplus and deficit over a period of years?

However additional reserves are created, their use implies a credit operation. The original creation could take the form for each participating country of an equal increase in its liabilities and in its assets -- the latter becoming, by terms of the agreement, an international reserve asset. There would be no real economic impact at this stage. But as soon as the newly-created asset or unit began to be used, those surplus countries which accumulated the unit would be extending credit to the deficit countries. And the extension of credit from one country to another reflects the transfer of real assets. The surplus country foregoes present consumption in exchange for higher reserves -- or for future potential consumption. A creditor country has, of course, considerable freedom of action in controlling the credit it will extend. There are many acceptable ways in which a balance of payments surplus can be reduced. Study of the adjustment process to determine appropriate policies to be followed -- both by deficit countries to correct their deficits and by surplus countries to reduce their surpluses -- is another area to which the Group of Ten is giving attention.

With respect to the deficit countries, no country can expect to receive unlimited automatic credit from its trading partners. The search for assurance that adequate international liquidity will be maintained in the future will not in any sense be a search for automatic credit for persistent debtors.

I have mentioned a few of the issues connected with the liquidity discussions without giving any clear indication of what the answers should be. The answers must await continued hard study and, at an appropriate stage, perhaps hard negotiations. I will advance only three questions for your consideration at this time.

First, how can we make certain that any new scheme will be entirely compatible with the evolution of the existing system? This will require that nations should not be penalized -- nor benefitted -- as a result of the composition of their reserves, when and if some new liquidity asset is developed.

Secondly, how can we assure that any new system will increase and not reduce world liquidity? World liquidity would be reduced to the extent that existing reserve currency holdings are converted into gold. What, then, should be our attitude toward proposals which might stimulate such conversion or cast doubt upon the stability or the convertibility of existing reserve currency holdings?

Thirdly, how can we make sure that any new system will maintain machinery for giving appropriate weight to the views of both creditor and debtor countries? Should it be subject to the arbitrary control of either, or to the veto of a single country?

These are three broad questions, among many, that will need to be kept in mind as we proceed to examine most carefully the various ideas that have been or may be suggested. We are conscious that the creation of any new type of reserve asset by international agreement would be a step of profound significance. We must be sure that it is a step in the right direction. The mechanism of the international monetary system is an intricate and complicated mechanism, the successful functioning of which is of world-wide concern. We must make certain that any adjustments made in that mechanism will be the best that experience and intelligence and concern for the welfare of all nations can devise.

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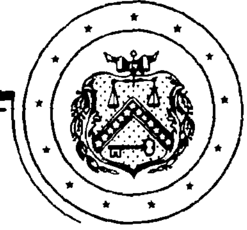
Under the new ruling, entries may be made at any port of entry in the following Customs districts:

Maine and New Hampshire	(1)	New Orleans	(20)
Massachusetts	(4)	Galveston	(22)
Rhode Island	(5)	San Diego	(25)
Connecticut	(6)	Los Angeles	(27)
New York	(10)	San Francisco	(28)
Philadelphia	(11)	Oregon	(29)
Maryland	(13)	Washington	(30)
Virginia	(14)	Hawaii	(32)
North Carolina	(15)	Michigan	(38)
South Carolina	(16)	Chicago	(39)
Georgia	(17)	Ohio	(41)
Florida	(18)	Kentucky	(42)

(The numbers in parentheses are the pertinent Customs district numbers.)

TREASURY DEPARTMENT



FOR IMMEDIATE RELEASE

WASHINGTON, D.C.

April 29, 1965

ARTISTIC ANTIQUTIES - FURNITURE
CUSTOMS REGULATIONS AMENDED

The Treasury Department has determined that the list of ports at which furniture claimed to be antique within the meaning of the Tariff Act of 1930, as amended, may be entered, should be expanded. "Furniture," as so used, includes movable articles of convenience or decoration for use in furnishing a house, apartment, place of business, or of accommodation. In order to qualify as antiques, such articles, except for rugs, carpets, and certain ethnographic objects, must have been produced prior to 1830. To qualify as antiques, rugs and carpets must have been made prior to the year 1701; ethnographic objects made in the traditional aboriginal styles must have been made at least 50 years prior to the date of entry.

Previously, antique furniture could be entered free of duty only at the ports of Baltimore, Maryland; Boston, Massachusetts; Chicago, Illinois; Honolulu, Hawaii; Los Angeles, California; New Orleans, Louisiana; New York, New York; Philadelphia, Pennsylvania; San Francisco, California; and Seattle, Washington.

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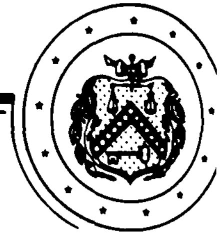

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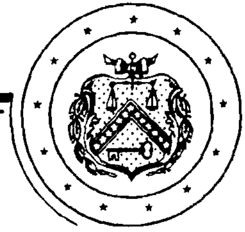

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FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
TITANIUM DIOXIDE

The Treasury Department is instructing customs field officers to withhold appraisement of titanium dioxide, pigment grade, from West Germany, manufactured by Farbenfabriken Bayer A. G., Leverkusen, Germany, pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

Under the Antidumping Act, determination of sales in the United States at less than fair value would require reference of the case to the Tariff Commission, which would consider whether American industry was being injured. Both dumping price and injury must be shown to justify a finding of dumping under the law.

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on November 17, 1964. The information was submitted by the Cabot Corporation, Boston, Massachusetts.

The dollar value of imports received during the period July 1, 1964, to March 1, 1965, was approximately $2,000,000.

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For all these reasons and for many more that I find myself inadequate to put into words, I take great pleasure and satisfaction in the fact that Joe Barr and Merlyn Trued will be here with me as we face the tasks that lie ahead. The tasks which confront all of us in the Treasury are certainly difficult, but we have faced difficult tasks before.

I feel quite confident that with the present staff of the Treasury, with Joe Barr, with Merlyn Trued, and with all the rest of you, we will be able to meet the responsibility which President Johnson has called upon us to assume with energy, with experience, and with dedication, and I am confident we will succeed.

oOo

REMARKS OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT SWEARING-IN CEREMONIES FOR
UNDER SECRETARY JOSEPH W. BARR
AND
ASSISTANT SECRETARY MERLYN N. TRUED
ROOM 4121, MAIN TREASURY BUILDING,
THURSDAY, APRIL 29, 1965, 4:00 P.M., EDT.

It seems only yesterday that I was standing before you with Joe Barr beside me. The occasion was the presentation to Joe of the highest award the Treasury can bestow on one of its own -- the Alexander Hamilton Award. Joe was shortly to become Chairman of the Federal Deposit Insurance Corporation.

I know I speak for everyone in the Treasury when I say how delighted we are to get Joe Barr back with us again. Throughout the long hard days of the tax bill, Joe Barr was a source of great support to former Secretary Dillon, to me, to Assistant Secretary Surrey, and to all the rest of us who looked to him for advice and counsel. Besides his thorough grasps of essentials and his keen political judgment, Joe brought to the job a cheerful, stubborn refusal to accept defeat in any form whatsoever.

As I look forward to the tasks facing me and facing the Treasury in the months and years ahead, I take the greatest satisfaction and encouragement from the fact that I will have Joe Barr at my side. We may have difficult problems and things may look dark at times, but Joe Barr is a born winner. There has never been a problem, and I don't think there ever will be, that Joe would be afraid to tackle. His unquestionable brilliance, his indomitable courage, and his unfailing energy and good spirits will sustain us all in the task ahead.

It's with great pleasure that we are gathered here to also welcome into new responsibilities a man who played a very significant role in those achievements -- Merlyn Trued. Merlyn shares Joe Barr's ability of dealing with the most difficult problems as if they were really quite simple and of dealing with impossible problems as if they were merely difficult.

All of us have long since found that whenever you seek Merlyn's advice, you will find him absolutely and thoroughly informed on every aspect of any problem in his area. You will also find that his soft-spoken way of discussing the most difficult and delicate matters invariably sheds new light on the question.

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trade and payments among the nations of the free world. It is an approach that you and the efforts of your organization are helping to implement as you work to preserve and strengthen our system of enterprise through greater investment at home, and bring to the attention of our younger citizens the value of investing in America.

organization. But I have saved for the last another small set of numbers that you may find the most useful of all, since they relate directly to the profitability of investment itself. This is, the annual rate of profit upon stockholder's equity in the United States. In the final quarter of 1960, after-tax profit on stockholder's equity was 8.4 per cent; four years later, it was 12.4 per cent, a rise of very nearly one-half in this short time.

Considerations such as these, I think, should be increasingly convincing to American and foreign investors deciding where to put their funds to work over the years ahead. At the same time, we are working to remove unnecessary impediments in our tax system to foreign investors attracted to our expanding investment opportunities. As this invigorating tonic for our free enterprise system is more fully appreciated -- and provided we can maintain our healthy economic advance with stable prices -- market forces will greatly assist our effort to avoid excessive capital outflows in the years ahead.

This must and will be a fundamental answer to one of the most critical elements in our present balance of payments problem. It is an approach which necessarily takes time and effort -- but it is also an approach that, in the end, will pay high dividends in time of a stronger economy at home and progress toward our goal of free

Equally important, the general reduction in personal income taxes in 1964, and the other measures to sustain our rapid economic advance, assure markets for the added production made possible by new investment, and are key elements in the maintenance of profit margins and investment incentives.

I do not need to rely upon forecasts to make the case for these measures. Data on corporate income and profits already show that the profitability of investment in America has risen, and substantially. For example, in the fourth quarter of 1960 the after-tax profit per dollar of the sales of United States manufacturing concerns was 4 per cent; in the fourth quarter of 1964 it was 5.4 per cent, a rise of a third. At the same time, before-tax profits per dollar of sales rose by a quarter. In the same recent four years, the total before-tax profits of United States corporations increased from $41.1 billion to $57.4 billion, and their profits after-taxes increased from $20.4 billion to $31.7 billion. After tending to decline for a good many years relative to total national income, the share of profits has risen again to levels more typical of prosperous periods in the past.

I think that these figures are ammunition that you can use to good effect in your campaign to make known and understood the advantages of investing in America, and I hope that you can and will be putting them to work through the activities of your most useful

Let me review with you briefly the steps that we have taken, and are taking, in support of greater investment opportunity within the United States. In doing so, let me emphasize,too, the double-barreled benefits of an improved climate for investment for our balance of payments position. First of all, more dollar funds will stay home if the profitability of investments in the United States improves relative to profit on investments elsewhere, risks and other considerations being equal, and more foreign investors will want to place their funds here. That helps our balance of payments directly. Less direct, but no less important, is that more investment in modern plant and equipment means greater efficiency and productivity, and our whole export effort must rest on our ability to produce more at stable or declining costs.

Recognizing these fundamentals, the effort to improve our investment climate got underway in a serious way several years ago. The seven per cent investment credit and the depreciation rules changes were undertaken as a matter of first priority in 1962, for they directly and significantly added to the profit potential of domestic investment. The 1964 tax law extended this process by reducing the tax liability on corporate profits from 52 to 48 per cent in two steps. We estimate that these reductions should increase the profitability of new corporate investment in representative types of equipment after taxes -- and that is what counts -- by as much as 35 per cent or more.

abroad -- have persuaded both American and foreign investors to place more of their funds to work in this country on the basis of normal profit and loss considerations rather than appeals to patriotism. Only then can we claim a fundamental solution firmly rooted in the forces of the market place -- the forces that, in our free enterprise society, we rely upon for guidance in making all our economic decisions.

This does not argue against, nor in any way depreciate, the importance of the present voluntary action program. The situation _is_ such that the voluntary program is required, and the situation _is_ such that the voluntary program will continue to be required for some time. And the continued cooperation of the business community in making the voluntary program a success is essential.

But, so long as we want to engage in mutually beneficial commerce and financial transactions with the rest of the world on the basis of free markets, we must be alert to the need to maintain a balance in our international accounts through the operation of basic market forces and incentives. That is why we must look beyond the present voluntary program -- however necessary that program is now and in the period ahead -- and continue our efforts to improve the climate for investment in this country. It is in this area, of course, where the efforts of your Government coincide directly with your own efforts in the Invest-in-America program.

for correcting our deficit. A key element in this program is the call to banks and other businesses to review their own foreign operations and voluntarily cutback on the flow of dollars abroad.

To this end, the Government has provided American banks and businesses with a set of guidelines, worked out in consultation with the business community itself, for their international transactions, including their foreign lending and investment.

I will not review these guidelines in detail, but I do think it fair to say that the first reports reflecting this voluntary program do indicate that the American business community is responding with awareness of the urgency of the problem. It is essential that no one be lulled into a false sense of security, for the success of the program will depend upon performance over a period of time, not just the first few months. But, I believe there is reason for confidence that, with the continued cooperation of the business community, this voluntary program will bring our deficit under control.

My main point today, however, is to emphasize that this kind of program to staunch the investment outflow cannot be regarded as the basic and permanent solution to our balance of payments problem, however necessary and successful it may be. The lasting solution must be found in forces that will be felt in the market place. In other words, we cannot be content until improvements in the investment climate of the United States -- along with other changes at home and

Taking all of these elements of improvement together, the gains from 1960 to 1964 totalled some \$3.6 billion. That, as a matter of simple arithmetic, should have brought us close to balance in 1964 if all other things held unchanged -- but, of course, they did not. Instead of a balance in 1964, we had a disappointingly large deficit of around \$3 billion -- a deficit that, coming after almost 15 years of earlier deficits, was simply too large.

The reason for the lack of over-all improvement on the scale anticipated was readily apparent. The improvement in our trade position, and the reductions in the burdens of military payments and aid, was offset by an accelerating outflow of American investment to Europe and elsewhere. In 1964, this outflow of private capital, after increasing every year but one in the past five years, reached nearly \$6.4 billion.

Clearly, foreign investment provides long-term benefits to the nation in future earnings, as well as in its potential for strengthening the free world economy as a whole. Moreover, the world's largest and richest nation should, over the long-run, be in a position to provide capital to assist the development of poorer countries. But, we simply cannot afford to transfer capital abroad in such volume as to undermine the stability of the dollar itself.

This was the setting for President Johnson's Balance of Payments Message in February, in which he presented a vigorous 10-point program

foreign countries were accumulating more dollars than they wished to hold. As a result, they were calling on our gold in exchange for those dollars, and while our gold stock was and is large, it is not inexhaustible.

Consequently, when the Kennedy Administration took office, a many sided program was launched to reduce our deficit and to protect the stability of the dollar. Four years later, in 1964, evidence had accumulated that this program was beginning to pay off in a number of directions.

Most significant, our international competitive position was beginning to benefit from our ability to maintain price stability during the current business advance, and our exports consequently have risen more than our imports. This brought our traditional trade surplus to a new record of $3.7 billion in 1964 even after excluding all shipments financed by foreign-aid funds -- the largest trade surplus, by the way, for any country in the world. At the same time, more and more of our foreign aid has been provided in the form of U. S. goods and services rather than dollars, sharply reducing the drain on our balance of payments from that source. Reductions in military spending abroad also have helped reduce the pressures upon our balance of payments, and important gains have been made in selling more of our military goods to our allies. Meanwhile, our income from foreign investments has risen sharply.

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Clearly, none of those alternatives would represent realistic or desirable solutions -- all would exact an intolerable cost in terms of both economic performance and damage to our system of competitive private enterprise. But, if our present system is to work, and work effectively, it must be widely understood. For that reason I hope you will continue your increasing emphasis of recent years upon the education of our high school youngsters -- and their teachers -- in the role of savings and investment in our free economy.

Now let me make my pitch. I want to describe to you, as I see them, the links between what you are doing in encouraging saving and investment in the national economy and the success of the national effort the President has undertaken to overcome our balance of payments difficulties.

First, perhaps a word or two on past developments will help put this rather complex problem into perspective. We have had balance of payments deficits in most years since 1950 -- for a decade and a half now. And, however you keep the books, it became obvious by the late 1950's that these deficits had become far too large to be sustained for long, averaging about $4 billion a year from 1958-1960 under our standard accounting methods. These deficits meant, in essence, that

of free enterprise. Our ability to grow rests in good part on our ability to provide our growing population with more tools of production -- with more power to operate those tools -- and with ample supplies of the basic raw materials necessary for production. Equally important, we must stimulate the research and innovation necessary to achieve better equipment and methods, and to bring these innovations into use rapidly. All of this requires a vast amount of capital, and a willingness on the part of our citizens to provide the savings essential to finance that capital.

In our economic system, we cannot look to Government or even to business to provide those needed savings. In 1964, for instance, the financial savings of individuals approached $28 billion. These funds were equivalent to almost 70% of our total investment outlays, apart from that portion represented by depreciation and other capital consumption allowances which are, of course, designed only to assure replacement of our existing capital stock.

That is why your efforts, aimed at the general public, are so useful. For, without private individuals willing and able to save and invest in large volume, we would necessarily have to accept one or a combination of totally unsatisfactory alternatives. One of these would be simply to accept a much lower rate of economic growth. Another, in theory, would be to force investment through a huge expansion in the money supply and in Government deficits, at the

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DEPARTMENT OF THE TREASURY
BEFORE THE
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METROPOLITAN WASHINGTON CHAPTER
KICK-OFF OF INVEST-IN-AMERICA WEEK LUNCHEON
MONDAY, MAY 3, 1965, at 12:30

I am very glad to participate in your Invest-in-America Week this year, and to bring you the best wishes of Secretary Fowler for the success of your efforts.

I am glad to be here, first, because you are working in an area of critical importance for our domestic growth and prosperity. But I must also admit to another more immediate reason. Measures to encourage investment in the United States are a vital part of our effort to eliminate our balance of payments deficit. In a very real sense, the Government of the United States has vigorously undertaken its own Invest-in-America program in the firm conviction that an improved climate for domestic investment is a basic prerequisite for a better balance in international capital flows and an essential element in any lasting solution to our balance of payments problem. I hope, therefore, you will permit me to take advantage of this forum today to talk as much about our program as about yours, for that is my intention.

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for correcting our deficit. A key element in this program is the call to banks and other businesses to review their own foreign operations and voluntarily cutback on the flow of dollars abroad.

To this end, the Government has provided American banks and businesses with a set of guidelines, worked out in consultation with the business community itself, for their international transactions, including their foreign lending and investment.

I will not review these guidelines in detail, but I do think it fair to say that the first reports reflecting this voluntary program do indicate that the American business community is responding with awareness of the urgency of the problem. It is essential that no one be lulled into a false sense of security, for the success of the program will depend upon performance over a period of time, not just the first few months. But, I believe there is reason for confidence that, with the continued cooperation of the business community, this voluntary program will bring our deficit under control.

My main point today, however, is to emphasize that this kind of program to staunch the investment outflow cannot be regarded as the basic and permanent solution to our balance of payments problem, however necessary and successful it may be. The lasting solution must be found in forces that will be felt in the market place. In other words, we cannot be content until improvements in the investment climate of the United States -- along with other changes at home and

abroad -- have persuaded both American and foreign investors to place more of their funds to work in this country on the basis of normal profit and loss considerations rather than appeals to patriotism. Only then can we claim a fundamental solution firmly rooted in the forces of the market place -- the forces that, in our free enterprise society, we rely upon for guidance in making all our economic decisions.

This does not argue against, nor in any way depreciate, the importance of the present voluntary action program. The situation is such that the voluntary program is required, and the situation is such that the voluntary program will continue to be required for some time. And the continued cooperation of the business community in making the voluntary program a success is essential.

But, so long as we want to engage in mutually beneficial commerce and financial transactions with the rest of the world on the basis of free markets, we must be alert to the need to maintain a balance in our international accounts through the operation of basic market forces and incentives. That is why we must look beyond the present voluntary program -- however necessary that program is now and in the period ahead -- and continue our efforts to improve the climate for investment in this country. It is in this area, of course, where efforts of your Government coincide directly with your own efforts in the Invest-in-America program.

Let me review with you briefly the steps that we have taken, and are taking, in support of greater investment opportunity within the United States. In doing so, let me emphasize, too, the double-barreled benefits of an improved climate for investment for our balance of payments position. First of all, more dollar funds will stay home if the profitability of investments in the United States improves relative to profit on investments elsewhere, risks and other considerations being equal, and more foreign investors will want to place their funds here. That helps our balan of payments directly. Less direct, but no less important, is that more investment in modern plant and equipment means greater efficien and productivity, and our whole export effort must rest on our ability to produce more at stable or declining costs.

Recognizing these fundamentals, the effort to improve our investment climate got underway in a serious way several years ago. The seven per cent investment credit and the depreciation rules changes were undertaken as a matter of first priority in 1962, for they directly and significantly added to the profit potential of domestic investment. The 1964 tax law extended this process by reducing the tax liability on corporate profits from 52 to 48 per ce in two steps. We estimate that these reductions should increase the profitability of new corporate investment in representative types of equipment after taxes -- and that is what counts -- by as much as 35 per cent or more.

Equally important, the general reduction in personal income taxes in 1964, and the other measures to sustain our rapid economic advance, assure markets for the added production made possible by new investment, and are key elements in the maintenance of profit margins and investment incentives.

I do not need to rely upon forecasts to make the case for these measures. Data on corporate income and profits already show that the profitability of investment in America has risen, and substantially. For example, in the fourth quarter of 1960 the after-tax profit per dollar of the sales of United States manufacturing concerns was 4 per cent; in the fourth quarter of 1964 it was 5.4 per cent, a rise of a third. At the same time, before-tax profits per dollar of sales rose by a quarter. In the same recent four years, the total before-tax profits of United States corporations increased from $41.1 billion to $57.4 billion, and their profits after-taxes increased from $20.4 billion to $31.7 billion. After tending to decline for a good many years relative to total national income, the share of profits has risen again to levels more typical of prosperous periods in the past.

I think that these figures are ammunition that you can use to good effect in your campaign to make known and understood the advantages of investing in America, and I hope that you can and will be putting them to work through the activities of your most useful

organization. But I have saved for the last another small set of numbers that you may find the most useful of all, since they relate directly to the profitability of investment itself. This is, the annual rate of profit upon stockholder's equity in the United States. In the final quarter of 1960, after-tax profit on stockholder's equity was 8.4 per cent; four years later, it was 12.4 per cent, a rise of very nearly one-half in this short time.

Considerations such as these, I think, should be increasingly convincing to American and foreign investors deciding where to put their funds to work over the years ahead. At the same time, we are working to remove unnecessary impediments in our tax system to foreign investors attracted to our expanding investment opportunities As this invigorating tonic for our free enterprise system is more fully appreciated -- and provided we can maintain our healthy economic advance with stable prices -- market forces will greatly assist our effort to avoid excessive capital outflows in the years ahead.

This must and will be a fundamental answer to one of the most critical elements in our present balance of payments problem. It is an approach which necessarily takes time and effort -- but it is also an approach that, in the end, will pay high dividends in time of a stronger economy at home and progress toward our goal of free

trade and payments among the nations of the free world. It is an approach that you and the efforts of your organization are helping to implement as you work to preserve and strengthen our system of enterprise through greater investment at home, and bring to the attention of our younger citizens the value of investing in America.

TREASURY DEPARTMENT

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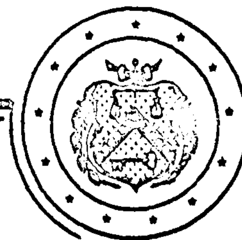

WASHINGTON, D.C.

)R RELEASE A.M. NEWSPAPERS,
ıesday, May 4, 1965.

May 3, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of ·easury bills, one series to be an additional issue of the bills dated February 4,)65, and the other series to be dated May 6, 1965, which were offered on April 28, were ›ened at the Federal Reserve Banks on May 3. Tenders were invited for $1,200,000,000, ' thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. ıe details of the two series are as follows:

NGE OF ACCEPTED MPETITIVE BIDS:	91-day Treasury bills maturing August 5, 1965		182-day Treasury bills maturing November 4, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.016	3.893%	98.004	3.948%
Low	99.012	3.909%	98.001	3.954%
Average	99.014	3.901% 1/	98.003	3.950% 1/

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

TAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 20,640,000	$ 9,854,000	$ 20,359,000	$ 5,359,000
New York	1,396,014,000	815,514,000	1,307,540,000	656,753,000
Philadelphia	29,056,000	17,056,000	16,111,000	8,111,000
Cleveland	21,532,000	21,482,000	20,316,000	12,299,000
Richmond	10,856,000	10,856,000	2,845,000	2,545,000
Atlanta	36,592,000	26,142,000	36,729,000	20,929,000
Chicago	279,380,000	146,180,000	358,086,000	182,921,000
St. Louis	57,334,000	47,954,000	14,132,000	12,132,000
Minneapolis	21,316,000	18,716,000	24,975,000	17,125,000
Kansas City	26,662,000	25,462,000	17,417,000	8,367,000
Dallas	26,485,000	15,285,000	10,780,000	5,780,000
San Francisco	147,616,000	46,106,000	128,987,000	67,987,000
TOTALS	$2,073,483,000	$1,200,607,000 a/	$1,958,277,000	$1,000,308,000 b/

Includes $227,090,000 noncompetitive tenders accepted at the average price of 99.014
Includes $91,271,000 noncompetitive tenders accepted at the average price of 98.003
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.00% for the 91-day bills, and 4.09% for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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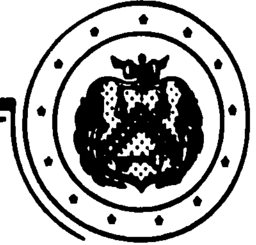
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, May 4, 1965.

May 3, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 4, 1965, and the other series to be dated May 6, 1965, which were offered on April 28, were opened at the Federal Reserve Banks on May 3. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 5, 1965		:	182-day Treasury bills maturing November 4, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.016	3.893%	:	98.004	3.948%
Low	99.012	3.909%	:	98.001	3.954%
Average	99.014	3.901% 1/	:	98.003	3.950% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 20,640,000	$ 9,854,000	:	$ 20,359,000	$ 5,359,000
New York	1,396,014,000	815,514,000	:	1,307,540,000	656,753,000
Philadelphia	29,056,000	17,056,000	:	16,111,000	8,111,000
Cleveland	21,532,000	21,482,000	:	20,316,000	12,299,000
Richmond	10,856,000	10,856,000	:	2,845,000	2,545,000
Atlanta	36,592,000	26,142,000	:	36,729,000	20,929,000
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San Francisco	147,616,000	46,106,000	:	128,987,000	67,987,000
TOTALS	$2,073,483,000	$1,200,607,000 a/		$1,958,277,000	$1,000,308,000

a/ Includes $227,090,000 noncompetitive tenders accepted at the average price of 99.014
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STATEMENT OF THE HONORABLE HENRY H. FOWLER,
SECRETARY OF THE TREASURY,
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE ON H.R. 7368,
"TO AMEND THE TARIFF SCHEDULES OF THE
UNITED STATES TO REDUCE UNTIL JANUARY 1, 1968,
THE EXEMPTION FROM DUTY ENJOYED BY RETURNING
RESIDENTS TO $50 FAIR RETAIL VALUE, TO LIMIT
THE EXEMPTION TO ARTICLES ACCOMPANYING SUCH
RESIDENTS, AND FOR OTHER PURPOSES"
MONDAY, MAY 3, 1965, 10:00 A.M. (EDT)

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you and to recommend the enactment of H.R. 7368, which, from July 1, 1965, until January 1, 1968, would reduce to $50 fair retail value the exemption from duty available to returning residents, and which would limit that exemption to articles accompanying such residents. The bill also would amend the $10 gift provision and the other so-called administrative exemptions of the tariff act, which authorize the Secretary, subject to carefully specified conditions, to admit limited quantities of articles free of duty and tax when he determines that doing so is of net advantage to the Government in terms of cost and convenience. The value standards for these exemptions would be changed from wholesale value, as at present, to fair retail value.

In the absence of Congressional action, the so-called tourist exemption would rise from the present $100 to a maximum of $500 on July 1 of this year.

In his balance-of-payments message to the Congress on February 10, 1965, the President stated:

> Foreign travel should be encouraged when we can afford it, but not while our payments position remains urgent. Today, our encouragement must be directed to travel in the United States, both by our own citizens and by our friends from abroad.

> I ask the tourist industry to strengthen and broaden the appeal of American vacations to foreign and domestic travelers, and I will support its efforts through the "See the U.S.A." program.

This statement cannot be interpreted as a Government request to the American people to travel only within the limits of the United States. But it does emphasize that this is no time to encourage foreign travel. It is within these guidelines that we are proposing this legislation.

This legislation is one of several steps proposed by the President to deal with the problem caused by the continuing deficit in our balance of payments. Last year the deficit on regular transactions was $3.1 billion. While that represented some improvement over the $3.3 billion deficit in 1963 and the $3.6 billion deficit in 1962, our progress is too slow.

The dollar outflow on account of expenditures by Americans traveling abroad is a major item in our balance-of-payments deficit. In 1964 these expenditures totaled $2.8 billion. The inflow of dollars from foreigners traveling to the United States amounted to only $1.2 billion; thus, the deficit on account of tourism was $1.6 billion in 1964.

Although our estimated balance-of-payments savings from the bill before you may seem relatively small, we must realize that success in eliminating our deficit is most likely to result from a many sided program -- from the combined effect of many measures.

In the interests of both effectiveness and equity, the President's program calls for restraint and cooperation from all sectors of the Nation -- private and public. All segments of the economy must share part of the burden and discipline which are necessary to meet this problem.

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Since 1960, the Government has cut in half the balance-of-payments cost of the foreign aid program, reducing it to about $500 million last year. Also, despite rising costs, the Government has cut $900 million from net military expenditures abroad (including progress payments on orders for military equipment). The Government is striving to make further savings.

Businesses and banks with foreign operations have been asked to take steps to strengthen our balance-of-payments position and the Interest Equalization Tax has been imposed on certain types of foreign investment.

The Administration believes that it is appropriate to ask individual citizens to make the modest, but significant, contribution which the bill before you calls for, as part of this program which we are pursuing on many fronts to achieve balance-of-payments savings.

Indications thus far are that the President's program is off to a good start. Following substantial deficits in January and February, our over-all balance of payments was in surplus in March and apparently also in April on the basis of partial and preliminary data.

This improvement is no basis for relaxing our efforts or failing to follow through on all aspects of the President's program. A few favorable months, while encouraging, are far from being determinative. Over optimism must be avoided at all costs. The Congress can demonstrate its determination by enactment of the proposal before you into law by a decisive margin. We must be ever mindful that it takes a number of quarters of equilibrium back-to-back to demonstrate our ability and decisiveness in this crucial area.

We must be prepared for the contingency that some parts of our program may not measure up to expectations, and for the fact that there will be an increase in payments abroad associated with a rise in domestic business and income, and for other contingencies that may add unexpected drains on our progress toward balance.

Prudence, equity and the need to demonstrate determination in solving our deficit problem all make it imperative to follow through on all aspects of the President's program. The outflow of gold is our constant reminder of inadequate progress.

When the exemption was reduced to the present level of $100 by the Congress in 1961, we expected that this action would be of material assistance in our efforts to reduce the balance-of-payments deficit. This expectation proved to be correct and it was for that reason that we requested the Congress in 1963 to continue the exemption at the reduced level for an additional two years.

In 1960, prior to reduction of the exemption to $100, the average foreign acquisition per returning resident was $84. Since 1962 (after the reduction) the average foreign acquisition has ranged between $50 and $55. Based on the average reduction in foreign acquisitions and the number of Americans traveling abroad, it is estimated that the reduced exemption has resulted in discouraging foreign purchases

by more than $600 million since 1961. However, the number of Americans traveling abroad has continued to increase each year and it is imperative that we achieve a still further reduction in the average foreign acquisition.

The Bureau of Customs estimates that during calendar year 1964 articles acquired in foreign countries and brought or sent back to this country by returning residents totaled approximately $400 million in declared or retail value. If the duty exemption had been limited to $50 fair retail value (rather than to $100 wholesale value, as was the case), approximately $90 million of such acquisitions which were duty free would have been dutiable. But we believe that if the exemption had been at the lower figure a large part, perhaps as much as $60 million, of that $90 million worth of articles would not have been purchased at all. Our experience has shown that the fact that articles for sale abroad will be subject to duty when imported tends to discourage tourists from acquiring them.

In addition, it is believed that changing the basis of applying the dollar value of exemptions to a fair retail value basis will establish a more realistic measure for goods brought in by tourists and will facilitate customs clearance of passengers, since such values normally can be readily ascertained.

One important provision of the bill, which is before you, would end the so-called "articles to follow" privilege. This privilege has

allowed the returning resident to apply any unused part of his duty exemption to articles acquired on a trip abroad but shipped to him separately and not carried in his baggage. This is a privilege which very few other countries have ever allowed for tourist purchases of their residents. Customs estimates that last year about 1.2 million baggage declarations included articles "to follow" and that elimination of the "to follow" privilege would have affected articles worth about $40 million. The elimination of purchases of goods "to follow" constitutes an essential part of our program to reduce the outflow of dollars spent abroad by American tourists.

The "to follow" privilege also has led in recent years to a mail-order business of substantial proportions which has become of growing concern to us. Tourists going abroad have been increasingly solicited to place mail orders which are filled in countries which they do not even visit and which result in their obtaining goods, tax and duty free, delivered to their homes. This practice has been particularly marked in the case of liquor and perfume. Tourists and those taking short business trips have been able to avoid both domestic and foreign taxes on these purchases and thus have been able to acquire goods which they could not normally buy tax free in the countries which they do visit. They have, for example, been able to go to Canada and, by this mail-order device, arrange to have perfume and liquor sent to their

homes in the United States free and clear of all duties and taxes. What is notable is that these United States' travelers could not have walked into a store in Canada and bought the same liquor free of Canadian taxes and duties.

In addition to our increasing concern about this mail-order problem, I am informed that the tax administrators of a number of states are also deeply troubled by the loss of state liquor taxes caused by this mail-order practice. Their concern in this regard would, of course, be eliminated by the termination of the "to follow" privilege.

Another important reason for this proposal is that elimination of the "articles to follow" privilege will result in a significant economy in the administration of the Customs Bureau. Complex and costly administrative procedures are now required to identify "articles to follow" and to verify exemption claims with baggage declarations in connection with the use of this privilege by an increasing number of returning tourists, even though these procedures are by no means employed on a 100% basis.

One important effect of eliminating this privilege would also be to accelerate the clearance of travelers by Customs, primarily through extended use of the oral declaration. The advantages of the oral declaration procedure cannot be fully achieved at present because it is necessary to obtain a written listing of articles

from each of the approximately 1.2 million residents who annually claim exemptions for "articles to follow."

I should also call to your attention the fact that a study by customs officials has shown widespread abuse of the "to follow" privilege. During a two-month period in 1963, the Bureau of Customs ran a careful check on importations for which returning residents utilized the "to follow" privilege. The test disclosed that in approximately 22 percent of the cases such claims by returning residents were not valid. Unfortunately, to expose and control all false claims relating to the applicability of the "to follow" privilege on a continuing basis would require elaborate and time-consuming administrative procedures involving a considerable additional cost to the taxpayer. Moreover, the institution of such procedures could be expected to cause serious public objection since the additional documentation and inspection would necessarily slow down the clearance of articles through Customs.

Section 2 of the bill relates to administrative exemptions provided for by section 321(a) of the Tariff Act of 1930, as amended. Under section 321(a)(2) the Secretary of the Treasury is authorized to admit articles free of duty and tax, subject to certain carefully specified restrictions, in order to avoid expense and inconvenience to the Government disproportionate to the amount of revenue that would otherwise be collected. It is this section which allows the duty-free entry of bona fide gifts worth $10 or less which are sent to this country by persons abroad. This section also provides authority for

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a $10 baggage exemption for persons who have not been out of the country long enough to qualify for the regular statutory baggage exemption. It also authorizes waiver of duty on imported articles worth less than a dollar. Section 2 of the bill would change the basis for applying the dollar value of these so-called administrative exemptions from wholesale to the fair retail value in the country from which the articles are shipped. This proposed change is intended to insure that these importations, insofar as determinations of value are concerned, are treated consistently with importations which would be affected by the first section of the bill.

While complete data with respect to the volume of imports entered under these administrative exemptions are not available, it is estimated that approximately 6 million gift parcels for which free entry is now claimed are mailed to the United States in a typical year. Many of these are parcels being sent back by American tourists. We believe that it is reasonable to expect that the proposed change would have considerable influence on discouraging acquisitions which are now free of duty, but which would become dutiable by this change.

As I pointed out earlier, if this bill is not passed in time to become effective by July 1, the baggage exemption will automatically jump to $500 for those returning residents who have been out of the country for more than 12 days. Thus, even a very short lapse of time between the expiration of the present temporary legislation and the

coming into effect of the bill now before you would have a most serious effect. The exemption would go from $100, as at present, to $500 (or $200 in certain cases) and then down to $50. An interlude at the $500 level would not only be very bad because of its impact on the President's balance-of-payments program but it obviously would have a very adverse public relations effect even among those not directly affected. Additionally, it would create serious administrative difficulties for Customs to have to make a double change in its administrative practices, with the multiplicity of instructions, forms and so forth, which would be required. Further, we could anticipate serious discontent from those travelers caught at the $50 level when just a few days earlier a rise from $100 to $500 had been allowed.

In summary, while it is difficult to make precise estimates of how much these proposed measures will save for our balance of payments, the volume and pattern of expenditures by American travelers on foreign merchandise make it reasonable to expect that the savings in the first full year after enactment would be in the range of $75 to $125 million more than the mere extension of the present law and, of course, a much larger sum if the law reverted to its pre-1961 form.

Accordingly, I urge strongly that H.R. 7368 be enacted promptly because of the beneficial effect which it would have on our balance-of-payments position and on customs administration of the laws governing exemptions from duty.

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

REMARKS BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE LOUISIANA BANKERS ASSOCIATION
JUNG HOTEL, NEW ORLEANS, LOUISIANA
10:00 A.M. CST., TUESDAY, MAY 4,1965

On April 1, 1965 Henry H. Fowler became Secretary of the Treasury. Two months earlier Frederick L. Deming became Under Secretary of the Treasury for Monetary Affairs. On April 29 I assumed the office of the Under Secretary of the Treasury, and on the same date Merlyn N. Trued became Assistant Secretary for International Affairs. Some of you may wonder what these changes will mean in terms of policy developments -- particularly in the area of debt management. Perhaps a brief report would be in order.

Secretary Fowler has already made clear his intention to build on the programs that have been taking shape in the last few years. This intention is particularly strong in the debt management area where so much progress has been made in recent years.

In the same way that Secretary Dillon and Under Secretary Roosa built upon the debt management policies initiated and developed by Secretary Anderson and Under Secretary Baird, I can promise that we will follow through along the lines laid down by our predecessors. The issues and problems that confront the Treasury -- in taxation, debt management, gold, silver, or the balance of payments -- all have a long life history. I know this from personal experience, having lived with a number of issues in the major areas of Treasury responsibility.

My first contact with the Treasury, other than that of being a taxpayer, was in 1959, when as a new Congressman I came over to the Treasury to meet some of the Treasury officials and staff members. My discussions with Secretary Anderson, Under Secretary Baird and the Treasury staff alerted me to a developing problem that was to some extent threatening to get out of hand -- the problem of managing the public debt.

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In 1959 this was not an important problem in the public mind, but the Treasury was doing all it could to alert the country to it. As a result of those efforts, and the progress that has been made since then I am able to report now that public debt management is in excellent shape.

I developed immediate interest in 1959 in the debt management problem. The concern expressed about this problem by the Treasury at that time lead Representative Moorhead and myself to a series of meetings with Treasury officials and also to meetings in New York with participants in the Government Securities Market.

Treasury officials at that time were deeply concerned over the problem of how to properly manage our public debt, and were intensively exploring new techniques in this area. However, it was not until 1962 and 1963 that there waw much public concern over the problem. This public concern was perhaps best exemplified by the fact that Congress passed three separate bills dealing with the debt limit instead of only a single piece of legislation to cover the year's requirements.

As I was in charge of Treasury's Congressional liason at that time I can testify to the irritation this caused members of Congress. By the time the year was over Congress was not only heartily sick of the issue but so were we in the Treasury Department. However, by that time the Treasury was already well on the way to a satisfactory solution of the problem.

To understand how it was solved we should begin with the nature of the problem itself. In terms of its size the public debt has gone up $59 billion since 1946. This seems like quite a startling increase until it is put into perspective with the rest of the economy. This debt increase represents a 23% rise, but since 1946 our population has grown some 35% so that on a per capita basis the debt is nearly $200 less than it was at the end of World War II. The debt in 1946 was larger than our Gross National Product but today it is less than half of GNP. Similarly, during the same period, while the Federal debt went up 23%, private debts, the debts of individuals, businesses, State and local governments, have increased more than 400 percent. Obviously the size of the debt alone was not the major difficulty. The truth is that we have been growing up to a debt of this size, and the debt itself -- in terms of its absolute magnitude -- is actually much more manageable now than it was back in 1946.

The real difficulties in debt management were those of a structural nature. We came out of the war with the debt well under control and improved the situation even further during 1946 by paying off bank-held debt with surplus cash that was in the Treasury till. The average length of our marketable debt issues was close to 8 years and we had over $43½ billion of the debt maturing out beyond 20 years. In a sense the Treasury lived off the fat of that good structure for a number of years. Attempts were made to maintain a balanced structure of the public debt but no consistent way was found to keep the structure from eroding and, although long-term issues were put out from time to time, the debt gradually shortened through the passage of time so that by the end of 1959 the average length of marketable debt was down to 4 years and 4 months and the amount of debt maturing out beyond 20 years had declined from $43-1/2 billion to only $8 billion.

In the meantime market forces had brought interest rates up from the artificially depressed level of the war years to a level that was higher than those at the present time. The Treasury for a time found that it could not, because of the 4¼ percent interest rate ceiling, sell any securities out beyond 5 years. Prior to this there had been a burst of speculation in Treasury bonds which had led to a massive oversubscription of the 2-5/8's of February 1965. This boom ended spectacularly in mid-1958 and in the face of the largest peacetime deficit of our history the Treasury had a series of financings that could be called successful only in a technical sense -- the amounts needed were raised. In fact the market was not stabilized until late 1959 when the so-called magic 5's were issued.

In the interval the Treasury had been able to control the growth of the short-dated debt that matured in less than 1 year. This had risen from about $55 billion to about $80 billion -- not an excessive increase in terms of the money market needs for a short-dated security. But this control over short-dated debt and the inability to issue long-dated debt created a buildup in the intermediate area so that the debt maturing in from one to five years increased from $24 billion to $61½ billion. All of this short intermediate debt could quickly spill into the shortest-dated debt in just a few years. The need for debt lengthening was illustrated by a 1960 study of the potential increase in short-term coupon securities. These issues, excluding Treasury bills, totaled $35½ billion in 1961 and could mount to $93½ billion by 1964 if all the maturing debt had to be rolled over into short-term securities.

This steady attrition in structure was finally arrested in 1960 as the Treasury developed and tested new techniques in debt management that have proven to be quite successful. In the first place a larger part of the debt has been put on an automatic basis through the development of new Treasury bills, tapping the 6-months market and the 1-year market. Secondly, the long-term debt problem was met through the advance refunding technique. Under this technique securities are offered in exchange for longer-dated securities well in advance of their maturity. Since its first use in June 1960 there have been some 11 advance refunding operations and the turn-around in the structure of the debt has been marked. Although marketable issues have increased by some $25 billion since 1959 the under-1-year debt has grown by only $8 billion, probably at a lesser rate than the liquidity needs of the economy. The over-20-year debt has more than doubled, growing from $8 billion to very close to $20 billion and over two-thirds of these long-term securities have come out of advance refundings. The average length of the debt has also improved and at the present time is up over a year in length, at 5 years and 3 months. The results are shown in the volume of financing the Treasury has to undertake. New cash borrowings in 1964 were $11½ billion -- down substantially from the $25 billion of 1959. Maturities of coupon issues are also down to $32½ billion from the $42½ billion of 1959, and in terms of public holdings of the same down from $23½ billion to $14 billion. The better spacing of the debt has meant the Treasury can be in the market less frequently and for smaller amounts.

The second major current problem of the Treasury, the balance of payments, has compounded the problem of debt structure because we no longer can afford to be isolationists in our domestic monetary and debt management policies. In previous periods of business slack interest rates in our economy could go to any level without any seric consequences internationally. But since 1958 and 1959 when other maj currencies of the world became fully convertible, as only the dollar had been since the early 1930's, our short-term interest rates can nc longer fluctuate only in accordance with domestic needs. If Treasury bill rates had declined to as low as 5/8 of 1% per annum as they had during earlier business recessions we could have had a hemorrhage in our balance of payments as short-term funds sought higher rates abroad in equally liquid short-term instruments. As a result, we have consciously increased our short-term rates from the recent recession low of 2¼% to the current level of close to 4%. From a debt management standpoint this required a large increase in Treasury bills to put upward pressure on these rates. Since 1959 we have add $20 billion to the amount of our regular Treasury bills. To keep the total of short-dated debt from growing by the same amounts, coupon issues have been reduced in size largely through the advance refunding techniques. As a result our short-dated debt total has only grown by $8 billion.

At the same time as all of this was going on the Government and the Treasury had to be concerned with the financing of the deficits occasioned by failure of the domestic economy to perform at or near its potential. The direction of Treasury response has been to place as much of the debt increase as possible outside the commercial banks to avoid the possibility of any inflationary potential. This policy has also been highly successful. As a matter of fact, of the $28 billion increase in the debt since January 1961, none of the increase has gone into the hands of commercial banks. Commercial bank holdings of Government securities are actually down by over $2½ billion.

Banks have contributed to the record of sound debt management in other ways, by temporarily underwriting new issues thus facilitating their secondary distribution, by educating the public on the need for sound financial habits and practices, and by advising the Treasury on debt management through industry advisory committees. Another and vital service freely given by bankers has been your aid in the Savings Bond program without banker and other volunteer support we could not point with pride to the fact that $22 of every $100 of debt in the hands of the public is now in the form of Series E and H Bonds. The growth of these holdings is not dramatic on a month-to-month basis but over the years adds up to a large amount -- more than $5 billion since January 1961 and more than $18 billion since 1946. This record has been a tremendous assist to the debt managers and we thank you for a job well done.

The proper management of our public debt in the years ahead will require careful attention, but I think we can continue to profit by the experience of the past. The ingenuity of the various measures which have been developed reflects credit on the men charged with this responsibility, and you may be sure we will continue to profit from their wisdom and their experience. We are well aware that debt management was a serious problem not so many years ago, and we will remain constantly on the alert in the years ahead to make every effort to see that it does not become one again.

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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.

~~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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 13, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 13, 1965 ~~(17)~~. Cash

~~Exhibit 2-A~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

May 5, 1965

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ (1)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,200,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing May 13, 1965 (3), in the amount of $ 2,200,674,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued May 13, 1965 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated February 11, 1965 (8), and to mature August 12, 1965 (9), originally issued in the amount of $ 1,001,236,000 (10), the additional and original bills to be freely interchangeable.

183 (11) -day bills, for $ 1,000,000,000 (12), or thereabouts, to be dated May 13, 1965 (13), and to mature November 12, 1965 (14).

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern/Daylight Saving ~~Standard~~ time, Monday, May 10, 1965 (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

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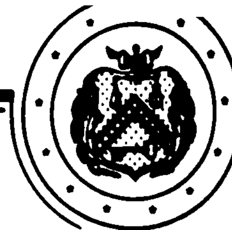
TREASURY DEPARTMENT



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

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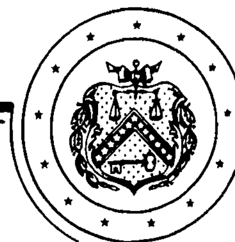
TREASURY DEPARTMENT 269

WASHINGTON, D.C.



May 6, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN APRIL

During April 1965, 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 $7,025,000.00.

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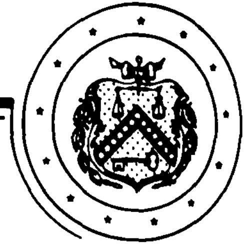
TREASURY DEPARTMENT



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F-38

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
Before the
SENATE COMMITTEE ON FOREIGN RELATIONS
10 a. m., May 6, 1965

Mr. Chairman and Members of the Committee:

In this, my first appearance as Secretary of the Treasury before the Senate Committee on Foreign Relations, I am especially pleased to testify in support of legislation to strengthen the International Monetary Fund -- an institution which has made a vital contribution to the economic prosperity of the Free World. I have with me today Treasury Assistant Secretary for International Affairs, Mr. Merlyn N. Trued, and Mr. William B. Dale, U. S. Executive Director of the Fund, who will be able to answer any question of detail you may have on the Fund's operations.

The bill which the Committee has under consideration would authorize acceptance of an increase of $1,035 million in the United States quota in the International Monetary Fund and would authorize the necessary appropriation. This bill was passed by the House on April 27 by a vote of 301 to 88, upon the recommendation of the House Banking and Currency Committee and after debate in the House.

President Johnson, in submitting this legislation to the Congress, stated that "An expansion of the Fund's resources is now needed if it is to contribute effectively to Free World growth in the future." He noted that the effect of the measure would be to promote orderly and stable growth in world trade and payments, that it would strengthen the international monetary system and maintain the central position of the Fund in the evolution of the international monetary system.

The National Advisory Council on International Monetary and Financial Problems strongly recommended this action in a report submitted to the President and to the Congress in March of this year. This report explains in full detail the need for an increase in our quota in the Fund as part of a general increase in Fund quotas.

The Legislation

The Bretton Woods Agreements Act provides that Congressional authorization must be obtained for any increase in the United States quota. The legislation before you would authorize me, as the United States Governor of the International Monetary Fund, to consent to the increase in our quota as part of the general increase in the quotas of all members.

At the Tokyo meeting of the Board of Governors of the International Monetary Fund last September, the Governors directed the Executive Directors of the Fund to consider the question of increases in the quotas of members and to submit an appropriate recommendation. Accordingly, the Directors have submitted for approval of the Governors, in accordance with the Fund's Articles of Agreement, two resolutions. The first proposes that all members increase their quotas by 25 percent; the second proposes additional increases totalling $870 million in the quotas of 16 countries, whose economic positions have changed considerably over recent years.

The United States share of the total increase would be slightly more than 20 percent, corresponding roughly to our proportionate share in the Fund. No special increase in Fund quota is proposed for the U.S.; we would participate only in the 25 percent across-the-board increase. If all of the countries accept the increases proposed, the Fund's resources, or the total quotas, would rise from the present $16 billion to about $21 billion.

Under the Fund's Articles of Agreement, there are two procedural steps necessary before the quotas of members may be increased. Any general or particular increase in a country's

quota must receive the approval of the Fund's Governors with 80 percent of the total voting power. My predecessor, Secretary Dillon, on the advice of the National Advisory Council, cast his vote in favor of the two resolutions before the Governors in March. He made it clear in agreeing to the resolution that he was not then requesting or accepting an increase in the United States quota in the Fund, since this requires further legislation by Congress. The effect of his vote, along with the votes of the other Governors, was to place the proposal before their respective governments for action. A favorable vote of more than 90 percent of the total votes was received on both resolutions.

Under the Fund's Articles, however, no member's quota may be increased without its consent. The increase in our quota will, therefore, not become effective until the Congress authorizes action and makes the necessary appropriation. As a safeguard to protect those countries which might take the action to increase their own quotas, while other countries neglected to take action, or delayed their action, the resolution requires that the whole set of increases will not become effective unless countries with two-thirds of the quotas as of the date of the resolution have consented to the increase. This would prevent a situation in

which some of the countries might make their contribution to the Fund's resources, while others neglected to take action. The two-thirds of the quota cannot be reached unless the United States and other large countries agree to the increase. The Fund resolutions provide that consents to the increase must be given before September 25, 1965, unless the Directors extend the time for action. Once the consent is given, payment of the quota is called for within thirty days. The Fund will hold these payments in a separate account until the requisite two-thirds is obtained. It is only then that the quota increase becomes effective for those countries which have agreed. If a two-thirds of quota majority is not reached, the Fund will return the payments to the member countries which have made them.

Authorization of Appropriation

The second section of the bill authorizes an appropriation of $1,035 million to remain available until expended. An appropriation will, of course, be required before the United States can accept the quota increase, and this bill authorizes an appropriation consisting of two parts. In accordance with

the Fund's Articles and the resolution, the United States will be required to pay 25 percent of the increase in the quota in gold. Other countries will, of course, also pay in 25 percent of their increases in gold. For the United States, the gold payment will be $258.75 million, which will appear as an expenditure in our accounts. In exchange for this payment, the United States will receive a "gold tranche" drawing right on the International Monetary Fund. This is an automatic drawing right and represents a reserve asset which the United States can call upon at any time.

The remainder of the appropriation to be authorized, $776.25 million, will not be expended in the foreseeable future. The Treasury will issue a letter of credit to the International Monetary Fund for this amount against which the Fund may draw dollars if they are needed by other countries through the regular drawing procedure. Under Fund policies, however, substantial drawings of dollars are not likely as long as our balance-of-payments deficit persists. The Fund now holds about $3,425 million in dollars, all but a small

amount in the form of non-interest bearing, non-negotiable notes.

The Fund would use up its present holdings of dollars before it called upon the Treasury to make payments under the letter of credit. As I have said, it is unlikely that the Fund will use large amounts of dollars in the foreseeable future.

The letter of credit technique which we have proposed is now in general use in domestic programs and in our dealings with international institutions. It will replace the former practice of making a payment of the entire subscription to an international institution and then substituting non-interest bearing notes for amounts not immediately needed. The proposed technique will obviate expenditure prior to the time when funds are actually needed. It constitutes an unconditional obligation on the part of the Treasury to provide these funds as they are required.

Nature of the International Monetary Fund

Before outlining the reasons for an increase in Fund quotas I should like to say a word about the nature of the Fund itself.

The International Monetary Fund and the International Bank for Reconstruction and Development were established following negotiations at the Bretton Woods Conference of 1944. The IBRD, or the World Bank, was designed to provide long-term financial assistance -- first for the reconstruction of war torn areas and later for the economic development of its member countries. It now gives particular attention to the needs of the less developed countries of the world.

The International Monetary Fund, on the other hand, was designed

> "To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
>
> "To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development

of the productive resources of all members as primary objectives of economic policy."

To accomplish these purposes, the Fund has worked continuously for the elimination of exchange restrictions, the avoidance of competitive exchange depreciation, and the promotion of exchange stability. When member countries draw needed currencies from the Fund they do so to provide financing for their position while corrective measures are being taken to eliminate a temporary balance-of-payments situation. Any drawing must be repaid within a 3-to 5-year period.

The point I wish to make is that the International Monetary Fund should not be confused with institutions whose primary purpose is the making of long-term loans. Even less should it be confused with bilateral or multilateral aid programs under which long-term assistance is provided, frequently on very generous credit terms.

When a country draws a needed currency from the Fund, moreover, it transfers to the Fund an equivalent amount of its own currency. Accordingly, the assets of the Fund are not reduced when it provides temporary assistance to a member country. The composition of those assets is, however, changed, depending upon the gold and currency composition of the drawings and re-

payments which have taken place. I shall discuss the significance of the asset composition at a later point.

In 18 years of Fund operations through the end of 1964, member countries have drawn over $9 billion in dollars or other currencies. These drawings have been or are being repaid in accordance with agreed schedules. In the most recent ten-year period, net drawings outstanding at the end of the year have varied from a low of $234 million in 1955 to a high of $2,621 million at the end of 1964. The latter figure is unusually high because it includes nearly $1 billion of net drawings by the United Kingdom, reflecting a large drawing by that country in December 1964.

Prior to 1960, drawings from the Fund were predominantly taken in the form of dollars and the United States established a strong creditor position in relation to the Fund. By the end of 1957, gross drawings of dollars had amounted to nearly $2.7 billion. The Fund had purchased additional dollars from the United States by selling us nearly $600 million worth of gold. At that time, IMF holdings of dollars represented no more than 28 percent of the United States quota.

Following the return to de facto convertibility of the currencies of Western Europe at the end of 1958, the Fund began

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increasingly to provide currencies other than the dollar to countries seeking temporary financing. This practice was intensified as the balance-of-payments position of the United States moved into substantial deficit. Repayments in dollars, however, continued to be large, with the result that in the period from the end of 1957 to the end of 1962 the Fund's holdings of dollars increased by more than $1 billion. In this way the normal operations of the Fund absorbed more than $1 billion from the reserves of other countries, thus easing our international financing problems and obviating possible drains upon the United States gold stock. By the end of 1963 Fund holdings of dollars had been restored to 75 percent of the U.S. quota. At that point the U.S. was neither a creditor nor a debtor vis-a-vis the institution.

This is an important fact which I would like to underline -- for the accounts of the IMF are not always clear to the non-expert. When the Fund's holdings of a member's currency are equal to 75 percent of the member's quota, the position of that member vis-a-vis the Fund is the same as it was when the Fund began operations. Although the Fund used dollars extensively in the past, when we were in a strong balance-of-payments position, all

those dollars have come back to it and, in effect, back to the United States. Looked at another way, we have lent money, on medium term, to foreign countries -- through the Fund -- and have been completely repaid. Over its entire period of operation the IMF, while it has been of great benefit to the world and to us, has not cost us, net, any dollars at all in our international accounts.

Over the past 15 months the United States has itself, for the first time, made modest drawings from the Fund. We have drawn primarily in German marks and French francs and we have sold the currencies we have drawn, against dollars, to countries wishing to make repayments to the Fund. These countries could not use their dollar holdings directly for this purpose since the Fund does not accept in repayment currencies which it holds in excess of 75 percent of quota. For the Fund to accept such currencies -- in this instance dollars -- would mean that the United States would be placed in a debtor position vis-a-vis the Fund without any initiative on our part; this would be inconsistent with the Fund's method of operation.

Attached to this statement is a chart which shows graphically the developments of the U.S. position in the Fund which I have just described.

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Our current net drawings of approximately $320 million have, of course, also had the effect of reducing United States dollar liabilities to foreign countries; these countries have paid dollars to us in order to acquire the particular currencies used to repay the Fund.

The other side of the same picture I have been presenting is that drawings from the Fund in recent years have been made primarily in currencies other than the dollar. These have been, for the most part, the currencies of Western European countries now in balance-of-payments surplus. As a result, the Fund's holdings of the currencies of the "Group of Ten" countries, other than the United States and the United Kingdom, have been reduced by more than $1 billion and at the end of 1964 amounted to the equivalent of about $1.8 billion.

If all member countries accept the quota increases suggested for them, Fund holdings of these same currencies will be increased by more than $1 billion and the liquidity of the Fund will be substantially improved. In addition, Fund holdings of gold will also be increased by approximately $1 billion.

As will be apparent from this brief summary, the operations of the Fund are designed so that countries in balance-of-payments surplus are called upon to provide a certain amount of interim

financing for countries in balance-of-payments deficit. The position of the surplus countries is, however, protected in two ways. First, the extent to which any one country may be called upon to provide its currency to the Fund is limited by the size of that country's quota. Secondly, the Fund examines the requests of countries seeking to draw currencies from it with increasing rigor, depending on the extent to which the drawing country is making use of the Fund. The gold tranche (normally 25 percent of quota) is granted virtually automatically upon the drawing country's assertion that it needs foreign currencies in connection with its balance-of-payments financing.

When a country seeks to draw its first credit tranche (a second 25 percent of its quota), the Fund will appraise its needs with a liberal attitude provided that the member itself is making reasonable efforts to solve its problems. Requests for additional drawings require substantial justification. In the words of a recent annual report of the Fund: "They are likely to be favorably received when the drawings or standby arrangements are intended to support a sound program aimed at establishing or maintaining the enduring stability of the member's currency at a realistic rate of exchange."

Current Discussions Regarding the International Monetary System

Members of the Committee on Foreign Relations will be aware that international discussion is presently taking place in various inter-governmental forums regarding the effectiveness of the present international monetary system to support and sustain a rapidly growing volume of world trade and further expansion in the economic growth of both less developed and developed countries.

Secretary Dillon, in his statement to the House Committee, stated that he believed this whole question had been placed in proper perspective last September by Mr. Pierre Paul Schweitzer, the Managing Director of the Fund. He quoted Mr. Schweitzer as follows:

> "The record of the two decades since the end of the war, although not perfect, cannot be considered unsatisfactory. Much has been achieved; a tremendous expansion of world trade; the convertibility of all major currencies; greatly reduced reliance on restrictions and on bilateralism; considerable, if still insufficient, progress in the developin countries; high levels of employment; and avoidance of the extremes of inflation and deflation in most areas of the world."

In sharp contrast, the turbulent history of the period after World War I included the monetary crisis of the 1930's, the shattering worldwide depression which followed, the prolifera- tion of "beggar thy neighbor" trade policies, and the growth of forms of economic warfare in which exchange controls and other financial tools played an important part.

In no small part this vast improvement in the international monetary system and in the economic cooperation among the coun- tries of the world has been the result of the Fund's policies and activities. In the agreement establishing the Fund, the members undertook to eliminate from their practices the more objectionable features of the monetary and exchange systems in the earlier period. By their participation in the Fund, countries have become increasingly aware of the problems of others, and have realized that they are part of a world community with common economic interests.

The Fund has used its powers of persuasion, the provision of sound technical advice, and the availability of medium-term assistance to secure the adoption of appropriate economic policies in many countries. It has to a great extent succeeded in eliminat- ing bilateralism in trade and exchange agreements. It has brought about a sharp reduction in multiple exchange rate practices

which were particularly disadvantageous to American exporters who found themselves discriminated against. It has used its resources effectively to give temporary relief to countries whose exchanges were under pressure. This has provided a breathing spell during which the countries concerned could develop measures to restore equilibrium in ways which would have minimum adverse repercussions on other countries. The relative stability of exchange rates which the Fund has fostered has encouraged the expansion of international trade and the international movement of productive capital.

The contrast between the orderly way in which exchange adjustments have been made and national policies have been formulated in a cooperative manner and the disorderly trade and monetary policies of the period following World War I is, of cours not entirely a matter of the International Monetary Fund. The United States provided billions of dollars for the restoration of the European economies under the Marshall Plan and it has provided a large measure of assistance to the development of the economies of the countries with lower economic levels. Other countries have to a considerable extent cooperated in similar policies. It is doubtful, however, that the degree of cooperation

among countries in the monetary field which has developed in recent periods could have been attained without the existence of the International Monetary Fund and the undertaking by its members to observe a code of fair practices in their exchange and related financial policies.

The lesson learned during the first postwar decade -- that the correction of international imbalance requires the cooperation of countries in surplus as well as those in deficit -- is one that continues to be highly relevant.

This is the background against which the International Monetary Fund, representing nearly all the Free World countries, large and small, and the Group of Ten major trading countries have been examining the adequacy of world reserves, the need for international credit facilities, and possible future needs for international cooperative measures to assure that world liquidity will keep pace with a growing world economy.

The increase in Fund quotas now under consideration falls in the second category -- expansion of international credit facilities. The purpose is not to add to reserves -- these are considered to be adequate at the present time -- but rather to provide the Fund with the resources needed to meet temporary imbalances that are likely to grow larger as the total value of world trade and world financial transactions expands.

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The Quinquennial Review of Fund Quotas

The aggregate of country quotas in the Fund when it started operations amounted to $8 billion. These quotas were arrived at by a process of negotiation at the Bretton Woods Conference in part on the basis of a formula which took into account the trade, exports and imports, national incomes and monetary reserves of the member countries. The data used were necessarily data for the pre-World War II period.

It was recognized from the beginning that quotas based on these magnitudes would not be satisfactory over a long period of time and the Fund Articles therefore provided for a general review of quotas every five years. If the original formula were applied to current data the indicated size of the Fund would be about $40 billion. From time to time, individual quotas have been increased. There was only one general increase, in 1958-1959, when the quotas of the member countries were generally increased by 50 percent with some larger increases by Germany, Canada, Japan and some other countries whose positions had markedly changed.

The need for a revision of quotas at the present time arises from several factors. World trade has increased by more than 50 percent since the last general revision. In 1964, imports of the Free World aggregated $156 billion, compared with $101

billion in 1958. In 1948, Free World imports were only $60 billion. There is no way of measuring adequately the expansion of other financial transactions arising from investment and other non-trade items. It is well known, however, that foreign investments have increased greatly in recent years and that there have been corresponding increases in payments of interest and amortization of capital. Since 1958, when the European currencies became practically convertible, there have been large short- and long-term capital movements. Some of these have had the effect of smoothing out balance-of-payments disequilibria, but some have exaggerated existing disequilibria, particularly when they were the result of currency speculation. Accordingly, it may be expected that fluctuations in the balance of payments of the member countries with which the Fund must deal may be of greater magnitude in the coming years.

Another factor of importance is that in recent periods the larger countries have made more extensive use of the Fund. Canada, Italy, Japan, the United Kingdom and the United States have drawn on the Fund for current needs or have entered into stand-by arrangements which would assure them of the availability of resources if they were needed. In the past five years, the annual level of drawings has been above $1 billion, while during the period 1955 to 1959 the average level was only $440 million.

The consensus of the Governors of the International Monetary Fund last September in Tokyo was that an increase in quotas at this time would be a prudent action. The proposal for a 25 percent increase emerged from discussions both in the IMF and in the Group of Ten major industrial countries. I may note in passing that some members of the House of Representatives, while fully agreeing with the need for the 25 percent increase, suggested that a 50 percent increase and additional special increases for some of the major countries would have been still more satisfactory. The 25 percent quota increase, however, is as much as could be negotiated at the present time, and the special increases represent in my judgment a useful contribution to the Fund's resources from some of the countries which are in a position to provide more funds.

Even when the Fund is not actually providing resources to member countries to meet their temporary balance-of-payments needs it is performing an important role in the present-day monetary system. The very existence of the Fund, and the drawing rights which members possess, provides a background against which a number of the larger members have established among themselves a substantial network of reciprocal bilateral credits. The

swap arrangements operated by the Federal Reserve System and the Treasury form part of this network. These arrangements provide short-term facilities which permit the participants to avoid or counter the damaging effects which might otherwise follow from volatile capital flows of speculative or seasonal nature. These short-term bilateral facilities can be called on promptly and quietly by members participating in them. Should balance-of-payments difficulties persist beyond the period for which the bilateral facilities are provided the availability of medium-term credit from the International Monetary Fund can facilitate liquidation of the short-term obligations. Evidence of the effectiveness of the short-term bilateral network and of the manner in which the International Monetary Fund may assist in converting short-term obligations into medium-term obligations was given in the British drawing of $1 billion from the Fund last December.

Arrangements for Minimizing Impact on U.S. Gold Reserves

The Administration has given particular attention to the possible effect on the United States of gold payments to the Fund in connection with the proposed quota increases. It was clear that, in the normal course of events, many countries

would wish to purchase gold from the United States in order to pay the gold portion of their quota increase to the Fund. Both the Group of Ten and the IMF recognized that, if non-reserve countries utilized their holdings of reserve currencies to acquire gold from reserve currency countries in order to make payments to the IMF, the result would be both to reduce the gold holdings of the reserve centers and to diminish aggregate world reserves.

Accordingly, special measures were developed to minimize this indirect drain on the gold stocks of the reserve countries with its accompanying decrease in international reserves. Three measures, explained in full detail in the National Advisory Council Report and in the Report of the Executive Directors of the Fund, are contemplated.

First, a number of the major countries have indicated that they intend to pay their gold subscriptions from their own gold holdings and will not buy gold for this purpose.

Second, the Fund is prepared to make arrangements with certain non-reserve countries in strong balance-of-payments positions that gold sold by them to third countries for the latter's gold payments to the Fund will be resold to the sell-

ing country by the Fund in exchange for the selling country's own currency. Arrangements of this nature are expected to cover some $150 million of gold subscriptions.

Third, to the extent that gold may still be purchased from the United States and the United Kingdom by other countries, the Fund is prepared to open gold deposits with those two countries up to an aggregate amount of $350 million. These funds will be withdrawable by the International Monetary Fund on demand. It is understood, however, that "on the occasion of any use of gold, the Fund would normally use, in appropriate proportions, earmarked gold and gold on general deposit in accordance with the good management of its assets."

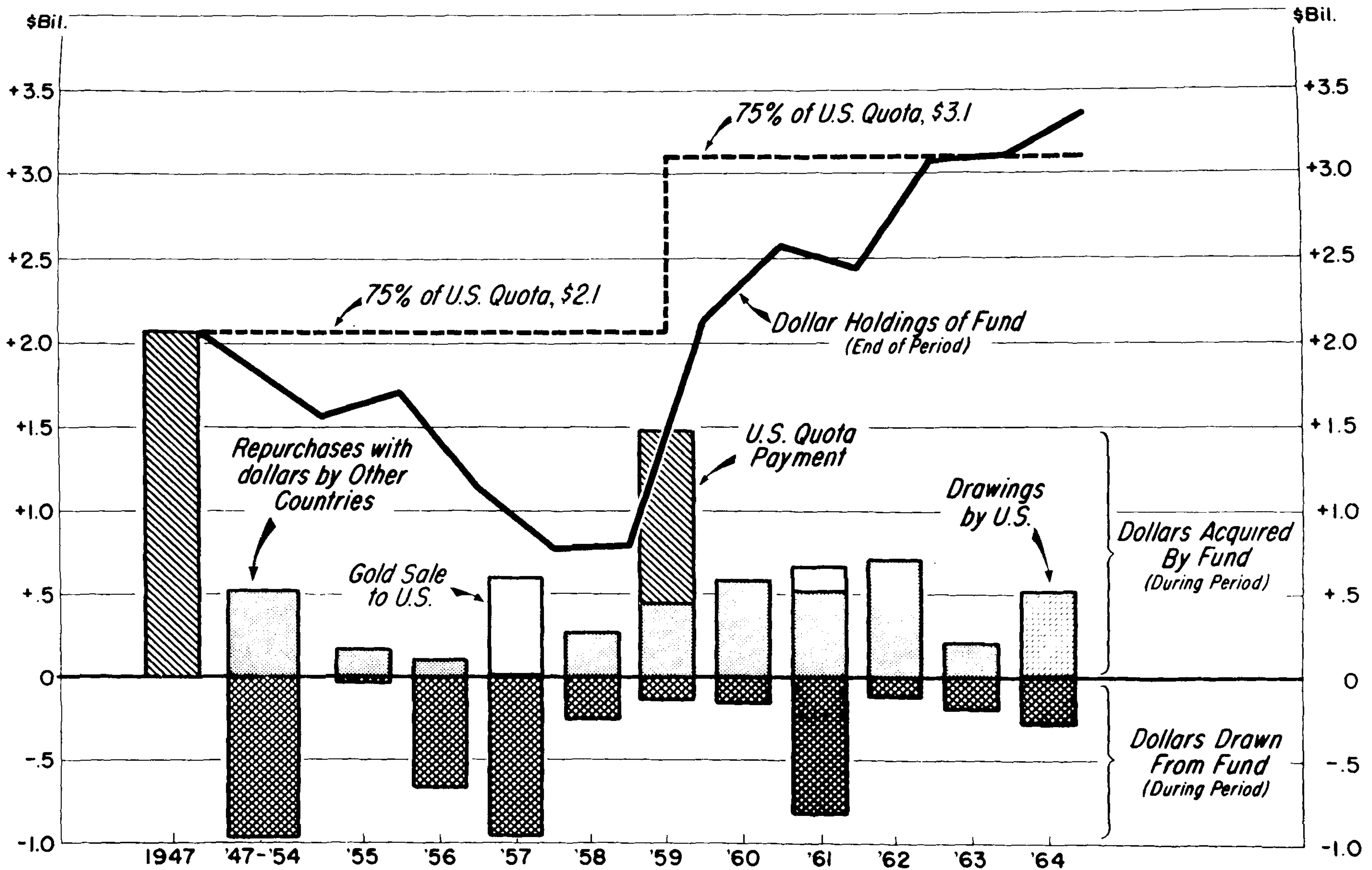
These arrangements will provide fully adequate protection for the United States gold stock while at the same time providing the Fund with needed liquidity.

Conclusion

The National Advisory Council has strongly recommended that the Congress authorize the proposed increase of 25 percent in the United States quota. Secretary Dillon was Chairman of the Council when its endorsement was submitted. I now associate myself with the recommendation and urge favorable consideration of the bill before you. The increase

in the United States quota as part of a general move to strengthen the Fund is in the interest of the United States and of the entire world community.

President Johnson, in submitting this legislation to Congress, pointed out that the International Monetary Fund has played a key role in the flourishing economic growth experienced by the Free World in the last two decades and that an expansion of the Fund's resources is now needed if it is to continue to contribute effectively to Free World growth in the future. The President urged that Congress give prompt and favorable consideration to this legislation.



Note: Fund holdings of dollars equal to 75% of the U.S. quota represents a balanced position - the U.S. neither a creditor nor a debtor vis-a-vis the Fund.
Fund holdings below 75% = U.S. creditor position.
Fund holdings above 75% = U.S. debtor position.

Office of the Secretary of the Treasury

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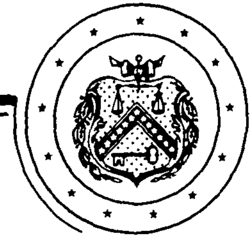
TREASURY DEPARTMENT



WASHINGTON, D.C.

May 6, 1965

FOR IMMEDIATE RELEASE

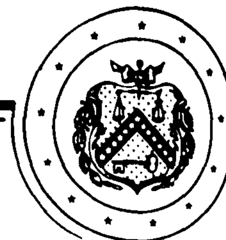
WITHHOLDING OF APPRAISEMENT ON
STEEL JACKS

The Treasury Department is instructing customs field officers to withhold appraisement of steel jacks from Canada, manufactured by J. C. Hallman Manufacturing Co., Ltd., Waterloo, Ontario, Canada, pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

Under the Antidumping Act, determination of sales in the United States at less than fair value would require reference of the case to the Tariff Commission, which would consider whether American industry was being injured. Both dumping price and injury must be shown to justify a finding of dumping under the law.

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on April 13, 1965. This information was the subject of an "Antidumping Proceeding Notice" which was published pursuant to section 14.6(d), Customs Regulations, in the Federal Register of April 30, 1965, on page 6123 thereof.

TREASURY DEPARTMENT



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TREASURY DEPARTMENT
Washington

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FOR RELEASE: AFTERNOON NEWSPAPERS
SATURDAY, MAY 8, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
TO THE BUSINESS COUNCIL
AT THE HOMESTEAD, HOT SPRINGS, VIRGINIA
SATURDAY, MAY 8, 1965, 9:15 A.M., E.S.T.

Many times, and in several capacities, I have had the pleasure of journeying to this pleasant place to discuss with this distinguished group some of the critical economic events and issues of the day.

If today, therefore, I join you in a new role, it is not as a stranger. And you are well aware that the principles and policies for which I stand are, in all essentials, those for which the Treasury has stood over the past four years and more.

Like Douglas Dillon before me, I share President Johnson's conviction that the primary purpose of economic policy is to fashion a framework, to create a climate, in which private economic effort can flourish for the benefit of all Americans. I share the President's conviction that the achievement of our national economic goals depends very largely upon our success in bringing public policies and private effort together in joint pursuit of those goals.

These are the convictions upon which our economic policies for the past four years have been based -- and upon which they will continue to be based.

There could be no better proof than the prosperity we enjoy today of the abundant benefits that can flow from public policies designed to encourage private effort. There could be no better proof of the remarkable feats that American government and American business can accomplish when they work as allies rather than as antagonists -- when they seek, not cause for senseless conflict, but common cause in the national interest.

No man in the history of our nation has worked harder or longer or more effectively to bring government and business together in a growing partnership for progress than the man who now occupies

the White House. He knows -- and he has demonstrated his belief -- that in that partnership lies the path to continued economic advance and a better America for all our citizens.

I intend to follow the President's example with every resource at my command. For there is no major area of Treasury concern that is not also of deep concern to you, or in which you are not deeply involved.

I have been most happy to learn that it is the earnest desire of the Business Council -- as it is my desire -- to reconstitute its Liaison Committee, as a regular channel of communication between the Treasury and the Council. I look forward to meeting with this Committee in the very near future to set up a schedule and an agenda, and thus maintain a really practical and effective medium for the exchange of views on matters of vital concern to you, to the Treasury and to the nation.

Let me briefly review with you a few of those areas of joint concern:

First, there is no task before us more important than sustaining the economic advance which is now in its fifty-first month -- a ripe age, indeed, as expansions go. In fact, this month of May marks an event which has received only rather perfunctory notice, but which will always hold a high place in the annals of American economic history -- for this month our economic expansion has become the longest in the entire history of our nation, with the single exception of the expansion that included World War II. Would it not be fitting to mark this record breaking achievement by a national celebration? All the American people -- business, labor, consumer, and government could share in this event -- because all have worked together to make it possible.

Yet for all its longevity, this expansion shows no signs of flagging. On the contrary, it continues to forge ahead on all fronts.

Our Gross National Product for the first quarter of this year rose by $14½ billion over the last quarter of 1964 -- a gain exceeded on only three previous occasions. The largest part of that gain was the $11½ billion rise in consumer spending. And recent surveys of consumer attitudes show consumer confidence in the nation's economic outlook at extremely high levels.

But consumer demand must be conjoined to investment demand, or capital expenditures, for a healthy growing competitive economy, and investment demand requires strong incentives. Those incentives have rarely been stronger in recent years than they are today. For example, in the fourth quarter of 1960 the after-tax profit per dollar of sales of United States manufacturing concerns was 4 percent. By the fourth quarter of last year it had grown to 5.4 percent -- a rise of one-third.

And, as President Johnson reported earlier this week, corporate after-tax profits for the first quarter of this year totalled $36 billion at a seasonally adjusted annual rate -- $4 billion above the rate in the last quarter, and more than $4½ billion above the rate in the first quarter, of last year.

And business confidence in our outlook continues to run high. As you know, the recent McGraw-Hill survey of capital spending plans show, for 1965, a 15 percent increase over last year's levels -- higher than the sizable 14 percent last year. In manufacturing alone, the planned increase is 21 percent -- in contrast to 18 percent last year. The $51.7 billion planned for this year is almost double the level of a decade ago. And the $16 billion growth in capital expenditures for the five years 1961-1965 exceeds the rise for the entire decade of the 50's. And, most encouraging, the same recent survey reveals the intention of businesses to maintain large capital spending programs well beyond the current year.

This acceleration of capital expenditure is perhaps the most encouraging factor in our national economic outlook. For it means more rapid improvement in our competitive quality -- it means new jobs and new products -- and it signals the success of a happy combination of creative public policies and private business effort. It is indeed impressive testimony to business confidence in our national leadership and to the imagination, initiative and drive of American business as encouraged by such measures as the depreciation reform and investment credit of 1962 and the tax reduction of 1964.

Slowly but steadily, our expanding economy is moving us closer to our interim goal of 4 percent unemployment. We have cut the overall unemployment rate from an average 6.8 percent in the first quarter of 1961 to an average 4.8 percent for the first quarter of this year -- and over the same period the important rate for married men has fallen from an average 4.8 percent to an average 2.6 percent.

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Thus, our economy is moving strongly and surely ahead. And to insure that it continues to do so throughout the rest of this year, we have scheduled to take effect at the beginning of July a prudent amount of excise tax reduction -- prudent because it provides an adequate but not excessive stimulus to the private sector -- prudent because it furnishes added incentives for price reductions at a time when it is imperative that we redouble our efforts to maintain our excellent record of wage-price stability -- and prudent because it would achieve these ends without seriously slowing down our drive towards a balanced budget.

This is a second and vital area of joint concern between the Treasury and the business community -- the conduct of our national fiscal affairs. When we urged the tax cut in 1963 and 1964, we said that, by helping create more jobs and rising incomes and profits, it would mean rising Federal revenues -- even at lower tax rates. We said that growing revenues in a growing economy, together with a rigorous program of expenditure control, were the only sure path to a balanced budget. Last week President Johnson reported to the nation that, as a result of rising Federal revenues and reductions in Federal expenditures, we expect the actual budget deficit for fiscal 1965 to be at least $1 billion below the $6.3 billion estimated in January.

Thus, President Johnson's programs for economic growth and expenditure control continue to uphold the pattern of diminishing deficits established with the budget for fiscal 1964 -- when the deficit dropped from an estimated $11.9 billion in January 1963, to an estimated $10 billion in January 1964, to an actual $8.2 billion. There is no need for me to tell you how difficult it is to sustain that pattern in the face of foreign crises that cannot be foreseen but continually appear. Nor is there any need for me to assure you -- for President Johnson's record of expenditure control leaves no room for doubt -- that despite these crises this Administration will continue to save everywhere we can in order to spend where we must. It is essential that we exercise restraint in the upcoming excise reductions -- furnishing the economic stimulus we need without seriously impeding our progress toward balance in our budget.

Our third area of joint concern is national credit policy. There are, as you know, those who have urged -- either to forestall what they fear is impending inflation at home, or to aid our balance of payments -- that we slam hard the brakes on credit expansion. Surely, we must vigilantly guard against

inflation -- but just as surely we must do so without harming our expansion. I see no reason why we cannot continue to be successful in both endeavors -- preventing inflation and sustaining our expansion -- if we continue, at the government level, to follow flexible monetary policies and, at the private level, to avoid inflationary wage settlements or price rises.

Nor is it feasible for us to curtail credit drastically in order to aid our balance of payments. Vigorous domestic growth remains essential to any fundamental solution to our balance of payments problems. Any gain that a sharp boost in interest rates might bring to our balance of payments would hardly be a price worth paying for the domestic economic havoc it would wreak -- havoc that would ultimately place our balance of payments position in jeopardy once more.

Certainly, as time passes and situations alter, we must make adjustments in our credit policies to meet given needs at given times. Always, those policies and those adjustments must be based on a hard and careful analysis of realities and evaluation of priorities -- not on the basis of some automatic allegiance to "tight money" or "easy money." And both the realities and priorities before us today call for continued flexibility in credit policy capable of supporting our home economy without harming our balance of payments.

The fourth, and final, major area of joint concern is our balance of payments -- and more broadly, the continued viability of our international monetary system.

I will not dwell at any length upon developments in our intensified program to bring our international deficit to a swift and sure end. We are moving ahead in all aspects of that program. As President Johnson reported last week the voluntary program among the business and banking communities is off to a good start. Overall, preliminary indications are that -- following substantial deficits in January and February -- our overall balance of payments was in surplus in March and probably also in April.

I am disturbed, however, by the undue note of elation over these results that I detect in some quarters. By all means, let these results spur us on to greater effort -- but let them not delude us into premature visions of victory. Let there be no mistake: these figures are no more than preliminary indications of a brief respite from the intense pressures created by a prolonged period -- some seven successive years -- of serious deficits in our balance of payments.

I want to emphasize with all the vigor I can muster the danger of early or excessive optimism. For example, the projected gain of $1.2 billion in the industrial side of the voluntary program concerns only certain specified transactions on which business firms were asked to report -- mainly exports, and capital movements and investment earnings transactions with industrialized countries. It does not take into account what developments may occur in other parts of our balance of payments, such as imports and tourist expenditures or even military expenditures during 1965. The $1.2 billion, therefore, cannot validly be deducted from last year's regular transactions deficit of $3.1 billion as a means of projecting this year's deficit.

We must avoid any over- optimism because of favorable developments in any particular segment of our balance of payments. Early optimism could lead to premature relaxation. For overall assessment of our situation we must rely on the regular quarterly reports which reflect all factors and actual transactions rather than expectations.

The significant fact is that, for the first time, the entire nation is involved in a massive, concerted effort, to reduce our dollar outlays abroad wherever we can, while trying to increase the inflow from abroad -- by boosting our exports and attracting greater foreign investment. That effort is bringing good results. And we can allow no let up -- indeed we must continue to redouble all our efforts -- until we have restored our international payments to balance once again, and until we have maintained that balance, not for one or two quarters, but a sufficient time to demonstrate our strength and our determination and to allow a more permanent solution to take hold.

As we do move toward balance in our payments, a new and crucial challenge is presenting itself with growing urgency before the nations of the free world -- the challenge of assuring ample liquidity to support expanding world trade in the years ahead.

Through its balance of payments deficits during the past six years the United States has, as you know, been augmenting the supply of international liquidity by some $3 billion a year. As our deficits dwindle, therefore, so does a prime source of international liquidity -- and it becomes more and more imperative that we progress toward some agreement with our foreign friends on some other means of furnishing adequate international reserves.

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We have seen this problem coming for some time -- and much of the preliminary spadework has thus been underway for some time. During the past several years the United States has joined with other major countries in comprehensive studies of the international monetary system -- its recent evolution, its present effectiveness and its future.

Under Secretary Deming and Treasury staff members are in Paris this week working on various aspects of the liquidity question. Prime Minister Wilson focused public attention on this question recently when he devoted a portion of his New York speech to a plea for comprehensive planning to avoid a liquidity squeeze when the U. S. payments deficit has disappeared. We expect the Chancellor of the Exchequer, Mr. Callaghan, to visit Washington late this month -- and he will doubtless wish to exchange views on this matter.

Over the summer and fall there will be other bilateral and multilateral talks at all levels as we move ahead toward exploring this most complex problem and toward reaching some kind of workable consensus. There is, therefore, no fixed timetable. But we are moving ahead -- and we will spare no effort to speed our progress toward a sensible and workable solution.

These, then, are four major areas of joint concern between the Treasury and the business community -- four major areas of national concern in which you are deeply interested or deeply involved.

There are, of course, many other important topics of joint concern which I have not been able to discuss -- such as the proposed liberalized tax treatment of foreign investment in the United States, our forthcoming program to deal with the silver and coinage problem, our review of abuses in the use of private foundations, and problems arising out of the regulation of the banking industry. But through your Liaison Committee, I intend to keep in close touch with you on these and other matters in the months ahead.

I know that, while I have limited myself today to what we could call the bread and butter issues of our economic life, that the interest of this group and others like it is far from limited to these concerns. I know that you are intensely interested in the vital events taking place today on the vast stage of world affairs -- in Vietnam, in the Atlantic Alliance, in the Dominican Republic.

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But we all know -- and we can never let ourselves forget -- that America's ability to succeed in its difficult and demanding role as leader of the Free World, that all the political, diplomatic and military resources at our command, depend upon a strong and stable American economy and a sound dollar.

We need have no fear for our economy or our dollar if, in the weeks and months ahead, we in government and you in the private sector can continue to confront the challenges and opportunities before us in these areas in a spirit of growing partnership and cooperation.

I assure you that I will always welcome your advice and your counsel with the same enthusiasm with which I welcome your help and your support.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE May 7, 1965

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

Preliminary figures show that about $7,956 million, or 94.3%, of Treasury notes maturing May 15, 1965, aggregating $8,436 million, were exchanged for the two issues included in the current exchange offering. The total exchanged for the 4% notes was $5,898 million (including $4,253 million for official accounts) and for the 4-1/4% bonds $2,058 million (including $65 million for official accounts).

Of the maturing notes held outside the Federal Reserve Banks and Government accounts, 11.6% were not exchanged.

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

ELIGIBLE FOR EXCHANGE		EXCHANGED FOR			UNEXCHANGED
Security	Amount	4% Notes due 8/15/66	4-1/4% Bonds due 5/15/74	Total	Amount
4-5/8% Notes	$1,816	$ 793	$ 737	$1,530	$286
3-7/8% Notes	6,620	5,105	1,321	6,426	194
Total	$8,436	$5,898	$2,058	$7,956	$480

SUBSCRIBERS	4% Notes due 8/15/66	4-1/4% Bonds due 5/15/74	Total
Federal Reserve Banks and Govt. accounts	$4,253	$ 65	$4,318
All others	1,645	1,993	3,638
Total	$5,898	$2,058	$7,956

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

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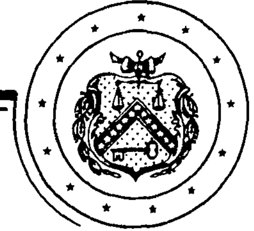
TREASURY DEPARTMENT 234

WASHINGTON, D.C.



May 10, 1965

FOR IMMEDIATE RELEASE

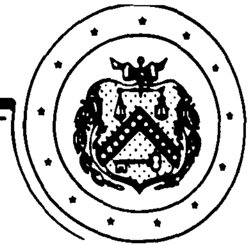
TREASURY DECISION ON GALVANIZED WARE
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed the investigation with respect to the possible dumping of galvanized ware from Canada, manufactured by General Steel Wares Limited, Canada. A notice of intent to close this case with a determination that this merchandise is not being, nor likely to be, sold at less than fair value will be published in an early issue of the Federal Register.

Appraisement of the above-described merchandise from Canada is being withheld at this time.

The dollar value of imports of the involved merchandise received during the period August through December 1964 was approximately $24,000. No importations have been reported since December 1964.

TREASURY DEPARTMENT



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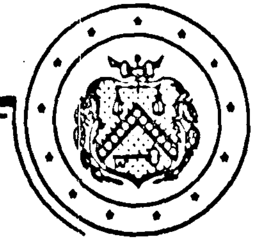
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday May 11, 1965.

May 10, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 11, 1965, and the other series to be dated May 13, 1965, which were offered on May 5, were opened at the Federal Reserve Banks on May 10. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 183-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 12, 1965		183-day Treasury bills maturing November 12, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.020	3.877%	97.998 a/	3.938%
Low	99.015	3.897%	97.990	3.954%
Average	99.016	3.893% 1/	97.992	3.950% 1/

a/ Excepting one tender of $100,000
77 percent of the amount of 91-day bills bid for at the low price was accepted
25 percent of the amount of 183-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 20,130,000	$ 10,107,000	$ 12,278,000	$ 2,278,000
New York	1,546,571,000	778,601,000	1,273,293,000	671,918,000
Philadelphia	26,308,000	14,308,000	18,409,000	4,409,000
Cleveland	28,683,000	23,383,000	25,033,000	18,458,000
Richmond	23,652,000	23,652,000	9,017,000	9,017,000
Atlanta	43,458,000	23,890,000	32,245,000	14,285,000
Chicago	318,825,000	174,851,000	348,090,000	192,090,000
St. Louis	36,801,000	28,549,000	15,735,000	13,110,000
Minneapolis	24,095,000	16,842,000	20,414,000	17,164,000
Kansas City	25,825,000	24,526,000	16,831,000	10,956,000
Dallas	26,155,000	16,086,000	11,561,000	6,336,000
San Francisco	125,571,000	66,081,000	88,884,000	40,900,000
TOTALS	$2,246,074,000	$1,200,876,000 b/	$1,871,790,000	$1,000,921,000 c/

Includes $237,927,000 noncompetitive tenders accepted at the average price of 99.016
Includes $98,564,000 noncompetitive tenders accepted at the average price of 97.992
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.99%, for the 91-day bills, and 4.09%, for the 183-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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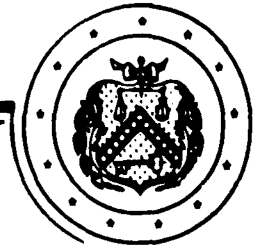
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday May 11, 1965.

May 10, 1965

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Average	99.016	3.893% 1/	:	97.992	3.950% 1/

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, MAY 12, 1965

F-43

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to May 1, 1965, inclusive, of commodities under quotas established pursuant to the Philippine Trade Agreement Revision Act of 1955:

Commodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of May 1, 1965
Buttons	510,000	Gross	158,318
Cigars	120,000,000	Number	2,637,512
Coconut oil ...	268,800,000	Pound	215,329,072
Cordage	6,000,000	Pound	2,945,216
Tobacco	3,900,000	Pound	1,846,250

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

WEDNESDAY, MAY 12, 1965 F-43

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Commodity	Period and Quantity		Unit of Quantity	Imports as of May 1, 1965
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, 1964	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	Quota filled

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, MAY 12, 1965

F-44

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through May 1, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports as of May 1, 1965
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	456,799
Whole Milk, fresh, or sour ..	Calendar year	3,000,000	Gallon	16
Cattle, 700 lbs. or more each (other than dairy cows) ...	Apr. 1, 1965 June 30, 1965	120,000	Head	3,684
Cattle, less than 200 lbs. each	12 mos. from April 1, 1965	200,000	Head	17,786
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	24,383,589	Pound	12,025,078 1/
Tuna Fish	Calendar year	66,059,400	Pound	9,599,442
White or Irish potatoes:				
Certified seed	12 mos. from	114,000,000	Pound	Quota filled
Other	Sept. 15, 1964	45,000,000	Pound	Quota filled
Knives, forks, and spoons with stainless steel handles	Nov. 1, 1964 - Oct. 31, 1965	69,000,000	Pieces	Quota filled

1/ Imports for consumption at the quota rate are limited to 12,191,794 pounds during the first 6 months of the calendar year.

TREASURY DEPARTMENT
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Fibers of cotton processed but not spun	12 mos. from Sept. 11, 1964	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	Quota filled

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, 1964, to May 10, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1964, to May 10, 1965
United Kingdom............	4,323,457	11,713	1,441,152	-
Canada....................	239,690	239,393	-	-
France....................	227,420	-	75,807	-
India and Pakistan........	69,627	43,264	-	-
Netherlands...............	68,240	-	22,747	-
Switzerland...............	44,388	-	14,796	-
Belgium...................	38,559	-	12,853	-
Japan.....................	341,535	-	-	-
China.....................	17,322	-	-	-
Egypt.....................	8,135	-	-	-
Cuba......................	6,544	-	-	-
Germany...................	76,329	25,425	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	319,795	1,599,886	

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

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IMMEDIATE RELEASE
WEDNESDAY, MAY 12, 1965

F-45

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, 1964 - May 10, 1965

Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	-
Peru	247,952	68,899
India and Pakistan	2,003,483	-
China	1,370,791	-
Mexico	8,883,259	2,701,763
Brazil	618,723	-
Union of Soviet Socialist Republics	475,124	-
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	-
Indonesia and Netherlands New Guinea	71,388	-
1/ British W. Indies	21,321	-
Nigeria	5,377	-
2/ British W. Africa	16,004	-
Other, including the U.S.	-	-

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

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

Imports August 1, 1964 - May 10, 1965

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	42,564
1-1/8" or more and under 1-3/8"	4,565,642	2,608,137

IMMEDIATE RELEASE

Washington, D. C.

WEDNESDAY, MAY 12, 1965

F-45

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Union of Soviet Socialist Republics	475,124	-
Argentina	5,203	-
Haiti	237	-
Ecuador	9,333	-
Honduras	752	-
Paraguay	871	-
Colombia	124	-
Iraq	195	-
British East Africa	2,240	-
Indonesia and Netherlands New Guinea	71,388	-
1/ British W. Indies	21,321	-
Nigeria	5,377	-
2/ British W. Africa	16,004	-
Other, including the U.S.	-	-

1/ Except Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
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Germany...................	76,329	25,425	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U. S.	-	-	-	-
	5,482,509	319,795	1,599,886	

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

IMMEDIATE RELEASE
WEDNESDAY, MAY 12, 1965

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

QUARTERLY QUOTA PERIOD - April 1, 1965 - June 30, 1965

IMPORTS - April 1, 1965 - May 7, 1965 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	7,086,519	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	*** 778,683
Bolivia	5,040,000	*** 562,602	-	-	-	-	-	-
Canada	13,440,000	*** 12,439,312	15,920,000	4,580,160	66,480,000	66,480,000	37,840,000	*** 33,338,562
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	14,612,850	70,480,000	21,695,235	6,320,000	*** 3,528,455
Peru	16,160,000	16,160,000	12,880,000	4,840,535	35,120,000	12,054,037	3,760,000	*** 3,190,108
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	*** 3,141,612
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	*** 6,178,255	-	-	-	-
All other countries (total)	6,560,000	*** 3,079,775	6,080,000	*** 465	17,840,000	*** 12,782,256	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of May 10, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
WEDNESDAY, MAY 12, 1965

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.

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Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	*** 774,683
Bolivia	5,040,000	*** 562,602	-	-	-	-	-	-
Canada	13,440,000	*** 12,439,512	15,920,000	4,580,160	66,480,000	66,480,000	37,840,000	*** 33,338,562
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	14,612,850	70,480,000	21,695,233	6,320,000	*** 3,658,455
Peru	16,160,000	16,160,000	12,880,000	4,840,935	35,120,000	10,054,097	3,760,000	*** 3,190,108
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*See Part 2, Appendix to Tariff Schedules.
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***Imports as of May 10, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 20, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 20, 1965. Cash

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

May 12, 1965

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 May 20, 1965 , in the amount of $2,200,894,000 , as follows:

91 -day bills (to maturity date) to be issued May 20, 1965 in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated February 18, 1965 and to mature August 19, 1965 , originally issued in the amount of $1,000,358,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $1,000,000,000 , or thereabouts, to be dated May 20, 1965 , and to mature November 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, May 17, 1965 . 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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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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In the debt-management responsibilities of our Department, in its constant vigil against the inroads of inflation, U. S. Savings Bonds are a dynamic detriment to the latter and a mainstay of the former. So, Mr. Neal, I congratulate you on the good fortune of your Division in having such good men and women in your corner.

Finally, I would say to all of you in behalf of Secretary Fowler -- with a sizeable underscore of my own -- that our Savings Bonds program is bigger and better and conducts itself with more dignity and determination because of you.

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because of your dedication to practical patriotism in your daily lives. You build the backdrop for the projections of our program; you create the climate for its acceptance by the opinion leaders of your respective states. You pull the strings of our marketing motivations.

Of course, our Payroll Savings program, our advertising and promotion, our marketing research, our unlimited banking assistance, our field organization -- all are available to you, as State Chairmen and, in truth, enable you to carry out a more adroit state activity. But, you play the leading roles in our performance and, to change the words of Shakespeare, without your enactment, "the play would not be the thing".

(Mr. Barr may here wish to refer to debt management and other Treasury matters.)

Now, we are looking to George Gallup and his Opinion Research to sharpen our knowledge and to guide our efforts in the precision of marketing procedures.

But, we particularly want to commend the "Senior Partners" in our marketing firm -- the State Chairmen for U. S. Savings Bonds -- in whose honor we are here convened. Many of these volunteers have been with us for a broad brace of years. Some have but recently become members of our team. But, all of you are imbued with the spirit of the Minute Man, our traditional symbol; all of you are still pioneers in your thinking and planning with regard to added achievements for our program.

These are not leadership missions which you have sought for yourselves. Rather, the leadership missions have sought you out, because of your standing in your respective communities; your records of individual, business and civic achievement and

We also want to salute Dr. Elmer W. Engstrom of RCA, the Chairman of our Industrial Payroll Savings Committee, who is making our current campaign throughout industry come alive with record-breaking accomplishments. He is the personification of "practical patriotism" which is, of course, the theme that he has given to the 1965 drive for one million one hundred thousand new industrial payroll savers.

Surely we would find our efforts much less rewarding, if we could not count on Ted Repplier and his Advertising Council as it spreads the messages of Savings Bond values across the pages and across the air lanes of the print and broadcast media of the nation. Dollar-wise, we must recognize the impressive figure of better than $50 million in space and time contributed through that far-reaching endeavor.

to Congressional hearings vital to our international monetary situation which demand his presence throughout the day. He had planned ahead to be with you, for he fully recognizes the tremendous importance of your leadership as State Chairmen. Last-minute shifts in Committee scheduling dictated otherwise.

I addressed a bankers convention in New Orleans last week and I can assure you that bankers are powerful people wherever you find them. They are great workers in behalf of our Savings Bond program. I am happy to find myself in the good company of some of the real leaders of the American Bankers Association to whom I convey the respects of the Treasury for outstanding jobs of close cooperation and understanding support throughout the years. Reno Odlin, Kris Kryzsko, Paul Collins, Joe Jones and their capable crew are bellwethers of our program. We would register far less than significant success without their hands at the throttle of our promotive power.

SUGGESTED REMARKS FOR THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE NATIONAL CONFERENCE OF U. S. SAVINGS BOND
VOLUNTEER STATE CHAIRMEN
THE WASHINGTON HILTON HOTEL, WASHINGTON, D. C.
WEDNESDAY, MAY 12, 1965

Mr. Chairman, Distinguished Guests, Ladies and Gentlemen -- Numerously and most recently, I have enjoyed the happy occasion of productive experiences which reflect the stature and strength of the field organization of the Savings Bonds Division. Wherever you work with them -- whatever the occasion -- no matter the demands -- you can count on their judgement and ability to come up with profitable results. That is, I'm sure, the first factor in our success story of $48½ billion outstanding in E and H Savings Bonds.

So, I pay tribute to the Savings Bond field force today, as Secretary Fowler would have me do and as I know he would want to do, personally, were it possible for him to be here. You know, of course, that he is deprived of the privilege, due

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

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BEFORE
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STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON EXECUTIVE REORGANIZATION
OF THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
ON REORGANIZATION PLAN NO. 1 OF 1965
PROVIDING FOR REORGANIZATION IN THE BUREAU OF CUSTOMS
OF THE DEPARTMENT OF THE TREASURY
10:00 A. M. MAY 12, 1965

Mr. Chairman and Members of the Committee:

Introduction

I welcome this opportunity to appear before your Committee in support of Reorganization Plan No. 1 of 1965 providing for reorganization in the Bureau of Customs. This Plan is an essential element in the general program now under way for the modernization and improvement of the 175-year old Bureau of Customs and of the administration of its functions.

As the President said in his message transmitting the Plan to the Congress: "All that we do to serve the people of this land must be done, as has been my insistent pledge, with the least cost and the most effectiveness."

We cannot afford organizational arrangements such as those in the Bureau of Customs which have become obsolete and do not meet effectively the requirements of our times. We need a Government structure which is modern, streamlined, and capable of meeting current requirements with maximum efficiency and minimum costs.

We believe that the proposed Reorganization Plan and the administrative reorganization which it will facilitate are responsive to the purposes of Congress as set forth in the Reorganization Act.

We particularly cite for your attention the following purposes as set forth in the Reorganization Act:

"(1) to promote the better execution of the laws, the more effective management of the executive branch of the Government and of its agencies and functions, and the expeditious administration of the public business;

"(2) to reduce expenditures and promote economy, to the fullest extent consistent with the efficient operation of the Government;

"(3) to increase the efficiency of the operations of the Government to the fullest extent practicable."

If Reorganization Plan No. 1 is permitted to become effective, all Bureau of Customs officials and employees will henceforth be appointed under the Civil Service laws. It will allow the Bureau to administer the Customs laws more effectively and swiftly and pave the way for an administrative reshaping of the Customs organizational structure and some legislative modification that will permit annual savings to the taxpayer of some $9 million -- more than 10 percent of the Bureau's annual budget. The importing, exporting, traveling and tax paying public is entitled to be served by the most efficient, effective, and economical Customs organization we can devise.

Background of Proposal

When my distinguished predecessor, Secretary Dillon, appeared before the House Appropriations Committee three months ago, he stated:

"It is my judgment that, except for the special case of the Secret Service, the Bureau of Customs is far and away the most seriously understaffed of any bureau in Treasury."

Formal merchandise entries filed increased more than 5 percent last fiscal year and are continuing their steady climb in fiscal year 1965. More than 174 million people entered our country in fiscal year 1964, most of them as passengers on nearly 51 million automobiles, vessels, aircraft or other carriers. It now appears that by 1966 these numbers will approximate 188 million people and 55 million carriers. The growth of Customs' work seems never-ending, and, of course, it is generated from sources entirely outside of our control. In the past ten years there has been a 70 percent increase in imported merchandise and a 50 percent increase in international travel. Increases in Customs personnel during the corresponding period to handle this tremendously increased flow of business have been less than 9 percent.

It is against this background that Secretary Dillon called two years ago for a thorough-going evaluation of the mission, organization and management of the Bureau of Customs. The Survey Group which carried out this study issued a 642-page report, a copy of which has been sent to each of the members of this Committee.

Status of Survey Group Report Recommendations

The Survey Group report contains 230 recommendations for an overall Customs modernization program. Only five of these 230 recommendations deal directly with changes that would be accomplished by Reorganization Plan No. 1. This Plan, upon becoming effective, would place the Customs Service on a career basis.

I emphasize this, Mr. Chairman, because there is apparently considerable confusion on this point. Your Committee is not being requested either to approve or disapprove, directly or indirectly, any of the recommendations of the Survey Group Report. The only question before this Committee is the action to be taken on S. Res. 102 expressing the disfavor of the Senate with respect to the President's Reorganization Plan No. 1 of 1965. Plan No. 1 proposes the elimination of 53 Bureau of Customs positions now filled by Presidential appointment. That is its only purpose. I hope, Mr. Chairman, that this Committee will recommend that the Senate oppose S. Res. 102.

I have been struck by the fact that since March 25 when the President transmitted Reorganization Plan No. 1 of 1965 to the Congress, most of the comments which have been received, relate not to Plan No. 1 now under consideration by Congress, but rather to certain recommendations of the Survey Group report. Desiring on one ground or another to oppose one or more of the recommendations in the Survey Group report, some persons have taken the position that,

in the absence of a Treasury commitment not to implement a particular recommendation to which they take exception, they will oppose Reorganization Plan No. 1 of 1965.

I hope this Committee will, in its report, do everything it can to discourage this tendency, Mr. Chairman.

Here is where we stand on the 230 recommendations.

5 relate directly to the Reorganization Plan now before you.

52, mainly dealing with headquarters operation in Washington, have been adopted. These have been non-controversial, and they already show promise of improved operations.

31 are dependent on legislation. They cannot, therefore, be adopted unless this be the will of Congress.

The remaining 142 are recommendations that can be put into effect by administrative action. Some of these furnish a potential area of controversy.

With respect to these 142 recommendations I assure this Committee that none will be acted upon until interested parties have had a full opportunity to express their opinions and until these opinions have been given full, open-minded, consideration in the Department of the Treasury. I shall have more to say on this subject later.

Description of Present Customs Organization

The basic structure of the Bureau of Customs has changed little since its creation in 1789. Its present organizational fabric reflects in large part historical circumstances rather than sound concepts of

modern management of Federal establishments. As new territories opened and trade patterns evolved, Congress established many collection districts with a view to meeting immediate needs. Thus, the growth of the Customs Service took place without particular relation to overall organization and management requirements.

As I said earlier, we have 53 positions to which appointments are required to be made by the President by and with the advice and consent of the Senate. Some incumbents of these offices have been known to take the view that they are responsible to one person, and one only, namely the President of the United States. It is obviously impossible to run an organization properly if the situation is such that a senior official can feel that he does not have a responsibility to the head of the organization, in this case the Commissioner of Customs.

Nor is this the only difficulty. The man to whom 45 of the Presidential appointees who are Collectors of Customs are organizationally required to report, is himself an appointee of the Secretary of the Treasury. Though the Commissioner has the superior responsibility, the Collectors have the superior status. It is as though generals were required to report to a colonel.

The present organizational arrangement creates problems even when the Presidential appointees choose, as most do, to cooperate with the Commissioner. Forty-five Presidentially appointed Collectors of

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Customs report to the Commissioner. In addition, eight other Customs officials, two in the field and six in Washington, report to the Commissioner. Certainly no national business and few national Government organizations that I know of have any remotely similar set-up. The general rule, in business and in Government alike, is to limit strictly the number of persons who report to any one top official. All of us have from time to time seen this rule broken; we know harried executives with lines of vice presidents and special assistants trying to get the final word from the boss. But 53 to 1 -- that is beyond the realm of effective supervision and management.

With the present field structure it is impossible to exclude situations where a Collector in one port rules one way in a given circumstance, whereas a Collector in another port rules differently on an identical set of facts. The overworked Commissioner of Customs and his staff find it impossible to provide to the Collectors the type of guidance required to eliminate such inconsistencies. Persons dealing with Customs have a right to expect substantially equal treatment.

Back in the last century, when communications were far different from what they are today, it undoubtedly made sense to appoint to Customs field posts persons who had considerable independent political authority. It was not possible at that time to maintain constant touch with Washington by telephone, teletype, overnight mail service and frequent face to face meetings.

However, the role of the persons in charge of the Customs field offices is quite different today from what it was then. Now what is needed are individuals who can combine several qualifications in one.

First, and foremost, our field office chiefs must be knowledgeable with respect to the intricacies and technicalities of Customs administration. They must also be skilled in government administration and management. Finally, they must have good public relations sense in dealing with local problems.

The more successful of the political appointees in the Customs Service possess some of these skills, but not many have all three qualifications. The first two, particularly, are gained primarily through experience. It is understandable that persons who are appointed to statutory four-year terms cannot become Customs experts in that time. Our Customs career officials are, generally speaking, people who entered the Service at the bottom of the ladder, and who have by dint of hard work and attention to their jobs, gone up the ladder.

The Collectors, Appraisers and other Customs field office heads are constantly called upon to hand down decisions and rulings based on general guidance provided by the Bureau of Customs from Washington. Because of the many technicalities in the Customs field, we have found it necessary to back up the political appointees with an assistant who possesses the general technical background in Customs

administration which the normal political appointee cannot be expected to have. These assistants, generally speaking, are senior people in the Customs Service who are in a position to act for and on behalf of the political appointees whenever this becomes necessary. This is obviously wasteful duplication.

Reorganization Plan No. 1

Reorganization Plan No. 1, upon becoming effective, would eliminate this duplication by putting the Customs Service on a career basis, and all Bureau officials and employees would henceforth be appointed under the Civil Service laws. About $1 million will be saved annually by abolition of the political appointee positions.

I trust you will agree with President Johnson, who gave the subject painstaking consideration before transmitting his message to the Congress, that the proposal is essential to good Government administration and economy.

Modernization of Customs Service

Quite obviously, in addition to the simple proposition contained in Reorganization Plan No. 1, there is more that should be done in connection with modernization and improvement of the Customs Service. Some improvements will require legislation, which will be submitted to Congress for its approval at a later date. Other improvements can be accomplished by administration action. In this category, one of the most significant is a proposal to regionalize the Customs Service.

A regionalized organization would permit the Bureau of Customs to realign and consolidate 113 independent field activities presently reporting directly to Washington. In its press release of March 22 the Treasury announced its intention to establish six regional Customs offices supervising approximately 25 district offices. At the headquarters level, four new offices have already been established to replace seven divisions. Further, a new position of Special Assistant to the Commissioner would be created and charged with responsibility for insuring that all Customs employees conduct themselves in strict compliance with all applicable laws and regulations.

By virtue of existing authority, the Secretary of the Treasury is empowered to establish the Customs regional and district offices and the new headquarters offices.

Complaints Received

The testimony before the House Subcommittee on Executive and Legislative Reorganization indicated some strong dissents from certain aspects of this proposed regionalized organization, particularly the location of some of the contemplated regional headquarters sites. There was also some criticism of other recommendations in the Survey Group report.

As you know, Mr. Chairman, when I assumed my present post, Secretary Dillon had already announced his intention to establish

a regional Customs organization, and he had further announced the headquarters sites for six proposed Customs regions. In view of this and in light of the information presented to the Treasury since that time, I think it would be helpful to describe the procedure I plan to follow in proceeding with the broad program of Customs modernization.

Review of Tentative Decisions on Regions and Regional Headquarters

With respect to the establishment of a regional Customs organization, I have asked that a further study be made as to whether the six regions and the headquarters offices originally announced by the Treasury Department are the number and locations best designed to meet the actual needs of shippers, importers and others in the most efficient manner. I wish to emphasize that, pending completion of that study, no specific number of regions or regional headquarters locations will be finally approved. Meanwhile I have designated Assistant Secretary Reed, who has supervisory responsibility for the Bureau of Customs, to receive any additional information and views which may be submitted concerning the regions and regional headquarters sites. Before a final decision is reached, I shall, of course, review the matter with Mr. Reed.

Review of Recommendations for Administrative Action

With respect to the other recommendations for administrative action contained in the Survey Group report, -- and these, as I have already pointed out, comprise the great bulk of such recommendations - the following procedure will be adopted.

The Acting Commissioner of Customs has established a coordinating committee to consider these recommendations thoroughly. Persons desiring to express their views should submit them to the Commissioner of Customs for consideration by his coordinating committee and by him. Where there is controversy concerning recommendations requiring implementation by administrative action, the Commissioner of Customs has been instructed to submit his considered views to Assistant Secretary Reed. Where substantial controversy still persists following Mr. Reed's review, I shall myself make the final review.

Proposed Regionalization Program

To understand the degree to which regionalization would simplify the management and administration of the Customs Service, it is necessary to compare the proposed program with the present Customs organization. The 113 independent field activities currently in operation break down as follows: 25 major collection districts, 22 smaller collection districts, 42 appraisement districts, 7 enforcement regions, 7 comptroller districts, 9 laboratory districts, and the Customs Information Exchange in New York City.

A regional organization of the Customs Service would make possible a net reduction of more than fifty principal field offices, by concentrating administrative and supervisory responsibilities in fewer officials in charge of regional and district activities. These moves would enable the Bureau of Customs to cut costs, eliminate much

duplication of effort and strengthen the supervision of its many activities, while at the same time maintaining all essential services in a more integrated organization. For example, separate collector and appraiser offices at each location would be combined in a single office, but both services would continue to be provided.

The proposed schedule provides for initiating the regionalization program with establishment of the first region in September 1965. The final region would be created in the late spring or summer of 1966. This schedule would allow time for evaluation of the experience gained in the first region before the remainder of the regions are created.

In selecting regional headquarters locations the Treasury-Customs officials concerned weighed a variety of factors: for example, the geographic location of the proposed headquarters within the region; convenience of transportation facilities from the headquarters to the various Customs offices within the region; communications facilities in the port contemplated as the headquarters location; concentrations of existing Customs personnel and installations within the region; the volume, types and complexity of importations handled by the port under consideration as a headquarters site; the extent to which selection of a particular port would necessitate relocations of personnel and facilities; the availability of office space in the proposed regional headquarters location; and whether the problems handled at the proposed location are fairly representative of those encountered at other ports in the region.

A regionalized Customs Service would be able to take full advantage of modern management concepts without, however, losing the benefits gained from the existing orientation of Customs field offices to local problems. For example, some administrative matters, such as those involving budget, audit, space and personnel, and others involving operations such as accounting, drawback and liquidation of change entries would be handled on a consolidated basis at a regional level. At the same time it would be planned to maintain at the district level, and at the larger ports within a district, a sufficient number of well trained, knowledgeable employees to resolve problems relative to liquidation of all entries, including drawback, submitted by importers, and to answer questions relating thereto. Thus the establishment of a regional organization would not result in any reduction of services now provided to shippers, importers and travelers at the district port offices.

The bulk of decisions now made locally by Customs officials would continue to be made locally in a regionalized organization. I wish to emphasize this point because I consider it most important. Local Customs officials would continue to make the broad range of decisions essential for providing efficient and effective service to the public.

The major difference under a regionalized organization would take place with respect to those decisions which at present are not,

and cannot, be made locally because of the intricate technical or policy questions that are involved. Under existing procedure questions such as these are referred to the Bureau in Washington for decision. Because of the tremendous flow of requests from the 113 separate field activities to the Bureau for decisions, rulings and interpretations, such requests cannot be handled as efficiently or expeditiously as we would like and as the public has a right to expect.

Under a regionalized Customs Service questions such as these would, where necessary, be referred by the District Directors to the Regional Commissioner for decision. Since the latter would, by the nature of his responsibilities, be oriented to the particular problems of his region and at the same time would be familiar with the policies of the Bureau and the Treasury Department, all but the most intricate and difficult questions would be resolved at the regional level. Problems requiring personal attention of Bureau officials in Washington could then be handled more expeditiously than under the current procedures, since the Washington officials would no longer be flooded with requests from numerous independent field activities all over the United States.

We intend to delegate important authority from Washington to the regional level. This would reduce significantly the number of appeals taken to Washington and the time presently required in the

in the decision-making process. All should benefit from this - local Customs officials, the importing public and the harassed Bureau officials in Washington.

Mr. Chairman, attached to my statement is a detailed analysis of the kinds of decisions that we contemplate would be made at the regional, district, and port offices when the proposed program of Customs modernization has been completed. This is extremely important, because a key objective of regionalization would be to achieve faster action taken closer to the ports where problems arise. Attainment of this objective is possible only if there is clear-cut delegation from Washington to the regions. The analysis in the attached statement sets forth the types of delegation we have in mind.

Appointments to Key Positions

In his announcement of Reorganization Plan No. 1 the President stressed that the 52 persons then holding Presidential appointments in the Customs field organization would be given consideration for suitable employment in the Customs Service under the Civil Service laws in any position for which they may be qualified.

The abolition of the offices held by political appointees would occur on a time-phased basis and would take place as the new regions are established. The following steps are envisaged in the program presently under review:

There would be a number of senior positions in the regionalized Customs Service. It is contemplated that in each of the regional offices there would be a Regional Commissioner of Customs assisted by a Regional Counsel and not more than four Assistant Regional Commissioners, each of whom would be in charge of one of the major segments of Customs activity. These officials would have overall supervisory responsibility in the districts comprising their regions.

At each of the new district headquarters there would be a District Director responsible not only for the functions of the present Collectors, but for those of the Appraisers of Merchandise as well.

At other important ports not administratively designated as district headquarters, there would be Port Directors, who, like the District Directors, would be responsible for both collection and appraisement functions at their ports.

Savings to be Achieved

The application of modern management concepts to the Customs Service would bring about substantial savings for the taxpayer which in a few years would total approximately $9 million annually -- more than 10 percent of the present annual budget of the Bureau of Customs. These savings are broken down in a memorandum which is attached to this statement. With your permission, therefore, Mr. Chairman, I shall not read it in detail. I have been assured that these savings figures represent conservative estimates.

I do not mean to imply that these savings will effect a $9 million reduction in Customs appropriations. The constant rise in the flow of Customs business makes this impossible. What I have in mind is rather that the increased costs of handling a steadily growing volume of Customs activity would be reduced in future years to the extent of $9 million annually.

Effect of Modernization Program Upon Employees and General Public

There are certain additional observations that I should like to make, Mr. Chairman.

Although the modernization program I have described would, of necessity, involve some internal realignment and might in some cases necessitate retraining of personnel, I do not anticipate any losses in grade, or abolishing of positions other than those of the Presidential appointees. In view of Customs' constantly increasing workload, there would not be an overall reduction in employment.

There is nothing in the modernization program which would affect the basic compensation or right to payment for overtime services of any Customs employee. No action will be taken by the Department in this regard without full consultation with the recognized employee organizations.

Involuntary transfers would be rare. Indeed we do not expect any at all. If necessary, involuntary transfers would be carried out with minimum inconvenience to the employees concerned.

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The Regional Commissioners' offices would be staffed from present Customs personnel to the extent possible.

As the President has already stated in his transmittal message, the modernization measures which are to be put into effect will in no way prejudice any right of any person affected by the laws administered by the Bureau of Customs. To emphasize that this will be so, the following section has been incorporated into Reorganization Plan No. 1:

> "Preservation of Remedies.--The abolition of offices herein shall not prejudice any right to protest or to appeal to the United States Customs Court any action taken in the administration of the Customs laws."

Further, all essential services to the importing, exporting, and traveling public will continue to be performed. Indeed, after the initial shake-down period, I look to a significant improvement in Customs service to the public.

Conclusion

Mr. Chairman, in order to effect a proper reorganization of the Customs Service, the President requires the authority of Reorganization Plan No. 1 to eliminate the offices of the Presidential appointees. I strongly urge that he be given that authority and that the Congress allow Reorganization Plan No. 1 of 1965 to become effective.

As for the broader features of the Customs modernization program I have outlined to you this morning, which the Secretary of the

Treasury already has authority to put into effect, I promise that before action is taken, interested persons will have a full opportunity to make their views known, and we shall hear them with an open mind.

Thank you, Mr. Chairman.

TREASURY DEPARTMENT

Delegation of Functions

This is in three parts.

Part I outlines the many functions which under the program for regionalization would be delegated from Washington down to the regional headquarters.

Part II outlines the few housekeeping functions which under this program would be transferred from the port or district level up to the regional headquarters.

Part III outlines the functions (those not included in Part II) which would continue to be performed at the port or district level.

Part I (the list here given of functions and activities which are considered for transfer from Washington to regional offices) contains a number which can directly concern individuals and corporations financially. Examples are items 2 (tariff classification), 3 (vessel measurement), 4 (penalties), 11 (questions as to overtime laws etc.), 12 (cartage contracts) 14 (disposition of merchandise), 21 (procurement contracts), 23 (space and rental), 24 (property management). Others concern employees - examples are 5 (hours of service), 13 (time and leave questions), 15 (disposition of claims), 19 (authority to appoint certifying officers), 27 (position classification), 30 (disciplinary actions).

The descriptions given indicate the extent of the particular delegations which are envisaged. Item 2 is, it is clear, a narrow delegation, due to the nature of the particular subject matter where unity of interpretation is essential. Items 14, 15, 24, 27, and 30 are generally described in terms indicating that "most" decisions would be made at the regional level. This means that the most intricate and difficult cases only would go to Washington Other delegations are described without limitation, and it is expected these would without exception be finally decided at the regional level.

Part II shows housekeeping and administrative activities now performed at the district level which would, instead, be transferred to the regional offices. With respect to liquidation of change and drawback entries explanation is given of the reasons for the change, as well as an outline of the plan to maintain employees at the district level to resolve problems presented by importers.

The extent of the list of functions under Part III gives assurance that the establishment of regional offices would not result in reduction of services now provided to shippers, importers, and travelers at the district and port offices and it gives examples, in this connection, of the functions which would thus remain at these offices.

TREASURY DEPARTMENT

Bureau of Customs

Functions and Activities Considered for Transfer to Proposed Offices From the Central Office

There follows a list of some of the activities and functions now performed at the Bureau headquarters which it is contemplated would be transferred to the regional level. These matters are under continuing study and no firm commitment can be made at this time to implement all of these transfers, nor is this intended to exclude other transfers of functions which study may prove to be desirable.

Item	Remarks
1. Complete control of the operations of bonded warehouses and foreign trade zones.	
2. General decision-making authority on questions relative to tariff classification of imported merchandise which will commit the Bureau to classify imported articles in particular classification categories whenever the Bureau has already issued a precedent for such classification.	2. This would substantially reduce the number of requests for decisions now being received at the Bureau headquarters.
3. Control of vessel measurement operations to avoid duplication of effort when sister ships are being built in different districts, and dissemination of information as to tonnages of vessels admeasured.	
4. Delegate to Regional Commissioners certain of the authority presently delegated to the Commissioner of Customs relating to penalties not exceeding $25,000.	4. Generally, the Commissioner's authority to decide penalty matters is limited to cases involving less than $100,000 except for a number of clearly defined types of cases for which he has complete authority. Additional delegation to Regional Commissioners would provide more expeditious treatment of penalties. A study is presently being made as to the type of cases that would be delegated to Regional Commissioners.

5. Hours of Service.	5. Authority to establish or change hours of service at ports of entry would be delegated by the Bureau to the Regional levels relieving the Bureau of a function that can better be handled at or near the locations when changes in hours of service are proposed.
6. Liaison Inspections.	6. Systematic evaluations of field operations would be provided by liaison officers at the Regional levels. Bureau liaison inspections for the most part would be restricted to the more complex problems and inspections cutting across Regional lines.
7. Responsibility for budgetary functions including responsibility and authority to transfer funds between financial plans in the region.	7. A single allotment would be made to each regional office. This would place total financial responsibility in the region and permit greater flexibility and maximum utilization of available funds. It would also reduce the workload burden at the Washington level by decreasing from 47 to 6 the number of offices supervised.
8. Field-level management analysis studies of planning, staffing, organizational, and procedural matters.	8. This effort would support the Bureau-wide management analysis program. The regional staff would identify new or emerging problems peculiar to the region and bring these matters to attention with recommendations for solution.
9. Maintenance of detailed general ledger accounts.	9. Because of wide dispersal and inadequate staffing general ledger accounts are not now maintained in the field offices. The maintenance of these accounts at regional level would substantially reduce the detailed accounting at the Washington level.
10. Summary collection and appropriation accounts.	10. The Bureau headquarters would receive a consolidated collection and a consolidated appropriation account from each region rather than from 47 separate offices.
11. Questions from importers and the public pertaining to the various overtime laws and fiscal procedural ·ters.	11. It would no longer be necessary to forward to Washington most questions of this nature.

12. Approval of cartage contracts.	
13. Time and leave questions now submitted to the Bureau headquarters.	
14. Disposition of unclaimed, abandoned, and seized merchandise.	14. Most cases would be closed at regional level.
15. Disposition of Claims (overtime claims filed by employees, death claims filed by survivors, etc.)	15. Most claims would be settled at regional level without referral to Washington.
16. Issuance of Travel Authority in Regions.	16. Now performed in Bureau except for travel entirely within a collection district.
17. Authority to make cash advances for change-making purposes.	
18. Authority to establish imprest funds for small purchases.	
19. Authority to appoint certifying officers in the regions.	
20. Disposal of fiscal records.	20. Subject to standard disposal instructions.
21. Matters pertaining to procurement contracts.	21. Subject to established contract appeal procedures.
22. Utilization of surplus and exess property.	
23. Procurement of space and rentals - including regional negotiations with the General Services Administration.	23. Regional offices would establish long-range plans for replacing furniture and equipment, which plans would be consolidated into an overall plan by the Bureau. At present each district has primary responsibility for space and facilities in his jurisdiction. The division of responsibilities in the Bureau does not provide a centralized authority for facilities management and planning.

24. Decisions pertaining to property management.	24. Not including final decisions on such matters as selection of sites for Customs houses.
25. Control and use of Government vehicles, including regional negotiations concerning General Services Administration motor pools, etc.	
26. Procurement and use of Customs Seals.	
27. Position Classification.	27. Probably some upper-grade limit would be fixed and, likely, key positions would be excepted from this delegation.
28. Regional training program.	28. This would be largely a new responsiblity rather than a transfer of a function from the Bureau headquarters. It would improve the efficiency of the field service.
29. Recruitment, selection, in-service placement, and promotion at all levels except executive and middle management positions.	
30. Authority to take disciplinary actions.	30. This would reduce the number of cases coming to Washington but would not diminish right to appeal to higher authority.
31. Authority to grant recognition to employee organizations under Executive Order 10988, except exclusive recognition.	31. Appellant procedures to remain unchanged.

There follows a list of some of the activities and functions presently performed at the district level which it is contemplated would be transferred to the proposed regional offices. For the most part, these are housekeeping and administrative tasks which could be performed more uniformly and more economically at regional offices. Consolidation of these services would permit the establishment and full utilization of an adequate administrative staff. Also, relieved of these service-type functions, district personnel could devote full effort to the day-to-day operational problems at the various ports and stations. This concentration of attention on operational matters would result in faster and better service to importers, exporters, and the traveling public.

Item	Remarks
1. Liquidation of change and Drawback Entries (see remarks for variance from recommendation).	1. This function could be performed most efficiently in centralized offices where adequate training could be given, the flow of work would permit full manpower utilization, optimum supervisor-employee ratios could be maintained, and the quality of the work better controlled. However, it is planned to maintain at the district level and at the larger ports within a district a sufficient number of well-trained knowledgeable employees to resolve problems relative to liquidation of all entries including drawback submitted by importers and answer questions relating thereto. This liquidation assistance service to importers at the district level was not a part of the recommendation of the Study Group.
2. Personnel work now being performed at the district level.	2. Normal personnel management responsibilities would continue to be performed at the district and port levels.
3. Fiscal - Most of the work now being performed at the district level, except collecting, classifying by account number, and depositing payments received (cashier functions).	3. This contemplates that when fully implemented the Bureau headquarters office would concentrate on developing plans, policies, and procedures for overall financial management operations; most of the detailed fiscal and accounting work would be performed at the regional level; and the district office would be free to give full attention to better serving shippers. importers, and travellers.

With the establishment of regional offices and the transfer of the functions listed above certain basic objectives of good organization, not now possible to achieve, could be obtained. Among these are: (1) a realistic span of control at Bureau, Regional, and District level, (2) unity and uniformity of command not possible with the present fragmentation of authority, and (3) a larger portion of the direction and authority over functions and activities of the Bureau of Customs lodged outside Washington and nearer the operating level.

The establishment of regional offices would not result in any reduction of services now provided to shippers, importers, and travelers at the district and port offices. Relieved of most administrative duties, local officers would be better able to cope with day-to-day operating problems. All of the normal customs functions would remain at the district and port offices. These functions would include, but not necessarily be limited to, the following:

Direct administrative supervision.

Acceptance of all types of customs entries covering merchandise for consumption, warehouse, temporary importation, exhibition, transportation under bond, etc.

Acceptance of various types of bonds relative to production of missing documents, redelivery of merchandise, exportation of merchandise, payment of amounts due, etc.

Furnishing information in person, by telephone and by mail, concerning all types of importations such as those covering quota merchandise, narcotics, gold, arms and ammunition, etc.

Examination and appraisement of merchandise.

Inspection and release of imported cargo.

Clearing passengers arriving by all types of carriers.

Discharge, examination and delivery of passengers' baggage.

Registration of foreign articles taken out of the United States.

Acceptance of estimated duties and/or taxes paid at the time of entry.

Acceptance of additional amounts found to be due upon liquidation.

Acceptance of protests to classification decisions.

Acceptance of appeals to reappraisements.

Acceptance of drawback claims.

Boarding of vessels and other carriers.

Entrance and clearance of vessels and aircraft in international trade.

Assessment of tonnage taxes.

Issuance of permits to lade and unlade.

Acceptance and approval of requests for overtime services.

Assignment of personnel as needed.

Admeasurement of vessels.

Marine documentation.

Renewal of licenses, change of masters, recording bills of sale, preferred mortgages, etc.

Authenticating, verifying, and filing shippers export declarations.

Examination and inspection of export shipments.

Direct supervision and control of merchandise in bonded warehouses.

Direct supervision of operations of Foreign Trade Zones.

Enforcement and investigative functions.

Port patrol functions.

Maintenance of records of liquidated entries.

Consultations with importers with a view to answering questions and resolving problems relative to liquidation of import and drawback entries.

Organization and administration of customs sales of unclaimed, abandoned, and seized merchandise.

TREASURY DEPARTMENT
Bureau of Customs

STATEMENT OF PROBABLE SAVINGS
Resulting from the Reorganization of the Bureau of Customs

The application of modern management concepts to the Customs Service will bring about substantial savings for the taxpayer which in a few years will total approximately $9 million annually, more than 10 percent of the present annual budget of the Bureau of Customs. These savings are broken down as follows:

$1,248,000 - Economies dependent on abolition of offices of 53 Presidential appointee positions.

$2,135,000* - Economies dependent on new legislation authorizing a number of technical innovations which would permit savings here and there without sacrificing the basic objectives of the tariff act. For example, it is estimated that $200,000 would be saved if the value limitation for formal entries were changed from the present ceiling of $250 to $500. This change would permit importers to file informal entries rather than formal customs entries in more than 200,000 instances each year. The unit cost to process an informal entry is at least 1 dollar less than the unit cost of processing a formal entry.

* This is the estimate made by the Survey Group on the basis of fiscal 1964 figures. Use of fiscal 1966 figures would increase it to $2,385,000.

$1,600,000 - Economies resulting from the transfer from the district level to the six regional offices, of responsibility for activities such as administering change entry liquidations, drawback claims and fiscal operations. This saving would be realized from better manpower utilization. Centralization of the liquidating and fiscal operations would make possible a more favorable ratio of supervisory personnel to working employees than can be achieved in many small offices. For example: We would establish a ratio of 1 supervisor for each 12 Customs liquidator positions, in lieu of our present nationwide ratio of 1 to 3.9 positions. Also, in the larger offices it would be possible for liquidation and fiscal employees to specialize or concentrate on fewer phases of these complicated tasks, much as merchandise examiners now do in our larger appraisement offices. This eventually would increase production by at least 20 percent.

$1,661,000* - Economies resulting from the substitution of appropriate spot checks for the present policy of 100 percent examination of passenger baggage. I should point out that this particular saving would accrue to the benefit of the Department of

* This is the estimate made by the Survey Group on the basis of fiscal 1964 figures. Use of fiscal 1966 figures would increase it to $2,000,000.

Agriculture rather than the Treasury budget since that Department reimburses Treasury on the theory that Customs controls provide an important safeguard against the importation of dangerous plant pests into the United States.

At the present time it is often a practical impossibility, particularly during peak workload periods, to open every bag arriving with the millions of passengers. Eliminating the emphasis on examining all baggage would permit the concentration of attention on the belongings of would-be smugglers. The objective will be a generally accepted program of voluntary compliance by the traveling public, combined with an effective enforcement program.

I might also add that substitution of spot checks for the present 100 percent baggage examination policy would be instituted only after full advance consultation with the Department of Agriculture.

$1,000,000 - Economies resulting from development on a port-to-port basis of more efficient staffing patterns. This contemplates a careful appraisal of the conditions at each port of entry after which work measurement standards would be developed and applied. The estimate of savings assumes a 5 percent increase

in the effectiveness of the Customs inspection activity, which presently costs approximately $20,000,000 annually.

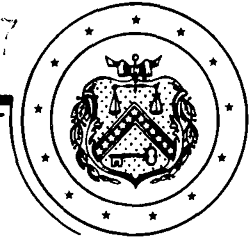
$3,400,000 - Economies resulting from various other administrative actions intended to streamline Customs procedures. Illustrative of what we have in mind under this category, it is estimated that $160,000 would be saved if the value requirement for reporting initial shipments to the Customs Information Exchange were raised from $250 to at least $500. Another $300,000 could be saved by integrating collection and appraisement activities relating to the determination of rates of duty on, and value of, imports. This combination of activities would eliminate the need for Customs liquidators to classify merchandise previously advisorily classified by Customs appraisers. It is estimated that 24 man-years of liquidating time plus additional administrative and clerical time would be saved by this concentration of activities.

In addition, under the proposed organization it would be possible to combine many of the present entry division functions with the classification and value activities. These functions would then operate jointly with the appraisement procedures. This combination would make possible optimum supervisory and

staffing ratios, eliminate duplication of effort, and result in an estimated saving of $250,000.

The above savings would total approximately $11,000,000. From this, however, it would be necessary to subtract about $2 million for new staffing requirements of the Customs modernization program. This will leave an ultimate net annual saving of approximately $9 million.

TREASURY DEPARTMENT



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WASHINGTON, D.C.

May 13, 1965

FOR IMMEDIATE RELEASE

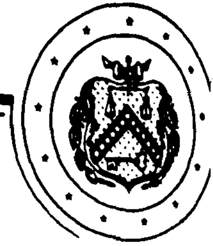
TREASURY DECISION ON BICYCLES
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed the investigation with respect to the possible dumping of bicycles from Poland. A notice of intent to close this case with a determination that this merchandise is not being, nor likely to be, sold at less than fair value will be published in an early issue of the Federal Register.

Appraisement of the above-described merchandise from Poland is not being withheld at this time.

The dollar value of imports of the involved merchandise received during the year 1964 was approximately $67,000.

TREASURY DEPARTMENT



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The dollar value of imports of the involved merchandise received during the year 1964 was approximately $67,000.

Our balance of payments deficit did not develop overnight and we don't expect to be able to solve it overnight. We have made substantial progress during the last few years. We expect to make more progress in the immediate future. Despite the rough sledding that we are sure to encounter, I have every confidence that the United States has the will and ability to reduce and eventually eliminate its payments deficit and I intend to see that every effort is made to achieve that goal just as soon as possible.

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We expect that the voluntary program will continue to be effective, but let me caution you vigorously against interpreting these results as indicating that the battle has been won.

We must avoid undue optimism that can arise from reports that do not take into account all the factors affecting the balance of our international payments. The voluntary program, which is of the utmost importance, nevertheless concerns only certain specified transactions on which business firms were asked to report. It does not take into account other highly important factors affecting the balance of our payments, such as imports and tourist expenditures, or even military expenditures abroad during 1965.

Even when all factors are considered, we must avoid undue optimism based upon no more than one or two favorable quarters.

purchases from the United States --- purchases which represent more than half of our gold loss so far this year. But, as I have said before, we can certainly expect significant gold losses so long as our balance of payments stays in deficit.

Thanks in part to the President's program to reduce capital outflows through the voluntary cooperation of the banking and business community, the deficit in our international payments was cut substantially during the first quarter of this year. We will show a surplus in March and hopefully also in April. Details will be issued by the Commerce Department shortly, but I can say that the first quarter of this year will show a seasonally adjusted deficit of somewhat over $750 million on regular types of transactions. This is just about one-half the deficit in the fourth quarter of last year.

REMARKS BY THE HONORABLE HENRY H. FOWLER,
SECRETARY OF THE TREASURY, AT A
NEWS CONFERENCE AT 2 P.M., EDT,
THURSDAY, MAY 13, 1965

The weekly gold figures which the New York Federal Reserve Bank will announce later this afternoon show a $60 million reduction in the Treasury gold stock, bringing the gold loss this year to $1.035 billion.

The most important single reason our gold outflow this year has been high is precisely because it was so low last year -- $125 million -- despite the fact that our balance of payments deficit ran over $ 3 billion.

Much of the gold loss so far in 1965, therefore, represents conversions of dollars accumulated by foreigners last year. Another factor, only partly related, is the decision by the French Government to make substantial gold

F-50

TREASURY DEPARTMENT
Washington

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Even when all factors are considered, we must avoid undue optimism based upon no more than one or two favorable quarters.

Our balance of payments deficit did not develop overnight and we don't expect to be able to solve it overnight. We have made substantial progress during the last few years. We expect to make more progress in the immediate future. Despite the rough sledding that we are sure to encounter, I have every confidence that the United States has the will and ability to reduce and eventually eliminate its payments deficit and I intend to see that every effort is made to achieve that goal just as soon as possible.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

May 13, 1965

FOR IMMEDIATE RELEASE

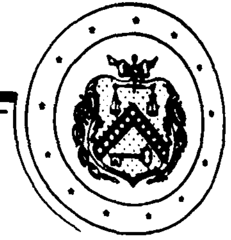
TREASURY DECISION ON TITANIUM DIOXIDE UNDER THE ANTIDUMPING ACT

The Treasury Department has completed the investigation with respect to the possible dumping of titanium dioxide, pigment grade, from France. A notice of a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value will be published in an early issue of the Federal Register.

Appraisement of the above-described merchandise from France is not being withheld at this time.

The dollar value of imports of the involved merchandise received during the period July 1964 through January 1965 was approximately $1,500,000.

TREASURY DEPARTMENT



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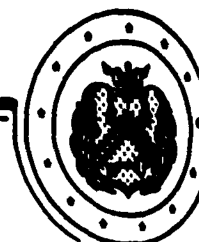

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE   May 13, 1965

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The results of the Treasury's current exchange offering of

> 4% notes dated February 15, 1962, maturing August 15, 1966, and 4-1/4% bonds dated May 15, 1964, maturing May 15, 1974, both issues with interest from May 15, 1965,

are summarized in the following tables.

Issues Eligible for Exchange	Amount Eligible for Exchange	Exchanged For 4% Notes	Exchanged For 4-1/4% Bonds	Exchanged For Total	For Cash Redempt[...] Amount	For Cash Redempt[...] % of Total Out-standing	[...]
	(Amounts in millions)						
4-5/8% Notes, A-1965	$1,816	$ 796	$ 733	$1,530	$286	15.7	[illegible]
3-7/8% Notes, C-1965	6,620	5,108	1,327	6,434	186	2.8	[illegible]
Total	$8,436	$5,904	$2,060	$7,964	$472	5.6	[illegible]

Exchanges for 4% Notes of Series A-1966

Federal Reserve District	4-5/8% Notes Series A-1965	3-7/8% Notes Series C-1965	Total
Boston	$ 22,337,000	$ 46,195,000	$ 68,532,
New York	456,804,000	4,441,041,000	4,897,845,
Philadelphia	14,783,000	23,771,000	38,554,
Cleveland	36,939,000	68,473,000	105,412,
Richmond	13,078,000	37,669,000	50,747,
Atlanta	23,899,000	56,557,000	80,456,
Chicago	100,172,000	180,859,000	281,031,
St. Louis	21,882,000	65,918,000	87,800,
Minneapolis	19,720,000	39,067,000	58,787,
Kansas City	[illegible]	[illegible]	59,193,
Dallas	12,056,000	34,562,000	46,618,
San Francisco	35,552,000	66,398,000	101,950,
Treasury	12,429,000	14,726,000	27,155,
TOTAL	$796,382,000	$5,107,698,000	$5,904,080

(OVER)

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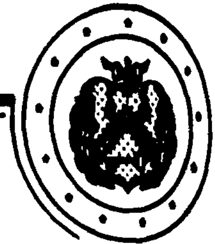
Exchanges for 4-1/4% Bonds of 1974

leral Reserve strict	4-5/8% Notes Series A-1965	3-7/8% Notes Series C-1965	Total
ston	$ 52,798,000	$ 31,378,000	$ 84,176,000
York	376,753,000	825,417,000	1,202,170,000
ladelphia	7,766,000	15,493,000	23,259,000
veland	26,970,000	62,137,000	89,107,000
hmond	8,637,000	7,077,000	15,714,000
lanta	19,907,000	21,833,000	41,740,000
cago	88,257,000	154,153,000	242,410,000
Louis	14,706,000	24,770,000	39,476,000
neapolis	13,485,000	20,352,000	33,837,000
sas City	22,359,000	12,338,000	34,697,000
llas	11,722,000	14,978,000	26,700,000
Francisco	88,389,000	113,112,000	201,501,000
asury	1,747,000	23,687,000	25,434,000
TOTAL	$733,496,000	$1,326,725,000	$2,060,221,000

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, May 18, 1965.

May 17, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 18, 1965, and the other series to be dated May 20, 1965, which were offered on May 12, were opened at the Federal Reserve Banks on May 17. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 19, 1965		:	182-day Treasury bills maturing November 18, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.018	3.885%	:	98.003	3.950%
Low	99.012	3.909%	:	97.998	3.960%
Average	99.015	3.897% 1/	:	98.000	3.955% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 24,495,000	$ 14,495,000	:	$ 6,704,000	$ 6,620,000
New York	1,332,590,000	786,510,000	:	1,424,666,000	755,484,000
Philadelphia	28,280,000	16,280,000	:	11,877,000	3,877,000
Cleveland	22,602,000	22,602,000	:	34,731,000	24,731,000
Richmond	11,272,000	11,272,000	:	3,534,000	3,534,000
Atlanta	34,622,000	32,622,000	:	26,798,000	10,794,000
Chicago	305,668,000	159,668,000	:	354,359,000	91,713,000
St. Louis	32,960,000	25,988,000	:	11,740,000	9,022,000
Minneapolis	18,390,000	18,309,000	:	7,726,000	3,974,000
Kansas City	24,417,000	23,607,000	:	19,842,000	13,023,000
Dallas	20,895,000	13,085,000	:	12,551,000	5,951,000
San Francisco	96,228,000	76,168,000	:	126,543,000	73,123,000
TOTALS	$1,952,419,000	$1,200,606,000 a/		$2,041,071,000	$1,001,846,000 b/

a/ Includes $237,442,000 noncompetitive tenders accepted at the average price of 99.015
b/ Includes $102,986,000 noncompetitive tenders accepted at the average price of 98.000
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.99%, for the 91-day bills, and 4.09%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TECHNICAL BACKGROUND SHEET ON THE SILVER DOLLAR

The silver dollar was established by the Mint Act of April 2, 1792. The coin in use now is the one first authorized by the Act of January 18, 1837, fixing the pure silver content at 90 per cent of its total weight, the remainder being copper. The coin weighs 412.5 grains, which is .8594 of a troy ounce and .9429 of the avoirdupois, ounce. The troy ounce is approximately a tenth greater than the avoirdupois ounce.

Before 1837 a slightly heavier coin (416 grains) was used. But from its first minting in 1794 the United States silver dollar has contained, and continues to contain, the same amount of silver -- slightly more than 77 and a third hundredths (.77343) of a troy ounce. At the current price for silver of one dollar and 29 and a quarter cents ($1.29292), the silver dollar is worth exactly $1.

The new silver dollar issue will be a further coinage of the "Peace" dollar. Some 190 million of these dollars were minted in 1921-1928 and 1934-1935. Since then there has been no new minting of them. Current coinage law requires that all United States coins now being minted be dated 1964, the date the new silver dollar will bear.

The Peace dollar commemorates the declaration of peace among the United States, Germany and Austria following the end of World War I. One side shows a female head, with a tiara of light rays. This side bears across the top the inscription Liberty and, in the lower half, In God We Trust, and date. The other side shows an eagle perched on a mountain top, holding an olive branch in its talons, the light rays of a new dawn rising from below. Across the top are the inscriptions, United States of America and E Pluribus Unum. In the lower half are the words One Dollar, and, at the bottom, the word Peace.

The new silver dollars are being made with $600,000 included in the Mint's expenditure authority for Fiscal Year 1965. This expires on June 30. Production of the new dollars will be on a 24 hour a day basis, so that as many as possible can be made before the end of June. The $600,000 covers manufacturing costs only, and does not include the cost of the silver or the copper content of the coins.

Since coinage of silver dollars began in 1794, 855,611,127 standard silver dollars have been made. This excludes 35,965,924 "trade dollars" of 420 grains, minted during the 1870s for use abroad, chiefly in the Orient.

The Treasury has a stock of some 3 million silver dollars, left when the Treasury ceased on March 25, 1964 to redeem silver certificates in silver dollars. Most of these pieces have special numismatic value, and no equitable way has been found for distributing them. For this reason, their release would not add to the silver dollars in circulation, because they would be taken up by coin dealers and collectors.

The Treasury now redeems silver certificates in silver bullion, at the San Francisco Assay Office and at the New York Assay Office, at the price of $1.292929292 per ounce of silver.

May, 1965

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TREASURY DEPARTMENT
WASHINGTON

FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE FREDERICK L. DEMING,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
AT THE FORTY-THIRD ANNUAL MEETING
OF THE BANKERS ASSOCIATION FOR FOREIGN TRADE
AT THE FRENCH LICK-SHERATON HOTEL, FRENCH LICK, INDIANA
ON TUESDAY, MAY 18, 1965, AT 9:30 AM (CDT)

THE UNITED STATES BALANCE OF PAYMENTS -- PROBLEM AND PROGRAM

The United States balance of international payments, except for one year, has been in deficit since 1949. In terms of the "balance on regular transactions" which we currently use in our official payments statistics, and which I use throughout this talk, the cumulative deficit was almost $35 billion.

We had seven consecutive years of deficit from 1950 through 1956, one year of surplus in 1957, and then seven more consecutive years of deficit. What I hope to demonstrate in this talk is that the first seven years of deficit constituted no great problem but that the deficits of the last seven years have been a major problem and that the form of the problem and its seriousness has shifted appreciably during that period. I also hope to show you that the corrective program has shifted in keeping with the shifts in form and scope of the problem and that there is good prospect that we are on the way to a solution of it.

To help accomplish my purpose, I first want to sketch briefly the history of the U. S. payments position during the entire post-World War II period. This, I hope, will give the picture both perspective and dimension.

In the first four post-war years, 1946 through 1949, our payments balance registered fairly large surpluses, totalling about $7 billion and averaging about $1-3/4 billion per year. In the light of the acute reconstruction needs and the badly depleted gold and foreign exchange reserves of the war-torn countries, both of which were only partially ameliorated by the very substantial economic assistance we were extending to these countries, U. S. surpluses of this size represented a relatively severe strain on the payments and reserve positions of our trading partners. More than half of our $7 billion cumulative payments surplus for those years was settled in gold, and, during the period, our gold stock rose by $4.5 billion and amounted, at the close of 1949, to $24.6 billion.

Beginning in 1950 and for a seven-year period through 1956, we ran deficits at a rate averaging $1.5 billion per year. Compared with our cumulative deficit of $10.7 billion for the period, the decline in our gold stock was relatively small, only $2.5 billion.

These U. S. payments deficits and gold losses were considered both moderate in size and not a cause for concern because of the general circumstances of the world's international payments situation during that period. Most other countries' gold and foreign exchange reserves, as I have said, had been badly depleted. What was perhaps the most important difference from our present day situation, virtually all of those countries wanted to have earning assets in their reserves and, thus, could be regarded as more than willing holders of such dollars as

might accrue to them from our payments deficits. During that seven-year period, foreign dollar holdings virtually doubled to over $16 billion.

The year of the Suez crisis, 1957, brought a small surplus again in our foreign payments -- our first and only such surplus since 1949. The amount was $500 million, and it was accompanied by a gold gain of $800 million. This brought our gold stock, at the close of the year, to $22.9 billion, which represented a net decline of only $1.8 billion from the earlier peak and was almost $3 billion more than we had as of the close of World War II.

In 1958, we resumed our international payments deficit position but with profound change in both scope and circumstance. The annual deficits in the three years, 1958 through 1960, were not only much larger than had been the case in the early 1950's but they presented a new and difficult financing problem. Over these three years, the cumulative deficit was $11.6 billion, or almost $3.9 billion average per year, and our gold loss totalled more than $5 billion.

The major industrial countries of the world, particularly those in Western Europe, by 1958 had made great gains in general economic and financial strength, due in substantial measure to our economic aid. They had largely reached the stage of currency convertibility and, by their own standards, had reasonably adequate levels of official dollar reserves. Thus, they wanted, and took, more gold to finance their surpluses.

But not only had Western Europe grown relatively stronger in economic terms, the inflationary pressures of the early 1950's had weakened the U. S. competitive position somewhat, so that our commercial trade and service balance had deteriorated at the same time that our Governmental expenses overseas were rising and overseas investment opportunities were increasing in attractiveness. Thus the U. S. deficit was not only larger but more menacing just as our financing possibilities seemed to become more limited.

With the appearance of these large deficits and gold losses in 1958 and 1959, it became widely recognized that this new and disturbing situation could not be allowed to continue long. But it was also recognized that, despite some deterioration in our international competitive position from a cost standpoint, we did not face a classic type of payments deficit characterized by domestic inflation and over-full employment, with accelerating demands for imports and dwindling exports. Rather we had rising unemployment, under-utilization of capacity and, from 1958 on, stable to declining production costs and prices. And while our surpluses on goods and services exports were not large enough to balance our heavy Governmental and growing private investment outlays abroad, there continued to be surpluses.

Thus it was decided that the solution to our problem must be sought within a framework of a vigorous and growing domestic economy with stable

costs and prices. A broad program was developed and launched in early 1961. It laid emphasis on tax incentives and ample credit to encourage growth and improve productivity through increased domestic investment. Monetary policy, while designed to be broadly stimulative, also aimed at keeping our short-term interest rates generally competitive with those abroad and, in this effort, was aided by Treasury debt management policy.

In addition to this broad policy approach, a number of other actions were undertaken. A vigorous program of export encouragement got under way with a new system of export credit guaranties and a major strengthening and broadening of Government information and promotion services for exporters. Strong actions were taken to achieve reductions in the foreign exchange costs of Government outlays overseas, and some steps were taken in the Revenue Act of 1962 to reduce the attractiveness of foreign tax havens for U. S. private capital.

The program was eminently successful in the areas affected. Thus, in 1964 as compared with 1960, our commercial trade surplus showed a net gain, despite a $3.9 billion increase in the imports required by our growing domestic economy, of $900 million, and reached a record figure in 1964 of $3.7 billion. Our trade gain during 1964 alone was most impressive -- with gross commercial exports rising by $3.1 billion, or 16 percent, while the increase in our imports remained moderate in relation to our growing GNP.

We also achieved, between 1960 and 1964, a net improvement of more than $1 billion in our military expenditures and Government grant and capital payments abroad. By tying more and more of our foreign aid -- with over 85 percent of new AID commitments now being limited to the purchase of U. S. goods and services -- we halved the net drain from this factor, from $1 billion in 1960 to less than $500 million last year. By streamlining operations and cutting procurement from foreign sources, our gross defense expenditures abroad were reduced by $250 million over this period, despite rising cost levels in the areas where most of our forces were stationed overseas. In addition, we made offsetting sales of U. S. military equipment to allied foreign governments, raising our receipts from this source from $300 million in 1960 to more than $1 billion in each of the years 1962 through 1964.

The gains made in these two major areas directly affected by our balance of payments program were supplemented, moreover, by the very rapid further growth in total income receipts from U. S. private investments abroad -- which, over the course of these four years, added a further $1.5 billion annually to our total payments receipts.

These three areas of major gains, taken together, added up to a $3.6 billion gross improvement in this portion of our international transactions -- a remarkable and impressive achievement -- which, other things being equal, would have been virtually enough to eliminate our balance of payments deficit.

But other things were not equal. In 1964, the deficit was $3.1 billion. During the four years, 1960 through 1964, the deficits totalled $13.0 billion, or $3.2 billion average per year. So the impressive improvements noted led to a relatively modest net gain. And while our gold losses during the four years were less than half those of the preceding three years, mainly because of new and imaginative financing methods, they totalled $2.3 billion. At the close of 1964, our gold stock was about $15.5 billion.

The failure to gain more ground was due primarily to two factors -- private capital outflow and tourist expenditures.

Despite impressive percentage gains in our earnings last year from foreign tourists, our net tourist deficit showed an increase of $300 million over the four-year period, amounting in 1964 to $1.6 billion.

Very much larger than this, and obviously the major factor in the worsening of our payments position which developed between the very encouraging first quarter and the final quarter of last year, was the swelling outflow of nearly all types of private capital investment. Our total outflow of private capital during 1964 amounted to almost $6.5 billion -- up almost $2.2 billion from the preceding year and $2.6 billion higher than the 1960 level.

Private capital outflow began to grow in the late 1950's and short-term outflow was particularly heavy in 1960. Such outflows, of course,

generate earnings, and I also noted the rise in investment income during the period 1960-64. But the relatively rapid rise in capital outflows in early 1963 gave cause for concern and led to, the mid-1963 program of additional monetary policy action to keep short rates more competitive and to the introduction of Interest Equalization Tax legislation designed to hold down the rapid expansion of foreign securities marketing in this country.

The $6.5 billion capital outflow in 1964 breaks down as follows. Direct investment abroad totalled $2.4 billion, or $700 million more than in 1960 and $500 million more than in 1963. This figure does not include investment of retained earnings abroad. We do not have the data for 1964, but for 1963 such reinvestment totalled $1.6 billion.

Long and short-term bank credit outstanding increased during 1964 by $2.5 billion, a very sharp gain. The rise in short-term credits alone was $1.5 billion, or more than $500 million greater than in 1960, while the gain in long-term credits was more than $900 million, six times that for 1960. While much of the short-term finance provided support for American exports, very little of the long-term finance, only 15 percent, was for that purpose. Most of it represented financing of foreign business enterprises in various countries, and much of it seems to have been a substitute for capital market borrowing which was inhibited by the Interest Equalization Tax. Foreign securities purchases by

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Americans were less than $700 million in 1964, about equal to their 1960 level and only one-third as large as the annual rate prevailing in the first half of 1963.

Finally, outflows of nonbank short-term capital, much but not all of which represented temporary placements of U. S. corporate liquid funds abroad, were almost $600 million in 1964, or $200 million more than in 1960. Other long-term capital outflow totalled more than $300 million in 1964, up very much from 1960, but the bulk of this represented a special transaction to finance the British Columbia hydro-electric project.

So here you have the setting for the President's Balance of Payments Message of February 10, 1965. Let me restate it in brief summary form.

The success of the program begun in 1961 had led to gross improvement of $3.6 billion, resulting mainly from bigger net exports, rising investment income, and savings on Government expenditures abroad. The economy had grown significantly with stable costs and prices. Monetary policy, aided by debt management policy, had kept our short rates reasonably competitive and had moderated short-term outflows responsive to interest rate differentials. The Interest Equalization Tax legislation had cut back sales of foreign securities to Americans from the extraordinary levels of early 1963. But the over-all outflow of capital was very heavy

and, coupled with rising net expense on tourist account, had far more than offset such gains as had occurred in other areas. Thus the problem had shifted again and the new program was designed to deal with that shift.

This program included a variety of measures strengthening and rounding out various aspects of the broad effort we had been making to improve the various segments of the balance of payments since early 1961. Strong additional measures to achieve further cuts in the balance of payments cost of Government expenditures abroad were requested, along with continuing and intensified efforts to expand our exports. The President also requested a program aimed at increasing travel in the United States, by both foreigners and Americans, and asked for legislation to reduce further the duty-free allowance for American tourists returning from abroad. This measure, we believe, should help directly to reduce somewhat the total amount which American tourists would spend abroad during the next two years, while also serving to remind all travelers and citizens that such expenditures are a significant element in the balance of payments situation we are dealing with. He also asked for legislation, as recommended by a special task force which had been appointed by President Kennedy, to give added encouragement to private investments by foreigners in the United States by removing unnecessary tax barriers or discouragements to such investment.

In addition to this reinforcement of earlier programs, it was necessary to bring about a prompt and substantial cutback in the very large outflow of private lending and investment abroad. The President's Message therefore included a series of new and much more comprehensive measures.

First, under authority provided to him in the Interest Equalization Tax law, he announced the immediate application of that tax to bank lending of one year or more maturity. He also requested that the Congress extend the life of the tax by a further two years, from the end of 1965 to the end of 1967, and broaden its coverage to include nonbank lending in the one to three-year maturity area.

Secondly, and most important of all, the President also called for a broad program of voluntary restraint by banks and business firms, applicable to all types of capital outflows.

This program of voluntary restraint is, as you know, being implemented on the basis of rather specific guidelines circulated by the Federal Reserve System and the Secretary of Commerce, respectively, to the banks and other financial institutions and business corporations which are involved. The guidelines for banks call for a limitation of total outstanding loans to foreigners at the end of this year to a level not more than 5 percent above the end-December, 1964, level and provide that, within these ceilings, priority should be given to export financing and to credits to less-developed countries and to avoid restrictive policies that would place an undue burden on Canada, Japan, and the United Kingdom.

In the development and implementation of these guidelines, special pains have been taken to avoid an adverse impact on the continued availability of adequate bank financing for U. S. exports. Such financing of exports is, after all, one of the most important ways in which banks can contribute to our over-all balance of payments program. Our ultimate success in achieving the kind of long-run balance we are seeking in our international payments will, in the end, depend very heavily on the adequacy of the continuing growth we can attain in our exports.

The guidelines for business corporations under this program call for each firm, using 1964 as a reference point, establishing for itself a quantitative target for substantial improvement in the balance of payments impact of its foreign transactions during the current year.

We are aware that recent large outflows of such capital are, in one sense, both a result and a demonstration of the great and growing general strength of our economy -- its ability to generate a large flow of savings, the capacity and flexibility and efficiency of our financial institutions and other mechanisms for directing investable funds to available investment opportunities, and the general competitive drive and effectiveness of our financial firms and business corporations.

The basic point which we have to face up to, however, is that recent heavy outflows of private capital -- portfolio outflows, long and short-term bank lending, direct investments and liquid deposits abroad by business firms -- have together put a very heavy strain on our international liquidity position and must, for the time being, be substantially curtailed.

Despite the long-term benefits which we reap from such capital outflows over the years ahead, we simply cannot afford, as a short-term matter, to let these outflows get so far out of line, relative both to inflows of foreign investment funds into our own economy and to the over-all level of international earnings from exports and other foreign transactions. It is essential that we bring our total foreign payments accounts into balance, not sometime in the indefinite future, but soon. To achieve this, it is necessary that all sectors of our economy cooperate in this over-all effort.

We believe that the program announced by the President on February 10 is off to a good start. It is, however, still too early to attempt any quantitative assessment of its long-term effects, and it is still too early to claim complete success for it. It has, certainly, had a favorable psychological effect in strengthening confidence in the U. S. dollar. We feel sure that it can and will, as the year proceeds, make a major contribution in reducing our total payments deficit quite substantially below the levels of the past few years. But the fight is far from over, and there must be no relaxation of effort now.

The preliminary figures for our first quarter balance of payments were released by the Commerce Department last week. These estimates show, for the full quarter, a seasonally adjusted deficit on regular transactions of $767 million -- about half the size of the fourth quarter 1964 deficit.

This total figure for the entire quarter includes, however, large deficits in both January and February. These deficits reflected both adverse temporary effects from the dock strike on our trade balance and sharp further increases in at least some types of private capital outflow during the period preceding the President's February 10 Message. Our trade surplus, seasonally adjusted, for the full first quarter was down almost by half from the preceding quarter, with exports being much more heavily affected by the dock strike than imports.

During January and February together, the net increase in outstanding long-term claims of U. S. banks on foreigners was about $500 million -- more than half as much as the entire increase over the previous full year. During March, on the other hand, there was very little further increase at all in the amount of such credits outstanding, and all of such increase went to the less developed countries.

The shift in the pattern of this particular category of bank lending during the course of the first quarter, and the direct relationship of its timing to the February 10 announcement of our program, is even more clearly indicated by the data we get on new long-term lending commitments by banks. These data, even though they do not reflect the precise timing of actual loan disbursement, are nevertheless our best indicator of gross bank-lending outflows before any netting against repayments. The total amount of such commitments during 1965, reported to us to date, is over

$1 billion, about half as large as all commitments made in 1964. But 75 percent of this total represents commitments made during January and the first ten days of February. And 80 percent of the commitments made since February 10 have gone to the less developed nations. I might note also that both data on net claims outstanding and our new-commitments figures show that long-term bank lending to less-developed countries this year has continued at levels pretty much in line with the pattern last year.

Our gold losses since the beginning of this year have, as you know, been large. The Treasury gold stock has shown a decline of $1,035 million through May 12. This is, of course, a complete turnabout from our extremely favorable experience last year. In part, as you know, this reflects the decision by the French Government to make substantial gold purchases from the United States -- and more than half of our total loss so far this year has been accounted for by their purchases.

For the remainder, the large gold outflow so far this year reflects, with a lag, the 1964 deficit of more than $3 billion. Dollar accumulated by foreigners during the last half, and particularly the final quarter, of last year as a result of our large payments deficit are, this year, in effect, filtering through to their central banks and being converted by them into gold. We have always recognized, after all, that the root cause of our gold losses is our large balance of payments deficits, and that we must, generally speaking, expect to continue to have significant gold losses until these deficits are fully and firmly eliminated.

To return again to the over-all payments results, our January and February deficits were followed by a sizeable surplus in March. Although such an improvement in March was partly to be expected in any case -- both as a temporary result of the initial recovery in exports following the dock strike and on the basis of what appears to be a normal seasonal pattern of some reflow of corporate liquid funds from abroad at the end of each quarter -- it also reflected the sharp and substantial decline in long-term bank lending which I have just referred to, and very probably other similar developments.

Moreover, this limited evidence of significant favorable developments during March appears to be confirmed by such preliminary and very partial information we have so far on April. Present indications are that April also will probably show some surplus in our over-all payments. In this case, such a surplus would run counter to what we would otherwise be inclined to expect as a normal seasonal pattern.

So, I think it fair to claim progress in the balance of payments program. But in the words of "September Song," "it's a long, long time from May to December." Again, I must stress that it is too early to make a quantitative appraisal of 1965 results. Even more importantly, it is far too early to talk of attaining complete success in our efforts to resolve the balance of payments deficits. One thing we cannot afford now is over-confidence, which could lead to relaxation of our efforts.

The stakes are too high to be careless. For the attainment of international payments equilibrium for the United States is vital to our position of world leadership and to meaningful discussion of any improvement in the international payments system.

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It is always difficult to predict with any degree of accuracy the future state of our balance of payments or the year-to-year developments that might take place. There are, however, some significant factors to be noted. There are changes in the depth and quality of markets abroad taking place -- slowly to be sure but nonetheless important. Most importantly, there is in our balance of payments situation deep underlying strength. There are favorable trends in our Government expenditures overseas as they affect the balance of payments; there is the fundamental encouragement growing out of the price stability characterizing our domestic economy and the increasing general competitiveness of the United States in world markets -- key factors to the maintenance and strengthening of our trade position; there is also the growing amount of earnings arising from United States investments abroad over past decades which should sharply improve our balance of payments position in the years ahead. How strong these forces will be and how quickly their strengthening will appear will have much to do with the timing of the day when we can begin to thaw out the restraints employed to bring, over the shorter term, a sharply improved balance of payments position.

Some may wonder whether this disappearance will be hastened by the achievement of a reinforced international payments system. We are certainly going to continue to search for ways in which the international payments system can be further reinforced. But this task should not be misinterpreted as one of finding a system which will permit any and all nations at their discretion to be perpetually in deficit. It seems highly doubtful indeed that the countries of the free world will be willing to accept a situation in which the United States, for example, would run, in a future as in the past period of 15 years, deficits totaling $35 billion settled only 25 percent in gold. Rather the search is one of exploring all means by which the system can be adapted, modified and built upon to reinsure a system in which countries can avoid severe shocks either to their domestic economy or to other countries in correcting balance of payments positions. In whatever system emerges, I am confident that the dollar will play a key role both as a trading and reserve currency.

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The Administration has asked for the extension of the tax for an additional two years, that is, up to the end of 1967 and has asked for its application generally to loans of one year or more maturity. With the passage of such legislation the Administration will have, broadly speaking, a double-edged restraint on all forms of investment abroad -- except direct investment and loans of under one year, to which only the voluntary restraint program applies. These exceptions were based to a considerable extent on administrative difficulties as well as the closer involvement of these forms of investment with United States exports.

It seems apparent, therefore, that the IET remains a major deterrent in the area it affects. With Congressional approval, the tax will be broadened to apply also to the one- to three-year lending of non-bank financial institutions, following the application of the Gore Amendment imposing the tax on bank loans of one year or longer. However, the primary influence on bank lending is the guidelines issued by the Federal Reserve System which deal with curbing flows by limiting availability. In the longer term area in which foreign issues are most likely to fall and for those investors which historically have been most interested in purchasing such securities, we continue to rely on the IET.

It seems quite clear that heavy capital demands will characterize the free world for years and years to come. At the same time, there may be a question as to how much of this demand the United States can meet and cover with a surplus in our current account. If actual developments over time do show a need for some dampener on United States supplies of capital to the free world, the question as to the technique to be used will again be raised. This is a highly "iffy" question. However, in theoretical terms, I would submit that there is much to be said for the tax method -- if indeed our objective remains one of interfering as little as possible in the operations of free markets. The tax method does remain a non-discriminatory allocator by the cost method and it provides the incentives for correctives permitting its eventual elimination. I would think that these are not inconsiderable benefits to be lightly discarded.

substitution and that the tax would at least reduce one form of capital outflow which had been rising at an alarming rate.

There is no doubt that the rise in long-term bank loans during 1964 and early 1965 reflected to some degree an effort to escape from the tax on securities. There is no way of demonstrating with certainty what that degree was; but, whatever it was, the rising volume of bank loans to foreigners in 1964 made one thing clear. We could not prudently assume that the operation of European security markets in the near future would reduce sufficiently the pressure of foreign demand for United States capital. Long-term interest rates in Europe which generally rose during 1964 -- substantially in some cases -- have continued to rise this year despite the fact the European interest rate levels are high by historical standards. Indeed United States rates are on the high side by any historical standard. Continuation of this movement could increase the relative attractiveness of the United States capital market to foreign borrowers despite the tax. Hence it appeared desirable to supplement the IET by a direct appeal to the American financial and business community to cooperate voluntarily in restraining capital outflows of all types to other advanced countries.

The tax itself, of course, acted as a voluntary as well as a market restraint on the sale of new foreign security issues to American investors. I think this is one of the reasons why, after uncertainties about the nature of the tax were resolved by its passage, the American financial community did not resume any substantial marketing of new issues of other advanced countries (excluding Canada), but the growing pressure to market foreign issues in this country as the long-term interest differential widened would eventually, if continued, have reduced the effectiveness of the tax. It therefore seemed desirable, in establishing the voluntary control program, to apply it not only to forms of capital outflow previously untaxed, but also, as an added dissuader, to those that were taxed.

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I do not mean in any way to suggest that the IET has been the only factor leading to the apparent reduction in gross purchases of foreign securities from foreigners by Americans. The domestic business climate and the course of United States security prices may have had as much or more effect. This becomes apparent in considering why the tax has not opened up a substantial price margin between the prices of American-held foreign securities and foreign-held foreign securities. In the case of bonds traded on the New York Stock Exchange, there has been little or no premium. In the case of stocks, premiums have been more variable but generally have been much lower than ten percent.

Before Congressional approval of the tax last September, temporary uncertainties may have accounted in part for this situation. But certainly in the period since last September one must conclude that, in general, there has been such a weak American demand for many foreign securities that, as a group, Americans have been willing to unload many of these securities at close to current foreign prices even at times when <u>foreign</u> demand for them has been heavy. The reason for this situation, as noted above, undoubtedly lies in part in the vigorous expansion of our own securities market, as compared to declines in major stock markets abroad, at least until quite recently.

There have, of course, been some individual foreign stocks which have attracted strong United States, as well as foreign demand, and the premiums on these have become substantial at times. But American demand for many foreign stocks has remained weak despite the steady attrition in the tax-free American-held supply over the last year and a half.

<u>Balance of Payments Effect</u>

The IET has been criticized as not having helped the balance of payments, however much it has reduced purchases by Americans of securities of other industrialized countries. I began by saying that the IET was a <u>limited</u> measure. It was realized, of course, that foreign borrowers might be induced to seek United States funds through other channels than the United States capital market after the tax had been announced. But it was believed that there was a limit to the extent of such

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But attention simply to new issues is misleading. The IET also applies to trade in outstanding issues.

Prior to the announcement of the IET there had been several years of net purchases by Americans of such issues. Purchases of outstanding foreign bonds which had been sizeable in the first half of 1963 almost ceased in the second half of 1963 and have not resumed to date. United States purchases of foreign stocks which had already fallen off in the months preceding announcement of the tax changed to large net <u>sales</u> in the second half and these have continued to date.

The combination of these changes was that net United States transactions in outstanding foreign securities by Americans shifted from purchases of about $250 million for the seven quarters prior to the IET to sales of $340 million for the seven subsequent quarters. In balance of payments terms, this represents a reversal of nearly $600 million.

While the change in <u>net</u> transactions in outstanding foreign securities has been favorable for the United States balance of payments since mid-1963, it is important to consider, from the viewpoint of effectiveness of the IET, whether this has happened at a relatively high or at a greatly reduced level of <u>gross</u> transactions. If <u>gross</u> purchases of outstanding foreign securities from foreigners <u>by Americans</u> have not been restricted substantially by the tax, the net movement could again become troublesome for the United States balance of payments whenever foreign gross purchases of outstanding foreign securities from Americans fell off.

Available data do not reveal the volume of gross purchases directly. A major indicator, however, suggests that they have fallen off substantially since the first half of 1963. This indicator is the relatively small volume of purchases reported to Internal Revenue Service for purposes of the tax. Based on the amount of tax collected in the first quarter of this year, it would appear that gross purchases of taxable foreign securities from foreigners have been quite small.

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To sum up, there has been noteworthy and favorable reaction to the incentives which the IET offered. To potential borrowers, there was encouragement to seek funds in other markets; these borrowers have done just that. On the supply side of the market, attention was riveted on the lack of depth and broadness in markets which limited their ability to satisfy either domestic or external demand. A number of studies continue in this area by the Common Market countries, in the Organization for Economic Cooperation and Development (OECD) and elsewhere. Finally, the marketers of issues responded by seeking new sources of supply and a greater internationalization of the capital markets.

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What have been the results since the IET was proposed by the President to be effective July 19, 1963? Since then, new foreign security issues taken by foreigners have averaged a quarterly rate less than one-half the rate of the three quarters prior to the announcement. While part of this decline was due to uncertainties about the passage by Congress of the tax, the interesting point is that <u>since</u> passage of the bill in September there has been no upsurge in issues floated in the United States by advanced countries other than Canada. The amount of such issues purchased by United States residents has remained insignificant.

On the other hand, the IET has been a powerful stimulus to development of the European capital market as Japanese and European borrowers have turned to it to meet their needs. New foreign bond issues in Europe in 1964 reached $1 billion -- almost double the 1963 figure. Significantly, issues denominated in dollars which were about $100 million in 1963 rose to over half a billion dollars in 1964 attesting to the broad acceptance of the dollar as a standard of value in the long-term international capital market.

These dollar issues served as a vehicle for the development of new underwriting and marketing techniques which might not otherwise have been forthcoming. I am particularly pleased that United States underwriters have played an important role in this development. In addition, with London

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We also wanted to avoid any measure that would create doubts about the continued usefulness of the dollar as the major international currency. The outflow of capital was not a sign of basic weakness in our economy. It stemmed from the combination of two factors: a large and rising volume of domestic savings, efficiently channeled into whatever investments at home or abroad seemed to offer the highest yields; and a persistent demand for private long-term investment funds from borrowers in other developed countries.

Many of these borrowers wanted local currency funds, not foreign exchange in the form of dollars. To some extent the United States played the role of a financial intermediary -- particularly between continental West European savers and borrowers. The former have a penchant for keeping their savings in rather liquid forms; while the latter wanted long-term funds. Local banking systems to some degree performed the role of intermediaries between savers and borrowers; but various legal and institutional factors limited this role.

The United States, therefore, helped as an intermediary by providing substantial amounts of long- as well as short-term dollars to Western European borrowers who converted them into the required local currencies at their banks. The latter, as a result, accumulated dollars which they hold with varying degrees of firmness depending on the usefulness of more dollar holdings to them in their own particular situations. We did not want to adopt any measure that would reduce that usefulness.

cooperation and a stronger international payments system. Sound developments in these areas can only be assured with an American economy that performs without waste of human or natural resources.

There were, in our view, serious doubts that the major alternative for dealing with this problem -- the establishment of a Capital Issues Committee -- would in fact provide a sound approach. Speculation at home and abroad as to the scope of the Committee's activities, particularly during its formative period, would in all likelihood have stimulated more capital flight than the Committee's actions could possibly have deterred. Moreover, a Capital Issues Committee could not have dealt with the problem of curtailing outflows owing to investments by Americans in outstanding foreign securities -- outflows which on occasion had involved quite substantial amounts in the United States balance of payments. In addition to these very practical considerations, there is finally the important consideration of seeking to establish a ground rule which is as non-discriminatory as possible and is little subject to arbitrary administration. It, therefore, seemed far better to let the individual investor decide about transactions in foreign securities in the light of a non-discriminatory and clearly identified tax rather than having a Committee or person continually deciding which new foreign issues individually, was to be allowed into the United States market.

To some it may seem that the administration of the tax involves arbitrary decisions regarding exemptions and other matters perhaps little different from those that would face a Capital Issues Committee. But I submit there is a fundamental difference. Under the Interest Equalization Tax, the Administration explained to the Congress at the beginning the nature of its operating guidelines and these by and large avoided discrimination among individual foreign issues.

offered, over time, in assisting us toward bringing about a generation of forces working toward international adjustment in the balance of payments positions of the various countries, surplus and deficit alike.

When we asked the Congress in July 1963 to adopt the Interest Equalization Tax, the measure was conceived as a limited response to a situation that was threatening to nullify the improvement we had been making in other than the capital sector of our balance of payments. New foreign issues in our market, on an annual rate basis, doubled between 1961 and 1962, then redoubled between 1962 and the first six months of 1963. There were without doubt, some unusually heavy although temporary concentrations of certain issues during this latter period. But it was quite clear that the accelerated outflow of portfolio capital would continue -- and that would have pushed our balance of payments deficits to new heights unless, as seemed unlikely, other capital flows simultaneously declined or movements of a compensating nature occurred elsewhere in our balance of payments position.

To deal with the situation by forcing long-term interest rate levels in the United States fully into line with those abroad would have been totally unacceptable in the light of our unemployment and unutilized plant capacity -- even if it were a practical possibility. Domestically, we simply did not -- and this has been confirmed by experience since then -- need either higher interest rates or tighter credit. And, I might add parenthetically, there is no evidence now that these are needed.

The solution of a major upward readjustment in long-term rates therefore was not feasible. Indeed, untimely action toward domestic restraint, by threatening to stifle economic expansion and growth, could have in fact impeded the continued development of international financial

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TREASURY DEPARTMENT

Washington

Remarks of the Honorable Merlyn N. Trued
Assistant Secretary of the Treasury for International Affairs, before The Financial Analysts Federation 18th Annual Convention, at the Sheraton Hotel, Philadelphia, Tuesday, May 18, 1965, 2:15 p.m. EDT

The invitation to be with you today and to discuss the Interest Equalization Tax provides a welcome opportunity. Two years ago, almost precisely at this time, we were developing this tax proposal. Faced with a flow of United States investment into foreign securities that threatened to swamp our balance of payments with an intolerable deficit and the dollar along with it, we were carefully assessing the various possibilities for curtailing this flow.

I should like to revert later in this talk to a brief consideration as to why we chose the tax as the particular method to deal with this problem in our balance of payments. Let me note at the outset simply that two years' experience provides a timely occasion to review the performance of the Interest Equalization Tax in terms of markets and prices, as well as in terms of our current, more pervasive efforts to deal with our payments deficit. It is particularly timely moreover because we have now asked the Congress to extend this tax for a further two-year period to expire December 31, 1967.

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It is always difficult to predict with any degree of accuracy the future state of our balance of payments or the year-to-year developments that might take place. There are, however, some significant factors to be noted. There are changes in the depth and quality of markets abroad taking place -- slowly to be sure but nonetheless important. Most importantly, there is in our balance of payments situation deep underlying strength. There are favorable trends in our Government expenditures overseas as they affect the balance of payments; there is the fundamental encouragement growing out of the price stability characterizing our domestic economy and the increasing general competitiveness of the United States in world markets -- key factors to the maintenance and strengthening of our trade position; there is also the growing amount of earnings arising from United States investments abroad over past decades which should sharply improve our balance of payments position in the years ahead. How strong these forces will be and how quickly their strengthening will appear will have much to do with the timing of the day when we can begin to thaw out the restraints employed to bring, over the shorter term, a sharply improved balance of payments position.

Some may wonder whether this disappearance will be hastened by the achievement of a reinforced international payments system. We are certainly going to continue to search for ways in which the international payments system can be further reinforced. But this task should not be misinterpreted as one of finding a system which will permit any and all nations at their discretion to be perpetually in deficit. It seems highly doubtful indeed that the countries of the free world will be willing to accept a situation in which the United States, for example, would run, in a future as in the past period of 15 years, deficits totaling $35 billion settled only 25 percent in gold. Rather the search is one of exploring all means by which the system can be adapted, modified and built upon to reinsure a system in which countries can avoid severe shocks either to their domestic economy or to other countries in correcting balance of payments positions. In whatever system emerges, I am confident that the dollar will play a key role both as a trading and reserve currency.

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nd exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and he 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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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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 27, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 27, 1965. Cash

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE May 19, 1965

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 May 27, 1965 , in the amount of $ 2,201,019,000 , as follows:

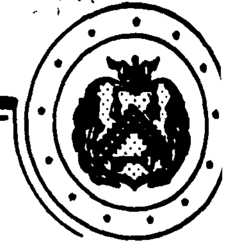
91 -day bills (to maturity date) to be issued May 27, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated February 25, 1965 , and to mature August 26, 1965 , originally issued in the amount of $ 1,003,386,000 , the additional and original bills to be freely interchangeable.

183 -day bills, for $ 1,000,000,000 , or thereabouts, to be dated May 27, 1965 , and to mature November 26, 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, May 24, 1965 . 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.

May 19, 1965

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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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on May 27, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 27, 1965. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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The 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

May 19, 1965

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TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000 (2), or thereabouts, of 365 (3) -day Treasury bills, for cash and in exchange for Treasury bills maturing May 31, 1965 (4), in the amount of $1,000,141,000 (5), to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated May 31, 1965 (6), and will mature May 31, 1966 (7), 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, May 25, 1965 (8). 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 (9) 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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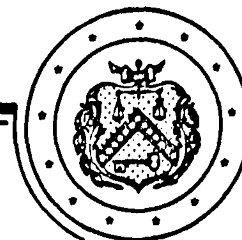
TREASURY DEPARTMENT



WASHINGTON, D.C.
May 19, 1965

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Statement of
Henry H. Fowler
Secretary of the Treasury

before the

Subcommittee to Investigate Juvenile Delinquency

of the

Senate Committee on the Judiciary on S. 1592

May 19, 1965

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Mr. Chairman, I am happy to appear before your Committee in association with my colleague, the Attorney General, and other representatives of the Administration in support of S. 1592 to amend the Federal Firearms Act, becau I feel that enactment of this piece of legislation is of great importance to the welfare of this country and its citizens.

S. 1592 is designed to implement the recommendations which the Presiden set forth with respect to firearms control in his message to the Congress of March 8, 1965, relating to law enforcement and the administration of justice.

The President, in that message, described crime as "a malignant enemy i America's midst" of such extent and seriousness that the problem is now one "of great national concern." The President also stated, and I quote from his message, "The time has come now, to check that growth, to contain its spread, and to reduce its toll of lives and property."

As an integral part of the war against the spread of lawlessness, the President urged the enactment of more effective firearms control legislation, and cited as a significant factor in the rise of violent crime in the United States "the ease with which any person can acquire firearms."

The President recognized the necessity for State and local action, as well as Federal action, in this area and he urged "the Governors of our States and mayors and other local public officials to review their existing legislation in this critical field with a view to keeping lethal weapons out of the wrong hands." However, the President also clearly recognized in his message that effective State and local regulation of firearms is not feasible unless we strengthen at the Federal level controls over the importation of firearms and over the interstate shipment of firearms. The President advised that he was proposing draft legislation to accomplish these aims, and stated, and I quote, "I recommend this legislation to the Congress as a sensible use of Federal authority to assist local authorities in coping with an undeniable menace to law and order and to the lives of innocent people."

Anyone who reads the papers today or hears the news on radio and television cannot help but be appalled at the extent of crime and lawlessness in this country and at the extent of the loss of lives through the use of weapons in the hands not only of criminals but also juveniles, the mentally sick and other irresponsible people. Every day the lives of decent American citizens, our greatest national asset, are being snuffed out through the misuse and abuse of firearms by persons who should not have access to them.

Mr. Chairman, before proceeding to discuss briefly the essential features of the bill before you, I want to take this occasion to congratulate you and the members of your Committee for the part which you have played during the past four years in awakening the people of this country to the dangers to the

public safety and welfare created by the ease with which any person in the United States can obtain firearms. I should like now briefly to state my understanding of what this bill would do and, in order to eliminate misconceptions, what it would not do.

Among other things, the bill would:

(1) Prohibit the shipment of firearms in interstate commerce, except between Federally-licensed manufacturers, dealers and importers;

(2) Prohibit sales of firearms by Federal licensees to persons under 21 years of age, except that sales of sporting rifles and shotguns could continue to be made to persons of 18 years of age;

(3) Prohibit a Federal licensee from selling a firearm (other than a rifle or shotgun) to any person who is not a resident of the State where the licensee is doing business;

(4) Curb the flow into the United States of surplus military weapons and other firearms not suitable for sporting purposes;

(5) Bring under effective Federal control the importation and interstate shipment of large caliber weapons such as bazookas and antitank guns, and other destructive devices; and

(6) Revise the licensing provisions of the Federal Firearms Act, including increases in license fees, so as to assure that licenses will be issued only to responsible persons actually engaging in business as importers, manufacturers and dealers.

What the bill does is to institute Federal controls in areas where the Federal Government can and should operate, and where the State governments cannot, the areas of interstate and foreign commerce. Under our Federal constitutional system, the responsibility for maintaining public health and safety is left to the State governments under their police powers. Basically, it is the province of the State governments to determine the conditions under which their citizens may acquire and use firearms. I certainly hope that in those States where there is not now adequate regulation of the acquisition of firearms, steps will soon be taken to institute controls complementing the steps taken in this bill in order to deal effectively with this serious menace.

Since a bureau of my Department is responsible for the administration of the Firearms Act, I am particularly anxious that the changes proposed in the bill with respect to the issuance of licenses to manufacture, import and deal in firearms be adopted. Under existing law, anyone other than a felon can, upon the mere allegation that he is a dealer and payment of a fee of $1.00, demand and obtain a license. Some fifty or sixty thousand people have done this, some of them merely to put themselves in a position to obtain personal guns at wholesale. The situation is wide open for the obtaining of licenses by irresponsible elements, thus facilitating the acquisition of these weapons by criminals and other undesirables. The bill before you, by increasing license fees and imposing standards for obtaining licenses, will go a long way toward rectifying this situation.

One misconception about this bill which has been widely publicized is that it will make it possible for the Federal Government to institute such

regulations and restrictions as will create great difficulties for law-abiding citizens in acquiring, owning or using firearms for sporting purposes. This is absolutely not so. Sportsmen will continue to be able to obtain rifles and shotguns from licensed dealers and manufacturers subject only to the requirements of their respective State laws. Indeed, they can travel to another State and purchase a rifle or shotgun from a licensed dealer there and bri it home with them without interference. Only two minor inconveniences may occur for the sportsmen of this country. They will not be able to travel another State and purchase a pistol or concealable weapon, and they will n be able to obtain a direct shipment from another State of any type of fire On this latter point, the inconvenience is more apparent than real because large mail order houses have outlets in most of the States and the bill wi permit mail order shipments to individual citizens from these outlets.

These minor inconveniences have been found to be necessary in order t make it possible for the States to regulate effectively the acquisition an possession of firearms. Obviously, State authorities cannot control the a sition and possession of firearms if they have no way of knowing or ascert what firearms are coming in to their States through the mails or, in the c of concealable weapons, by personally being carried across State lines.

Mr. Chairman, there are many other points which could be made with re to this bill. For example, I think it is self-evident that minors should have access to pistols, other concealable firearms and weapons of vast des tive power, and that minors under the age of 18 should not have access to or shotguns.

Today, the people of the United States are living under the most ideal conditions which have ever existed for any peoples anywhere on earth. Yet much of this is threatened by the spreading cancer of crime and juvenile delinquency. It is absolutely essential that steps such as those proposed in this bill be taken to bring under control one of the main elements in the spread of this cancer, the indiscriminate acquisition of weapons of destruction. In concluding my statement, may I say that the Department's experience with the existing Federal Firearms Act has resulted in a feeling of frustration since the controls provided by it are so obviously inadequate in the ways that I have indicated. In drafting S. 1592 we have had in mind these inadequacies and now have, we believe, a bill which, when enacted, will provide effective controls without jeopardizing or interfering with the freedom of law-abiding citizens to own firearms for legitimate purposes. I strongly support the enactment of S. 1592.

Thank you very much.

To ensure that maximum use of U. S.-owned foreign currencies is made for the benefit of the U. S. balance of payments, the President recently ordered a Government-wide re-examination of foreign currency utilization. In support of this effort, American tourists are encouraged to purchase their local currency needs from U. S. sources in these three countries. By buying their local currency needs at the respective embassies or consulates in these countries American citizens are in effect keeping their dollars "at home" and are assisting the U. S. balance of payments.

In most of the countries throughout the world, the Government holds foreign currencies only as working balances. This area includes all of Western Europe, Latin America, Africa, with the exception of Guinea, and the Far East, except for Burma, India and Pakistan. In these nations, the Government-owned balances of foreign currency are inadequate or barely adequate to cover official requirements and supplemental purchases are made with dollars. There is, therefore, no balance of payments benefit to be gained by sale to private persons.

As additional sales for foreign currencies are made, as repayments under previous agreements are received and as United States official requirements change, arrangements will be negotiated where possible and procedures established for sales to private U. S. citizens.

FOR ~~IMMEDIATE~~ RELEASE ~~May 19, 1965~~

11 A.M. EDT THURSDAY, MAY 20 1965

U. S. Citizens May Buy Indian Rupees
owned by U.S. Government

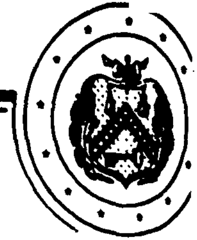
The Department of State and the Treasury Department announced today that the American Embassy at New Delhi and the American Consulates at Madras, Calcutta and Bombay, India, have been authorized to sell to American citizens Indian rupees received by the United States from the sale of surplus agricultural commodities.

The action announced today was taken ~~pursuant to~~ in accordance with a provision of an amendment signed on December 31, 1964 to the Food for Peace Agreement of September 30, 1964 with India.

American tourists and businessmen, upon presentation of their passports for identification, can obtain Indian rupees at the official rate of exchange at the Embassy or Consulates in exchange for U. S. currency, personal checks drawn on a bank in the U. S., ~~or certain other U. S. dollar instruments~~ or U.S. travelers checks.

The initiation of Indian rupee sales to American citizens in India brings to three the number of countries where such sales of local currency, held in amounts excessive to the needs of the U. S. Government, are now in effect. The U. S. has been selling Israeli and Egyptian pounds to U. S. citizens in those two countries for some time.

TREASURY DEPARTMENT



WASHINGTON, D.C.
May 20, 1965

FOR RELEASE 11:00 A.M., EDT
THURSDAY, MAY 20, 1965

U. S. CITIZENS MAY BUY INDIAN RUPEES OWNED BY U. S. GOVERNMENT

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To ensure that maximum use of U.S.-owned foreign currencies is made for the benefit of the U.S. balance of payments, the President recently ordered a Government-wide re-examination of foreign currency utilization. In support of this effort, American tourists are encouraged to purchase their local currency needs from U.S. sources in countries where such sales are authorized. By buying the local currency needs at the respective embassies or consulates in these countries American citizens are in effect keeping their dollar "at home" and are assisting the U. S. balance of payments.

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In most of the countries throughout the world, the U.S. Government holds foreign currencies only as working balances. This area includes all of Western Europe, Latin America, Africa, with the exception of Guinea, and the Far East, except for Burma, India and

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Pakistan. In these nations, the Government-owned balances of foreign currency are inadequate or barely adequate to cover official requirements and supplemental purchases are made with dollars. There is, therefore, no balance of payments benefit to be gained by sale to private persons.

As additional sales for foreign currencies are made, as repayments under previous agreements are received and as United States official requirements change, arrangements will be negotiated where possible and procedures established for sales to private U.S. citizens.

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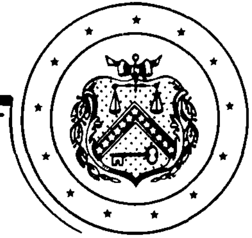
TREASURY DEPARTMENT



WASHINGTON, D.C.

May 21, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON CRUDE SULFUR
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that crude sulfur from Canada is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act. A "Notice of Tentative Determination," was published in the Federal Register on February 12, 1965.

All written submissions received in opposition to the tentative determination were given full consideration. The objections were not convincing. No request was made of the Secretary of the Treasury for an opportunity to present views.

The dollar value of imports of the involved merchandise received during the period January 1964 through February 1965 was approximately $9,000,000.

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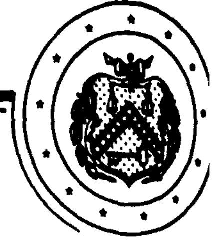
TREASURY DEPARTMENT



WASHINGTON, D.C.

May 21, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON CRUDE SULFUR
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that crude sulfur from Canada is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act. A "Notice of Tentative Determination," was published in the Federal Register on February 12, 1965.

All written submissions received in opposition to the tentative determination were given full consideration. The objections were not convincing. No request was made of the Secretary of the Treasury for an opportunity to present views.

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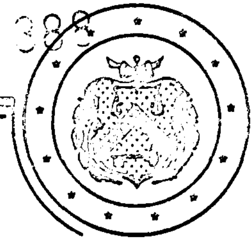
TREASURY DEPARTMENT



WASHINGTON, D.C.

OR RELEASE A.M. NEWSPAPERS,
uesday, May 25, 1965.

May 24, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of reasury bills, one series to be an additional issue of the bills dated February 25, 965, and the other series to be dated May 27, 1965, which were offered on May 19, were pened at the Federal Reserve Banks on May 24. Tenders were invited for $1,200,000,000, thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 183-day bills. details of the two series are as follows:

ANGE OF ACCEPTED OMPETITIVE BIDS:	91-day Treasury bills maturing August 26, 1965		183-day Treasury bills maturing November 26, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.020	3.877%	97.996 a/	3.938%
Low	99.015	3.897%	97.994	3.946%
Average	99.017	3.889% 1/	97.995	3.945% 1/

a/ Excepting one tender of $2,125,000
44% of the amount of 91-day bills bid for at the low price was accepted
88% of the amount of 183-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	$ 22,856,000	$ 12,706,000	$ 13,555,000	$ 3,555,000
New York	1,464,203,000	822,897,000	1,399,166,000	734,689,000
Philadelphia	26,177,000	13,943,000	18,691,000	5,691,000
Cleveland	21,858,000	21,858,000	23,038,000	12,238,000
Richmond	20,389,000	16,877,000	5,398,000	5,042,000
Atlanta	34,763,000	23,826,000	22,590,000	11,316,000
Chicago	296,408,000	150,031,000	337,018,000	146,298,000
St. Louis	34,668,000	27,556,000	12,554,000	10,190,000
Minneapolis	17,230,000	13,158,000	7,137,000	4,457,000
Kansas City	30,325,000	30,292,000	17,402,000	10,706,000
Dallas	22,804,000	13,244,000	9,219,000	4,189,000
San Francisco	100,301,000	54,470,000	135,432,000	52,413,000
	$2,091,982,000	$1,200,858,000 b/	$2,001,200,000	$1,000,784,000 c/

/ Includes $216,652,000 noncompetitive tenders accepted at the average price of 99.017
/ Includes $84,749,000 noncompetitive tenders accepted at the average price of 97.995
/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.98%, for the 91-day bills, and 4.08%, for the 183-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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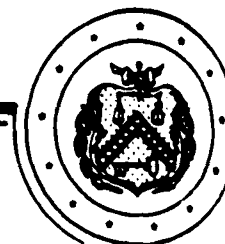
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, May 25, 1965.

May 24, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated February 25, 1965, and the other series to be dated May 27, 1965, which were offered on May 19, were opened at the Federal Reserve Banks on May 24. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 183-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing August 26, 1965		:	183-day Treasury bills maturing November 26, 1965	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.020	3.877%	:	97.998 a/	3.936%
Low	99.015	3.897%	:	97.994	3.946%
Average	99.017	3.889% 1/	:	97.995	3.945% 1/

a/ Excepting one tender of $2,125,000
44% of the amount of 91-day bills bid for at the low price was accepted
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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 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 -~~ MODIF~~IED~~

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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on June 3, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 3, 1965 ~~(17)~~. Cash

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

May 24, 1965

XXXXXXXXXXXXXX(1)XXXXXXXXXXXXXXXXXXX

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,200,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing June 3, 1965 , in the amount of $2,200,248,000 , as follows:

91 -day bills (to maturity date) to be issued June 3, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated March 4, 1965 , and to mature September 2, 1965 , originally issued in the amount of $ 1,000,299,000 , the additional and original bills to be freely interchangeable.

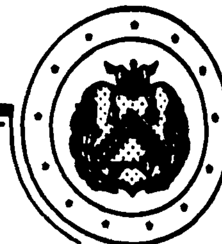
182 -day bills, for $1,000,000,000 , or thereabouts, to be dated June 3, 1965 , and to mature December 2, 1965

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, Friday, May 28, 1965 Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three

2-60

TREASURY DEPARTMENT



WASHINGTON, D.C.

May 24, 1965

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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.

F-60

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 each issue 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 for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on June 3, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 3, 1965. 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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oOo

5-24-65

FOR RELEASE AM NEWSPAPERS
TUESDAY, MAY 25, 1965

TREASURY DECIDES AGAINST PRODUCING SILVER DOLLARS

The Treasury today announced that it has decided against the minting of any new silver dollars at this time.

Last year, in response to a Treasury request, Congress appropriated $600,000, an amount sufficient to manufacture 45 million silver dollars.

To carry out the expressed intent of the Congress, the Treasury recommended to the White House that the United States Mint be authorized to begin production. It was on this recommendation that the White House announced May 15th, that production could begin.

Since that time, however, members of the Congress who, by reason of their Committee assignments, have a direct and responsible interest in United States coinage, have strongly urged the Treasury

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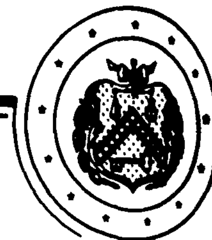
TREASURY DEPARTMENT



WASHINGTON, D.C.
May 24, 1965

FOR RELEASE A.M. NEWSPAPERS
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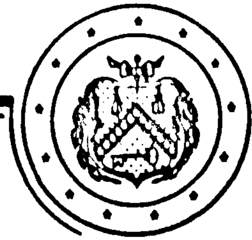
TREASURY DEPARTMENT



WASHINGTON, D.C.

RELEASE A.M. NEWSPAPERS,
ıesday, May 26, 1965.

May 25, 1965

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

The Treasury Department announced last evening that the tenders for $1,000,000,000, thereabouts, of 365-day Treasury bills to be dated May 31, 1965, and to mature May 31, 6, which were offered on May 19, were opened at the Federal Reserve Banks on May 25.

The details of this issue are as follows:

Total applied for - $2,751,845,000
Total accepted - $1,000,737,000 (includes $31,227,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting 2 tenders totaling $10,000,000)

High	- 95.994	Equivalent rate of discount approx. 3.951% per annum	
Low	- 95.991	" " " " " 3.954% " "	
Average	- 95.991	" " " " " 3.954% " "	1/

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

Federal Reserve District		Total Applied for	Total Accepted
Boston		$ 60,914,000	$ 914,000
New York		2,198,600,000	945,257,000
Philadelphia		16,516,000	1,316,000
Cleveland		26,500,000	3,400,000
Richmond		1,463,000	1,391,000
Atlanta		12,250,000	1,950,000
Chicago		322,305,000	24,075,000
St. Louis		9,644,000	3,619,000
Minneapolis		8,900,000	1,900,000
Kansas City		2,942,000	1,742,000
Dallas		813,000	813,000
San Francisco		90,998,000	14,360,000
	TOTAL	$2,751,845,000	$1,000,737,000

On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 4.13%. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

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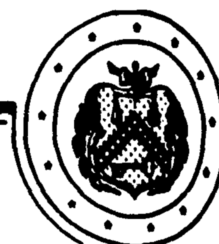

WASHINGTON, D.C.

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Wednesday, May 26, 1965.

May 25, 1965

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TREASURY DEPARTMENT
Washington

REMARKS BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
AT THE REGIONAL CONFERENCE OF TAX ADMINISTRATION ASSISTANTS
SPONSORED BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT
AND THE INTERNAL REVENUE SERVICE
AT MIAMI, FLORIDA, TUESDAY, MAY 25, 1965,
10:00 A.M., EST.

A sound tax system is important to the social and economic progress of a developing country, indeed of any country.

Therefore it is not surprising that both the Act of Bogota and the Charter of Punta del Este made tax administration a specific object of efforts for reform.

This breakthrough in development policy may, in time, rank in importance with the two other great development principles established in those historic documents -- the recognition of social goals and the necessity of self-help.

Early in 1961, the Organization of American States, the Inter-American Development Bank, and the United Nations Economic Commission for Latin America formed a Joint Program in Taxation.

The first effort of this joint program was a conference on Tax Administration held in Buenos Aires in October, 1961, which generally defined the problems in this area in Latin America.

The necessity for tax administration reform was clear. In terms of the general financial aspects of the self-help principle, it was estimated that to accomplish the goals established by the Alliance, a total investment of 100 billion dollars

would be required over the initial 10-year period of the Alliance. It was further agreed that 80 percent of this investment would have to be generated by the Latin American countries themselves.

External financing by Latin American nations has long been a problem.

Most of these countries are dependent on one or two export products. These products -- generally agricultural and mineral -- have proven unreliable sources of funds due to unstable short-run conditions in the world markets for these products.

Furthermore, the volume of international capital available, from both bilateral and multilateral loan sources, was clearly insufficient to finance the volume of investments required by the Alliance goals.

Finally, the problem of servicing existing external debts was then -- and remains today -- one of the most serious facing many Latin American countries.

Since there was no immediate potential of expanding external sources of financing, attention turned to potential internal sources -- a turn consistent with the self-help principle.

But what were the conditions affecting internal financial sources? Internal capital markets are practically nonexistent

in Latin America, and have little potential for rapid development. In such a situation, the only avenue remaining for financing increased public investment was taxation.

Heretofore, neither tax policy nor tax administration in Latin America had been notable for adequacy of structural design or operating efficiency. Therefore, if taxation was to play the crucial role assigned to it, there had to be reform -- both as to policy and as to administration.

Taxation is vital in marshalling national resources for development.

It is not only a source of public revenue for financing government expenditures -- both current and capital. It is also a major factor in determining the allocation of resources and the distribution and growth of income and assets in the private sector of the economy. Finally, the tax system can help prevent inflationary or deflationary forces from distorting consumption, investment, and production.

In short, just as economic progress is necessary for social progress, a sound tax system which contributes to healthy growth is essential for both.

However, if a well-designed tax policy is to be effective, after it is enacted into law, the administration underlying it

must also be effective. It was this very practical consideration that prompted the participants at the Punta del Este Conference to include improved tax administration as one of the goals of the Alliance. It was clear at that time that reform in this area was going to be both difficult and delicate, because it would directly affect the lives and affairs of many people.

The Buenos Aires Tax Administration Conference made clear that there both a need and a desire for broader and deeper United States technical assistance than had been available previously. In response to this, the Treasury Department, the Internal Revenue Service, and the Agency for International Development established a system whereby Internal Revenue's experience and personnel could be utilized in the assistance effort. As a result, the Foreign Tax Assistance Staff was formed, and in the last year and a half long-term tax administrative assistance teams have been formed in more than a dozen Latin American countries. Many short-term assistance and survey missions have also been carried out in Latin America. This has occurred within the framework of a soundly developed general program for assistance and supporting administration.

The Organization of American States (OAS), the Inter-American Committee for the Alliance for Progress (CIAP), and the Inter-American Development Bank (IDB) have all pointed, in official statements, to the fact that improvement in tax administration in Latin America has been one of the most important factors contributing to the effectiveness of the Alliance and of the self-help effort.

The results have indicated that the tax assistance program is one of the most important of the AID programs in support of the Alliance.

Certainly much remains to be done. There is no such thing as instant development, no matter how hard we try to compress centuries into decades, and decades into years. So far it has been impossible -- because of lack of time, the lack of resources, the very difficulty of the varied and new problems encountered -- to achieve the progress desired in all aspects of tax administration in all countries.

And there is more to the developing world than Latin America. The many countries of Africa, the Near East, the Far East, and Asia are equally anxious to increase their pace of development and to receive technical tax assistance for that purpose. In

many of these countries our Latin American experience will be useful. But anyone who has worked in these other areas will realize that there will also be different problems involved.

It seems likely that the demands for tax administration assistance have barely reached the take-off stage.

In addition to the new demands for assistance which we know will be forthcoming, we must also be alert to new problems. The Inter-American Committee for the Alliance for Progress (CIAP) has reported that although reform in taxation had shown noteworthy results, policy and administrative reforms have not always been adopted in a consistent, harmonious manner -- a difficulty that could limit the effectiveness of both aspects of tax reform. It seems logical that those agencies actively responsible for administrative and policy reform must, in the near future, join in making a determined effort to consider this relationship before the problem assumes the proportion of a major impediment.

Another problem which is taking shape with increasing rapidity concerns the administrative difficulties of tax harmonization. Tax harmonization is an effort to adjust tax systems within a common market context so that these systems will, at

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least, be consistent with the objectives of the market and, at most, make an affirmative contribution to the market. In Latin America, one common market agreement already exists, embracing the five Central American countries. Further, there is a strong, newly-developing movement to convert the Latin American Free Trade Area into a common market. In the Central American Common Market, which is already well advanced, the problems of tax harmonization in a policy sense are past the discussion stage and legislative proposals are being drafted. To what extent the tax harmonization process will affect tax administration is not yet known, but I believe that it is a movement which we would be wise to analyze for its administrative implications.

A third problem is the cost to the private sector of tax compliance. Because the resources available in the private sector in under-developed countries are usually quite limited, and because of the absolute necessity for devoting the maximum amount of such resources to the development effort, private sector tax administration costs can be very important.

The major task, however, will continue to be the development of foreign tax administration assistance through the self-help principle. Tax administration reform is of crucial and

immediate importance to the Alliance.

In recognition of this fact, it has been Treasury's position from the start of the Alliance that the Department can and must make a major contribution to this program.

This position is as true today under Secretary Fowler as it was for the past three and one-half years under Secretary Dillon.

This is an effort which, once started, we must see through to a successful conclusion. You here today have been selected as those best equipped to carry forward and complete this task as thoroughly and rapidly as possible. I want you to know that in doing this you have the full support of the Treasury Department.

As you carry out this work you will broaden your own knowledge and skill, but you will also be doing much more than that.

You will be making a very real and very necessary contribution to what history may well regard as one of the major undertakings of our time -- the Alliance for Progress.

I wish you well in your work, and I believe that in the years ahead you will look back on it with pride.

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You are doing more than serving the nations of Latin America, you are serving the people of Latin America. You are serving them in one of the most important ways possible -- by offering the skill, and experience, and knowledge that you have to help them to help themselves.

In doing so you have a unique opportunity to gain a depth of understanding of the problems of tax administration that could take many years to achieve in the United States. The opportunity to work on tax administration problems in Latin America will, by giving you the chance to see developing systems and procedures in a new context, greatly increase your own professional competence and the scope of your abilities.

Thus, as you work to help others to help themselves, you will also be helping yourselves as well -- and that is what the Alliance is all about.

TREASURY DEPARTMENT
Washington

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE
ON THE PUBLIC DEBT LIMIT
TUESDAY, MAY 25, 1965, 10:00 A.M., EDT

Action is essential before the end of the current fiscal year to establish a new public debt limit adequate to accommodate the needs of fiscal 1966. The present temporary ceiling stands at $324 billion. On July 1, the ceiling, in the absence of Congressional action, will revert to its permanent level of $285 billion, $32.4 billion below the estimated debt subject to limit at that time. Clearly, we cannot permit the credit of the United States to come under that shadow for a single day, nor doubts arise over the authority of the Treasury to finance in an orderly way the additional needs of the Federal Government that will arise later in fiscal 1966.

The actual debt subject to the limit in recent months, which reached a peak of $320.4 billion in mid-March, has fluctuated about levels very close to those projected at the time your Committee last considered the debt ceiling a year ago. This means that, fortunately, there has been no need to draw upon the $3 billion margin for flexibility and contingencies

implicit in the temporary ceiling of $324 billion that has been provided for the current fiscal year. This record is, I believe, indicative of the firm and constant intent of the Treasury to relate its borrowing to that which is necessary and not to an amount that might, theoretically, be available within the statutory limit.

The primary factors bearing upon the determination of an appropriate debt ceiling for any fiscal year are:

a. The recurrent seasonal fluctuations in receipts and expenditures, and

b. the fiscal result for the period prior to the beginning of the fiscal year for which the debt ceiling is being considered.

Let me discuss these in order.

First, even in a year of a balanced budget, or of a surplus, the Treasury has substantial borrowing needs in the first part of a fiscal year. For instance, less than 45 per cent of our receipts are taken in during the first half of a fiscal year, and heavy borrowing is essential over that period even in years of a balanced budget. Typically, much of this borrowing can be done by tax anticipation instruments, which

will be retired in March and June as the larger corporate tax payments are received. This recurrent seasonal deficit during the first six to eight months of a fiscal year is affected relatively little by moderate changes in the size of the deficit anticipated for the fiscal year as a whole, but it is this regular seasonal pattern that ordinarily determines the peak amount the debt will rise within a fiscal year over the level prevailing at the beginning of that fiscal year.

The level of debt at the beginning of the fiscal year is in turn a consequence of the deficits incurred during previous fiscal periods -- the second point mentioned above. The difference between our debt ceiling needs for fiscal 1966 and the need when the Treasury appeared before this Committee a year ago is essentially accounted for by the estimated fiscal 1965 deficit, for that deficit will be reflected in an approximately equivalent increase in the debt between the start of fiscal 1965 and the start of fiscal 1966.

You will recall that the President's Budget submitted to the Congress in January of this year anticipated a deficit

of $6.3 billion for fiscal 1965. I am glad to report, however, that this outlook has improved significantly since that time. Late in April, the President was able to announce an expected increase in revenues over our earlier estimate of $500 million and a decrease in anticipated expenditures for the fiscal year of a like amount. Further evidence during May of a larger than expected flow of taxes, particularly of individual income taxes, now indicates that receipts will total at least $1.4 billion more than anticipated in January. The result is to reduce our estimated fiscal 1965 deficit to about $4.4 billion.

As I indicated earlier, it is this fiscal 1965 deficit that largely determines the increase in the debt ceiling required for fiscal 1966. However, I know the Committee is also interested in our latest projections for fiscal 1966.

As this Committee is aware, the more favorable current experience with receipts is expected to carry over into fiscal 1966. The President's January Budget, in estimating fiscal year 1966 receipts at $94.4 billion, had already taken into account the $1-3/4 billion cut in excise taxes proposed

for July 1. With continued gains in economic activity, the revenue estimate, assuming only the proposed July 1 reductions in excises, has been raised by $1.6 billion. Further allowance must now also be made for the additional cut in excise taxes of $1-3/4 billion on January 1, 1966, requested by the President last week -- a request upon which this Committee is currently acting. Enactment of that additional cut is estimated to reduce revenues in fiscal 1966 by $600 million. As a result, we now estimate receipts at $95.4 billion, $1 billion higher than projected in the President's January Budget.

I am informed by the Director of the Bureau of the Budget that, at this stage in the appropriations process, there is no sound basis for changing the expenditure estimate for fiscal 1966 in the January Budget, and that the estimated spending total of $99.7 billion still represents a fair appraisal of the spending outlook. Consequently, we now anticipate a deficit in fiscal 1966 of $4.3 billion, as compared with $5.3 billion in the President's Budget.

The outlook for the public debt at mid-month and month-end dates in fiscal 1966 is shown on the attached table. The debt

levels that are shown in the last column of the table are based on the same assumptions that have been used in previous debt limit discussions. The first assumption is that the Treasury's cash operating balance will be maintained at a constant level of $4 billion, which is a necessary and prudent allowance if the cash balance is to be adequate to conduct the operations of the Treasury in an efficient manner. In practice, there is, of necessity, a great deal of fluctuation in our actual cash balances, but it has been customary before both the House and Senate Committees to use this minimum figure for advance planning.

The second assumption provides the usual $3 billion of margin for flexibility and contingencies. This is insurance against the uncertainties that inevitably exist in projections of budgetary receipts and expenditures a year or more ahead, and also recognizes the need for financing flexibility to assure maximum efficiency in debt management operations. For instance, Treasury obviously would prefer to refrain from new financing in an unfavorable market environment; conversely, it would like to anticipate future cash requirements by borrowing when markets are particularly favorable. And, clearly,

with receipts and expenditures subject to sharp fluctuations from day to day and week to week, it would be impractical to schedule Treasury financings so as to avoid considerable swings in the cash balance.

As the table indicates, our peak requirement -- including the allowance for contingencies -- is estimated at $328.9 billion at the middle of March 1966. Consequently, a debt ceiling of $329 billion, $5 billion higher than the present temporary limit for the current fiscal year, will be necessary to carry the Treasury through the fiscal year 1966.

I should emphasize, in requesting this debt limit, that our peak needs have not been significantly affected by the second stage of the excise tax program recommended by the President. The estimated $600 million revenue impact of the excise tax cuts scheduled for January 1, 1966 will appear in our actual collections only with a lag of two to three months, with virtually all of the effect coming after our peak debt needs on March 15 have already passed. In fact, substantial reduction of the debt is anticipated during the Spring of 1966.

It is not the intent of the Treasury to ask for any more borrowing power than is necessary and prudent. To the contrary, our firm objective is to maintain no more debt outstanding than that which is absolutely required to effectively and economically discharge the financial responsibilities of the Government.

ESTIMATED PUBLIC DEBT SUBJECT TO LIMITATION

(Based on constant minimum operating cash balance of $4.0 billion)

FISCAL YEAR 1966
(In billions)

	Operating Cash Balance (excluding free gold)	Public Debt Subject to Limitation	Allowance to Provide Flexibility in Financing and for Contingencies	Total Public Debt Limitation Required
1965				
June 30	$4.0	$310.2	$3.0	$313.2
July 15	4.0	313.1	3.0	316.1
July 31	4.0	314.3	3.0	317.3
August 15	4.0	314.7	3.0	317.7
August 31	4.0	315.7	3.0	318.7
September 15	4.0	318.8	3.0	321.8
September 30	4.0	313.1	3.0	316.1
October 15	4.0	316.2	3.0	319.2
October 31	4.0	318.7	3.0	321.7
November 15	4.0	319.7	3.0	322.7
November 30	4.0	319.6	3.0	322.6
December 15	4.0	321.3	3.0	324.3
December 31	4.0	319.6	3.0	322.6
1966				
January 15	4.0	322.8	3.0	325.8
January 31	4.0	321.5	3.0	324.5
February 15	4.0	321.6	3.0	324.6
February 28	4.0	321.9	3.0	324.9
March 15	4.0	325.9	3.0	328.9
March 31	4.0	319.5	3.0	322.5
April 15	4.0	323.0	3.0	326.0
April 30	4.0	319.0	3.0	322.0
May 15	4.0	318.3	3.0	321.3
May 31	4.0	320.1	3.0	323.1
June 15	4.0	322.8	3.0	325.8
June 30	4.0	315.2	3.0	318.2

May 21, 1965

TREASURY DEPARTMENT

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WASHINGTON, D.C.

May 26, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED WIRE MESH
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed the investigation with respect to the possible dumping of welded wire mesh for concrete reinforcement from Belgium. A notice of a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value will be published in an early issue of the Federal Register.

Appraisement of the above-described merchandise from Belgium is not being withheld at this time.

The dollar value of imports of the involved merchandise received during 1964 was approximately $385,000.

TREASURY DEPARTMENT

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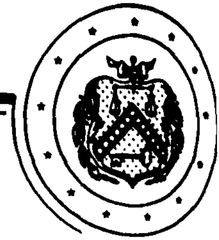

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UNITED STATES NET MONETARY GOLD TRANSACTIONS

WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

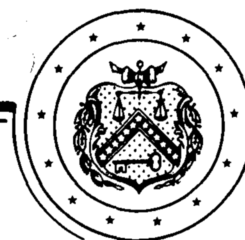
January 1, 1965 - March 31, 1965

(in millions of dollars at $35 per fine ounce)

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

Country	First Quarter 1965
Austria	-25.0
Belgium	-39.6
Brazil	-1.0
Chile	-1.0
Costa Rica	-1.3
Egypt	-1.0
France	-482.5
Ireland	-.4
Netherlands	-35.0
Panama	-2.7
Philippines	-.1
Salvador	-1.5
Spain	-90.0
Switzerland	-37.5
Syria	-.2
Turkey	-15.7
United Kingdom	-75.7
Uruguay	-.1
Yugoslavia	-.6
All Other	-.2
Total	-811.0

TREASURY DEPARTMENT



WASHINGTON, D.C.

May 27, 1965

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS FOR FIRST QUARTER OF 1965

During the first quarter of 1965, the net sale of monetary gold by the United States amounted to $811.0 million. The Treasury's quarterly report, made public today, summarizes net monetary gold transactions with foreign governments, central banks, and international institutions. (Table on reverse side.)

The total decrease in U.S. gold stock in the first quarter of 1965 was $833.0 million, including the net sale of $22.0 million worth of gold for domestic industrial, professional, and artistic uses.

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(OVER)

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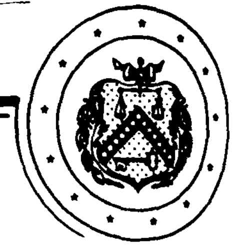
TREASURY DEPARTMENT



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F-65

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Ireland	-.4
Netherlands	-35.0
Panama	-2.7
Philippines	-.1
Salvador	-1.5
Spain	-90.0
Switzerland	-37.5
Syria	-.2
Turkey	-15.7
United Kingdom	-75.7
Uruguay	-.1
Yugoslavia	-.6
All Other	-.2
Total	-811.0

foreign markets; the continued tailoring of our Government's spending abroad to the minimum essential; the fashioning of effective capital markets throughout the Free World; and an ever more vigorous domestic economy in which all our human resources are fully at work.

All of this will not be easy to achieve, but with the help and cooperation of the business and financial community, and indeed of the entire nation, we can look forward with confidence to success in this vital endeavor.

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The dollar today is backed by public and private claims against foreigners which exceed their claims against us by $37 billion. If you choose to consider only private assets, the U.S. is still in a stronger creditor position -- with private claims against foreigners exceeding their claims against us by roughly $15 billion.

Finally, the U.S. enjoys the most favorable trade position of any major nation in the world today, with a total commercial trade surplus last year of $3.7 billion.

Clearly the United States dollar today is the strongest currency in the world. Our task is to maintain and increase that strength, and that is exactly what we intend to do.

Success in this task will require the imaginative marketing of more of our products and services in strongly competitive

The continuing strength of these factors in the future, and how quickly they contribute to improving our payments position, will have much to do with determining when we can remove the voluntary restraints required over the shorter term.

In conclusion I would like to remind you that the state of the dollar in today's world is far stronger than it was several years ago, and it is getting stronger every day.

Among the reasons for this are not only the measures I have cited, both short and long term, but also the deep underlying strength of the entire U.S. balance of payments position.

The dollar today is backed by the world's strongest economy, which is in the midst of the longest peacetime expansion in its history.

The dollar today is backed by the world's greatest gold supply, fully pledged to honor our international obligations.

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problem. No one can realistically predict when they can be abandoned, but we all agree on one thing -- the sooner, the better.

There are, however, some significant factors to be noted.

For one thing, slowly but surely changes are taking place in both the depth and the quality of foreign capital markets.

Furthermore, there has been substantial reduction in the impact government spending overseas has had on our balance of payments. At the same time, our continuing price stability and rising productivity are contributing to increasing competitiveness of U.S. goods in foreign trade.

In addition to these important factors to the maintenance and strengthening of our trade position there is also the rising tide of earnings from U.S. private investment over the XXXX post-war period. These earnings can help to provide substnatial improvement to our payments position in the years ahead.

world -- on possible steps to improve the world monetary system once our deficit has been eliminated.

Any other course would invite a crisis rather than prevent it because it would eventually -- and inevitably -- require the imposition of more restrictive measures, with all the problems of retaliation and damage to confidence that these measures would involve.

A second step will also be required to adjust to the new era of equilibrium, in addition to new monetary arrangements. Having reached and sustained an equilibrium in our balance of payments for a substantial period, we shall also renew our pursuit of our long-term objective of free capital markets both here and abroad. For there is no attractiveness to anyone in considering the voluntary restraint programs and the related series of interferences with these free capital markets as a permanent solution to the payments

It is not too soon to begin high-level talks on this matter, building upon the exploratory technical discussions that have already taken place. That is why the Chancellor of the Exchequer, Mr. Callaghan, will come to Washington next month. Through the remainder of this year, there will be other discussions at all levels with representatives of other interested countries as we strive with them to reach a substantial measure of improvement in the system of international monetary cooperation.

Our view, supported by most of Western Europe, is that the best step the United States can possibly take at this time -- to protect not only its own interests but also the world monetary system -- is to move as strongly as possible toward equilibrium.XX At the same time we should continue discussions -- predicated on the maintenance of the dollar as the major reserve currency of the free

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Our course is clear. It is a difficult one but I have every confidence that we will achieve our goal of sustained payments equilibrium.

It is not too early to consider what steps will be required to adjust to that new eral of equilibrium.

First of all, there is general agreement that some modifi= cation in the international monetary system will be required. We will need some way of gradually and systematically producing the additional liquidity which will be required to finance expanding free world trade and development.

In the past, the major source for such additional liquidity has been the continuing payments deficits of the United States. When these deficits have been brought to an end, it will be necessary that there be general agreement on an effective way of fueling the world payments system.

There is no question that this course, through the voluntary program, requires us to restrict private new or additional business and financial activities which in normal times we would consider highly desirable.

There is no question that such new or additional business and financial investment abroad pays excellent dividends to our future balance of payments position. In fact, more than a third of the balance of payments gains made since 1960 under our first two balance of payments programs reflect increasing returns from such activities.

Such returns, however, are realized only in the long run.

But ours is a short-run problem confronting us now -- this year. We cannot wait for the long run to eliminate our payments deficit. The time is too short and the risks are too great to take chances.

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Many of these wishful thinkers embrace one or another of these various solutions to our payments problem in the hope that we will be free to return to unlimited private capital movements abroad, to intensify government spending abroad, to abandon or slip away from our national effort to remain competitive. They would confine our activities to making some token effort to achieve equilibrium.

Unfortunately, we cannot wish away the deficit -- or the potential consequences of allowing it to continue unchecked.

The only acceptable solution facing us is the one we are pursuing -- to maintain our present system and to make it work by eliminating the deficit, thereby paving the way for the successful negotiation of an improved system.

The significance of improving international monetary arrangements will increase as we move closer to solving our balance of payments problem. That progress will increase interest in some of the notions of improved international monetary arrangements that we think are in the interests of the free world economy, methods of providing additional liquidity, for example, without depending upon dollar deficits.

Arriving at sustained equilibrium in our payments would allow time for other processes to occur that would make it possible to thaw out the voluntary arrangements -- without fear of any further great outflow that would again create a serious deficit.

Unfortunately, there is no magical arrangement which will automatically do away with the present imbalance, or which will make possible continued large outflow without endangering the position of the dollar.

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in this area would almost certainly bring a recession. A recession in turn, would severely damage the climate for foreign investment in the United States and would also create a strong movement to reduce interest rates immediately.]

Still another group of wishful thinkers look to new international monetary arrangements as an escape from our present payments problem.

I must frankly admit that this attitude puzzles me. These people must be confused by the role which new international monetary arrangements will play. For instance, they certainly won't remove the necessity for the United States -- as a major reserve currency country -- to maintain reasonable equilibrium in its balance of apyments. And there is no doubt that whatever new monetary arrangements may be negotiated are bound to include the dollar as the major reserve currency for the free world.

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Another group hails a new method of measuring the deficit, and on this basis claims that the deficit -- and the problem -- are greatly exaggerated by statistics.

Unfortunately, we cannot make the problem go away by changing our method of measuring the deficit. Regardless of how we measure, the fact reamins that dollars are piling up in other countries.

Another group believes that all we have to do to solve the payments problem is raise our interest rates.

Unfortunately, such a course not only conflicts with our need to maintain our domestic expansion but also important, would not solve the problem. In view of the tremendous difference in size and efficiency between the money markets here and abroad, it is hardly realistic to expect a higher ineterest rate to provide the necessary reduction in long-term capital outflow. Furthermore, an interest rate increase large enough to have a significant effect

impact of our prolonged period of deficit.

Achieving and maintaining equilibrium will be a difficult task. It is not surprising that a number of wishful thinkers would like to avoid the discipline of such a course.

These wishful thinkers fall into several groups.

One group points to the fact that under our first two programs we achieved more than $3.5 billion in balance of payments gains -- more than enough to wipe out our present deficit and leave us with a comfortable surplus. This group looks at our present problem as a very temporary one, which will soon clear up and allow our previous gains to automatically restore us to balance.

Unfortunately, this happy optimism is without foundation, and nothing could be more damaging to our efforts than unfounded optimism.

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The banker may wish to give even more generously to charities than before, but he will remember his primary responsibility and refrain from another big pledge. He may wish to go on a European trip until he realizes he is cash poor. He may even wish to make some long-term commitments in loans or investments that look potentially highly profitable, but he will adjust his current assets to liabilities as a first priority.

This means, whether we like it or not, we are committed to eliminating our balance of payments deficit.

Furthermore, it will not be enough to reach payments equilibrium for two or three quarters or even for a year and then slip back into another deficit.

Once we achieve equilibrium, we must maintain it for a substantial period. For only sustained equilibrium can wipe out the

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Already there are those who say that we will fail, that the deficit will continue, threatening the role of the dollar as a reserve currency and creating a world monetary crisis.

I say these people are wrong.

I say the program that President Johnson began on February 10 will succeed.

The simple truth is that too many dollars have been flowing out of the United States for too long. The United States is like a banker who is lending far more than he is borrowing and whose net asset position is great and growing. In one sense he is not living beyond his means. But if that banker is short of cash and current assets, which are regularly exceeded by his current liabilities, it is not prudent for him to further deplete his current assets.

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trade, and the achievement of a more flexible world monetary system that will permit continued Free World trade and development to progress as it has since World War II.

Recent events abroad have made it plain for all to see that the international stability and standing of the dollar directly affects our national security and our capacity for effective diplomatic, political or military action. A strong currency is essential to our success in meeting our worldwide responsibilities.

Already there are those in Europe and elsewhere who look upon the United States as a monetary paper tiger.

Already there are those who point to fifteen years of chronic deficit and predict many more deficits to come.

Already there are those who point to our two previous efforts to eliminate the deficit and predict our third effort will be no more successful than the others.

in the United States, and a further reduction in the duty-free allowance for returning American tourists.

Some of these measures may appear to be unnecessary and trivial. They are neither. They represent our determination to make every possible effort to reduce and eliminate our deficit as quickly as we can.

I am not here to argue whether this program is right or wrong. I happen to believe that it is right. I am here to tell you that this time the program <u>must</u> work. The possibility of failure is too dismal to contemplate.

What is at stake in this program?

The protection of the dollar in ways fully consistent with sustaining prosperity at home, maintaining our defenses abroad when our allies are threatened, supplying private and public funds to less developed countries, avoiding renewed restriction on

1961 and 1963 programs. But he also struck hard at the heart of the new problem. He called upon the business and banking community to do everything in their power to help by launching voluntary programs to reduce the net overall private capital outflows.

The result is that for the first time our entire nation is committed to a concerted attack on the deficit. With the exception of travel and tourist spending abroad, virtually every source of private or public ~~capital~~ dollar outflow is now the target of either substantial public or private effort or both.

This program includes, in addition to the voluntary measures, legislation to remove existing tax barriers to foreign investment in the United States, an extension and broadening of the Interest Equalization Tax, a stepped-up effort to promote foreign tourism

Because last year another new problem appeared -- the marked rise in overall private capital outflow, including both short- and long-term bank credits and direct investment abroad.

It was clear that action was necessary to meet this new challenge. It was equally clear that we could no longer attack the deficit piecemeal. [~~Just as the success of our 1961 program contributed to the rise in portfolio outflow, the success of our 1963 program contributed to the rise in other private capital outflows.~~]

To stop the flow, we had to attack the entire deficit.

That is just what President Johnson did in his Balance of Payments Message last February.

In that message he strongly reaffirmed his intention to strengthen and build upon the measures already taken in both the

recourse to our money market the easy and cheap course for all who needed capital.

This required the second program to control the deficit, which was contained in the Balance of Payments Message of July 1963.

The Interest Equalization Tax proposed in that message was immediately effective in stemming capital outflow into foreign securities. Last year, for instance, the total of such foreign borrowing was cut more than 65 percent below the rate for the first half of 1963. The program also intensified other existing programs and utilized monetary policy by combining an increased rediscount rate with measures which raised short-term interest rates substantially.

But the net result of all of these efforts achieved only a reduction in our overall deficit of $800 million -- from $3.9 billion in 1960 to $3.1 billion in 1964.

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-- increased commercial trade surpluses ($900 million);

-- reduced overseas dollar spending for foreign aid($400 million);

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-- increased military offset sales to foreign countries by the Defense Department ($450 million);

-- and an increase in profits and interest on past foreign investments($1.6 billion).

But the deficit failed to narrow a corresponding amount.

The reason it did not was that just as this vigorous attack on several different areas of our deficit was gathering momentum and beginning to show increasing progress, a new problem appeared. Early in 1963, the outflow of United States private capital into foreign securities rose alarmingly because, in part, inadequate capital markets in the remainder of the industrialized world made

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Another group contends that all we must do to solve the payments problem is raise our interest rates.

I must frankly admit that this attitude puzzles me. We have not ignored the differentials in interest rates that exist in the Western world. Twice, when need appeared, the Federal Reserve has raised its discount rates: in the summer of 1963 to 3 1/2 percent, and in the fall of 1964 to 4 per cent when the United Kingdom raised its bank rate from 5 to 7 percent. But while we clearly recognize that the United States cannot be an isolationist on interest rates--any more than it can be in the political arena--it is important to realize that the persistent raising of interest rates may conflict with our needs to maintain our domestic expansion and yet not be an overall solution, in itself. In view of the tremendous difference in size and efficiency of money markets here and abroad, it is hardly realistic to expect a higher interest rate alone to provide the necessary reduction in long-term capital outflows. Furthermore, an interest rate increase large enough to have a significant effect in this area would almost certainly at this juncture risk a recession. A recession, in turn, would severely damage the climate for foreign investment in the United States and would also generate a strong effort to reduce interest rates immediately.

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The first comprehensive program to reduce the payments deficit -- which had averaged almost $4 billion for the three years 1958-60 -- was presented in a message to Congress in January 1961.

This program was designed to minimize the balance of payments impact of necessary federal spending abroad; to reduce short-term capital outflow by restoring confidence in the dollar; and to expand our trade surplus by launching a vigorous campaign of export promotion combined with special investment tax incentives investment to help cut costs, continue wage-price stability, and increase our national competitive edge in markets at home and abroad.

Over a period of three years these efforts yielded results which totalled more than $3.5 billion, including:

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purpose today is to tell you why that program is necessary, why it must work, and what sort of a situation we will face when it has worked.

In the early part of the fifteen-year period referred to our deficits served to reduce the so-called "dollar shortage." For that reason these deficits were appropriate, since dollars were needed to finance expanded world trade and nourish the redevelopment of Western Europe and Japan.

For the second part of our deficit period -- 1958 through 1960 -- our deficits reflected inadequate trade surpluses combined with rising expenditures for defense and foreign aid.

Long-term private capital outflow also rose during this period, as European recovery led to a substantial increase in U. S. private investment abroad. Finally, in 1960, the rising tide of speculation against the dollar contributed to a sharp

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The elimination of the deficit is at once the most serious and the most difficult economic task facing the United States today.

The task will not be easy. For the last four years, our balance of payments has engaged the best efforts of bold and imaginative men.

Many of the steps taken have been highly successful in reducing part of the deficit. But each time the deficit was held down in one place, it bulged out in another. In fact, we have been plagued by a series of deficits arising from a different mix of causes from year to year.

Putting an end to the deficit will require strong determination and firm action. A successful program to achieve equilibrium must attack the deficit on all fronts.

President Johnson launched just such a program with his February 10 message to Congress on the balance of payments. My

Let me caution you vigorously against interpreting these results as indicating that the battle has been won. We must, at all costs, avoid undue optimism. We cannot afford any premature relaxation of our determination or our efforts.

Solving our balance of payments problem will be a long, hard and difficult task, but it is a task I believe to be vital to continuing our political as well as economic leadership in today's world.

The United States has had 14 balance of payments deficits in the past 15 years.

During those fifteen years, our deficits have totalled $35 billion. One out of every four of those dollars of deficit has been settled in gold.

The time has come to put a stop to this chronic deficit. We can eliminate it, we must eliminate it, and we will eliminate it.

Note Editing changes by HHH on this copy.
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Hubert Humphrey - Johnson
5/26/65

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REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
TO THE COMMITTEE ON ECONOMIC DEVELOPMENT
IN THE STARLIGHT BALLROOM OF THE WALDORF ASTORIA HOTEL
NEW YORK, NEW YORK
2:00 P.M., EDT, THURSDAY, MAY 27, 1965

For the first quarter of 1965, our balance of payments deficit dropped to an annual rate of slightly more than $3 billion.

That was half the rate of the final quarter of 1964.

More important, after a bad start in January, our position improved to show a surplus in March and -- on the basis of preliminary figures -- hopefully in April.

While it is still too early to assess the impact of President Johnson's program to reduce private capital outflows through the voluntary cooperation of the banking and business community, it appears that this program is already helping to improve our position.

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TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

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Long-term private capital outflow also rose during this period, as European recovery led to a substantial increase in U. S. private investment abroad. Finally, in 1960, the rising tide of speculation against the dollar contributed to a sharp increase in short-term capital outflow.

The first comprehensive program to reduce the payments deficit -- which had averaged almost $4 billion for the three years 1958-60 -- was presented in a message to Congress in February 1961.

This program was designed to minimize the balance of payments impact of necessary federal spending abroad; to reduce short-term capital outflow by restoring confidence in the dollar; and to expand our trade surplus by launching;

(a) a vigorous campaign of export promotion and

(b) a program of special tax incentives for investment to help cut costs combined with policies, wage-price stability, both designed to increase our national competitive edge in markets at home and abroad.

Over a period of four years -- 1961-64 -- the efforts initiated under this program yielded results which totalled more than $3.5 billion, including:

-- increased commercial trade surpluses ($900 million);

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But the deficit failed to narrow a corresponding amount.

The reason it did not was that just as this vigorous attack on several different areas of our deficit was gathering momentum and beginning to show increasing progress, a new problem appeared. Early in 1963, the outflow of United States private capital into foreign securities rose alarmingly because, in part, inadequate capital markets in the remainder of the industrialized world made recourse to our money market the easy and cheap course for all who needed capital.

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The Interest Equalization Tax proposed in that message was immediately effective in stemming capital outflow into foreign securities. Last year, for instance, the total of such foreign borrowing was cut more than 65 percent below the rate for the first half of 1963. The program also intensified other existing programs and utilized monetary policy by combining an increased rediscount rate with measures which raised short-term interest rates substantially.

But the net result of all of these efforts achieved only a reduction in our overall deficit of $800 million -- from $3.9 billion in 1960 to $3.1 billion in 1964.

Why?

Because last year another new problem appeared -- the marked rise in overall private capital outflow, including both short- and long-term bank credits and direct investment abroad.

It was clear that action was necessary to meet this new challenge. It was equally clear that we could no longer attack the deficit piecemeal.

To stop the flow, we had to attack the entire deficit.

That is just what President Johnson did in his Balance of Payments Message last February.

In that message he strongly reaffirmed his intention to strengthen and build upon the measures already taken in both the 1961 and 1963 programs. But he also struck hard at the heart of the new problem. He called upon the business and banking community to do everything in their power to help by launching voluntary programs to reduce the net overall private capital outflows.

The result is that for the first time our entire nation is committed to a concerted attack on the deficit. With the exception of travel and tourist spending abroad, virtually every source of private or public dollar outflow is now the target of either substantial public or private effort or both.

This program includes, in addition to the voluntary measures, legislation to remove existing tax barriers to foreign investment in the United States, an extension and broadening of the Interest Equalization Tax, a stepped-up effort to promote foreign tourism in the United States, and a further reduction in the duty-free allowance for returning American tourists.

Some of these measures may appear to be unnecessary and trivial. They are neither. They represent our determination to make every possible effort to reduce and eliminate our deficit as quickly as we can.

I am not here to argue whether this program is right or wrong. I happen to believe that it is right. I am here to tell you that this time the program must work. The possibility of failure is too dismal to contemplate.

What is at state in this program?

The protection of the dollar in ways fully consistent with sustaining propserity at home, maintaining our defenses abroad when our allies are threatened, supplying private and public funds to less developed countries, avoiding renewed restriction on trade, and the achievement of a more flexible world monetary system that will permit continued Free World trade and development to progress as it has since World War II.

Recent events abroad have made it plain for all to see that the international stability and standing of the dollar directly affects our national security and our capacity for effective diplomatic, political or military action. A strong currency is essential to our success in meeting our worldwide responsibilities.

Already there are those in Europe and elsewhere who look upon the United States as a monetary paper tiger.

Already there are those who point to fifteen years of chronic deficit and predict many more deficits to come.

Already there are those who point to our two previous efforts to eliminate the deficit and predict our third effort will be no more successful than the others.

Already there are those who say that we will fail, that the deficit will continue, threatening the role of the dollar as a reserve currency and creating a world monetary crisis.

I say these people are wrong.

I say the program that President Johnson began on February 10 will succeed.

The simple truth is that too many dollars have been flowing out of the United States for too long. The United States is like a banker who is lending far more than he is borrowing and whose net asset position is great and growing. In one sense he is not living beyond his means. But if that banker is short of cash and current assets, which are regularly exceeded by his current liabilities, it is not prudent for him to further deplete his current assets.

The banker may wish to give even more generously to charities than before, but he will remember his primary responsibility and refrain from another big pledge. He may wish to go on a European trip until he realizes he is cash poor. He may even wish to make some long-term commitments in loans or investments that look potentially highly profitable, but he will adjust his current assets to liabilities as a first priority.

This means, whether we like it or not, we are committed to eliminating our balance of payments deficit.

Furthermore, it will not be enough to reach payments equilibrium for two or three quarters or even for a year and then slip back into another deficit.

Once we achieve equilibrium, we must maintain it for a substantial period. For only sustained equilibrium can wipe out the impact of our prolonged period of deficit.

Achieving and maintaining equilibrium will be a difficult task. It is not surprising that a number of wishful thinkers would like to avoid the discipline of such a course.

These wishful thinkers fall into several groups.

One group points to the fact that under our first two programs we achieved more than $3.5 billion in balance of payments gains -- more than enough to wipe out our present deficit and leave us with a comfortable surplus. This group looks at our present problem as a very temporary one, which will soon clear up and allow our previous gains to automatically restore us to balance.

Unfortunately, this happy optimism is without foundation, and nothing could be more damaging to our efforts than unfounded optimism.

Another group believes that all we have to do to solve the payments problem is raise our interest rates.

Unfortunately, such a course not only conflicts with our need to maintain our domestic expansion but also important, would not solve the problem. In view of the tremendous difference in size and efficiency between the money markets here and abroad, it is hardly realistic to expect a higher interest rate to provide the necessary reduction in long-term capital outflow. Furthermore, an interest rate increase large enough to have a significant effect in this area would almost certainly bring a recession. A recession in turn, would severely damage the climate for foreign investment in the United States and would also create a strong movement to reduce interest rates immediately.

Still another group of wishful thinkers look to new international monetary arrangements as an escape from our present payments problem.

I must frankly admit that this attitude puzzles me. These people must be confused by the role which new international monetary arrangements will play. For instance, they certainly won't remove the necessity for the United States -- as a major reserve currency country -- to maintain reasonable equilibrium in its balance of payments. And there is no doubt that whatever new monetary arrangements may be negotiated are bound to include the dollar as the major reserve currency for the free world.

The significance of improving international monetary arrangements will increase as we move closer to solving our balance of payments problem. That progress will increase interest in some of the notions of improved international monetary arrangements that we think are in the interests of the free world economy, methods of providing additional liquidity, for example, without depending upon dollar deficits.

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Arriving at sustained equilibrium in our payments would allow time for other processes to occur that would make it possible to thaw out the voluntary arrangements -- without fear of any further great outflow that would again create a serious deficit.

Unfortunately, there is no magical arrangement which will automatically do away with the present imbalance, or which will make possible continued large outflow without endangering the position of the dollar.

Many of these wishful thinkers embrace one or another of these various solutions to our payments problem in the hope that we will be free to return to unlimited private capital movements abroad, to intensify government spending abroad, to abandon or slip away from our national effort to remain competitive. They would confine our activities to making some token effort to achieve equilibrium.

Unfortunately, we cannot wish away the deficit -- or the potential consequences of allowing it to continue unchecked.

The only acceptable solution facing us is the one we are pursuing -- to maintain our present system and to make it work by eliminating the deficit, thereby paving the way for the successful negotiation of an improved system.

There is no question that this course, through the voluntary program, requires us to restrict private new or additional business and financial activities which in normal times we would consider highly desirable.

There is no question that such new or additional business and financial investment abroad pays excellent dividends to our future balance of payments position. In fact, more than a third of the balance of payments gains made since 1960 under our first two balance of payments programs reflect increasing returns from such activities.

Such returns, however, are realized only in the long run.

But ours is a short-run problem confronting us now -- this year. We cannot wait for the long run to eliminate our payments deficit. The time is too short and the risks are too great to take chances.

Our course is clear. It is a difficult one but I have every confidence that we will achieve our goal of sustained payments equilibrium.

It is not too early to consider what steps will be required to adjust to that new era of equilibrium.

First of all, there is general agreement that some modification in the international monetary system will be required. We will need some way of gradually and systematically producing the additional liquidity which will be required to finance expanding free world trade and development.

In the past, the major source for such additional liquidity has been the continuing payments deficits of the United States. When these deficits have been brought to an end, it will be necessary that there be general agreement on an effective way of fueling the world payments system.

It is not too soon to begin high-level talks on this matter, building upon the exploratory technical discussions that have already taken place. That is why the Chancellor of the Exchequer, Mr. Callaghan, will come to Washington next month. Through the remainder of this year, there will be other discussions at all levels with respresentatives of other interested countries as we strive with them to reach a substantial measure of improvement in the system of international monetary cooperation.

Our view, supported by most of Western Europe, is that the best step the United States can possibly take at this time -- to protect not only its own interests but also the world monetary system -- is to move as strongly as possible toward equilibrium. At the same time we should continue discussions -- predicated on the maintenance of the dollar as the major reserve currency of the free world -- on possible steps to improve the world monetary system once our deficit has been eliminated.

Any other course would invite a crisis rather than prevent it because it would eventually -- and inevitably -- require the imposition of more restrictive measures, with all the problems of retaliation and damage to confidence that these measures would involve.

A second step will also be required to adjust to the new era of equilibrium, in addition to new monetary arrangements. Having reached and sustained an equilibrium in our balance of payments for a substantial period, we shall also renew our pursuit of our long-term objective of free capital markets both here and abroad. For there is no attractiveness to anyone in considering the voluntary restraint programs and the related series of interferences with these free capital markets as a permanent solution to the payments problem. No one can realistically predict when they can be abandoned, but we all agree on one thing -- the sooner, the better.

There are, however, some significant factors to be noted.

For one thing, slowly but surely changes are taking place in both the depth and the quality of foreign capital markets.

Furtheremore, there has been substantial reduction in the impact government spending overseas has had on our balance of payments. At the same time, our continuing price stability and rising productivity are contributing to increasing competitiveness of U. S. goods in foreign trade.

In addition to these important factors to the maintenance and strengthening of our trade position there is also the rising tide of earnings from U. S. private investment over the post-war period. These earnings can help to provide substantial improvement to our payments position in the years ahead.

The continuing strength of these factors in the future, and how quickly they contribute to improving our payments position, will have much to do with determining when we can remove the voluntary restraints required over the shorter term.

In conclusion I would like to remind you that the state of the dollar in today's world is far stronger than it was several years ago, and it is getting stronger every day.

Among the reasons for this are not only the measures I have cited, both short and long term, but also the deep underlying strength of the entire U. S. balance of payments position.

The dollar today is backed by the world's strongest economy, which is in the midst of the longest peacetime expansion in its history.

The dollar today is backed by the world's greatest gold supply, fully pledged to honor our international obligations.

The dollar today is backed by public and private claims against foreigners which exceed their claims against us by $37 billion. If you choose to consider only private assets, the U. S. is still in a stronger creditor position -- with private claims against foreigners exceeding their claims against us by roughly $15 billion.

Finally, the U. S. enjoys the most favorable trade position of any major nation in the world today, with a total commercial trade surplus last year of $3.7 billion.

Clearly the United States dollar today is the strongest currency in the world. Our task is to maintain and increase that strength, and that is exactly what we intend to do.

Success in this task will require the imaginative marketing of more of our products and services in strongly competitive foreign markets; the continued tailoring of our Government's spending abroad to the minimum essential; the use of tax incentives and private financial market initiatives to promote foreign investment in U. S. private securities, properties and and business; the fashioning of effective capital markets throughout the Free World; and an ever more vigorous domestic economy in which all our human resources are fully at work.

All of this will not be easy to achieve, but with the help and cooperation of the business and financial community, and indeed of the entire nation, we can look forward with confidence to success in this vital endeavor.

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TREASURY DEPARTMENT
Washington

Statement of
Joseph W. Barr
Under Secretary of the Treasury
before
Subcommittee No. 4
of the
House Committee on the Judiciary on H.R. 6097
May 27, 1965

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Mr. Chairman and Members of the Subcommittee:

I appear before your Committee in association with my colleague, the Deputy Attorney General, in support of H.R. 6097.

We in the Treasury have a singular interest in this legislation since we, through the U. S. Secret Service, have the responsibility for the protection of the President and his possible successors. It was for this reason that the Secretary of the Treasury joined the Attorney General in recommending to the Congress draft legislation which has been incorporated in H.R. 6097.

The tragic assassination of President Kennedy and the events that followed brought to the forefront a serious omission in Federal law. There are laws on the books which make it a Federal crime to kill such people as U. S. Attorneys, marshals, F.B.I. and Treasury agents, officers and enlisted men of the Coast Guard, and employees of penal institutions. Yet when it comes to the President, who is the Chief Executive and the Commander-in-Chief of our armed forces, no comparable provision exists. The killing of underlings in the Executive Branch is a Federal crime, but the killing of the person at its helm is not.

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I would like to illustrate this anomoly in the following way Let's assume that Lee Oswald not only killed President Kennedy but also killed one of the Secret Service agents that accompanied him. Oswald could have been tried in the Federal courts for killing the Secret Service agent. Yet, he could not have been tried in the Federal courts, had he lived, for the assassination of President Kennedy.

Let me illustrate the anomoly in still another way: It is now a Federal crime to make a threat to take the life of the President. But if the person making the threat later killed the President, the killing would not be a Federal offense. In other words, the lesser offense of making a threat to take the President's life is a Federal offense, but the heinous offense of actually killing him is not a Federal crime.

We support the legislation also because we believe that the investigation of the crimes against the officials involved and the apprehension and prosecution of the criminals should be brought under Federal control. The Federal Government provides protection for the officials covered by the bill. Since the Federal Government already has the responsibility for their protection, we feel it should have the authority to investigate and prosecute crimes against them.

Any attempt to assassinate the President may involve a conspiracy by several persons. The conspirators could have agreed that if an attempt by one failed further attempts would be made at some other place or at a different time by other conspirators. Or the conspiracy could involve not only a plan to kill the President but others in line to the Presidency as well.

In such a situation, Federal officials should have the right to question the individual who made the assault or committed the murder to obtain any possible information as to co-conspirators. This is necessary to make sure that all aspects of the assault or attempt can be thoroughly explored and any further possible threat to these officials eliminated by the identification and apprehension of the offenders. While State or local officials would not necessarily be uncooperative, it seems to us that the Federal responsibility for protection of the President and his successors cannot logically be separated from the authority to investigate and to prosecute attempts against their lives.

Further, the Federal Government has certain advantages local police officials would not have in the apprehension and prosecution of persons who attempted to assassinate the President. In view of their protective responsibility, Secret Service agents go with the President in his travels. They would be on the scene in the event of a direct attempt

on his life. Time would be of the essence and the agents could take immediate steps to apprehend the criminal. I should add that in the case of a wide spread conspiracy the Federal resources that would be available for a complete and thorough investigation would be greater and more effective than the resources of a local police force.

Finally, it is our considered view that the enactment of this legislation could well deter some future attempt on the life of the President and thus improve the protection now afforded by the Secret Service. We urge the enactment of H.R. 6097.

It seems to me, therefore, fair to claim progress. However, I wish to stress again that it is too early to attempt any quantitative appraisal of the outlook for 1965 as a whole. We have seen how rapidly the picture can change, particularly in a sphere of capital movements, though we have reason to hope that the February program will remove much of the valatility in these capital accounts.

However, in the light of the experience that I have briefly reviewed for you today, it is far too early to talk about the attainment of the full achievement of our objectives in solving the balance of payments problem. Over-confidence could be our worst enemy at this point, bringing about premature relaxation of our concentration and our efforts. It is no time to take our eyes off the ball, because we have scored one or two good shots.

Our objectives are far too vital to run that risk. The attainment of equilibrium in our balance of payments is essential to the retention of our position of world leadership.

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fourth quarter. Seasonal adjustment, however, is especially difficult in this quarter because of the dock strike in February and in parts of January and March. The trade surplus was down markedly for the quarter as a result. Moreover, there were unusual outflows of some types of capital prior to the announcement of the President's program on February 10, 1965, and large reverse movements when the program began to take effect. Data now available on long-term bank lending commitments show that new commitments to developed countries have been quite limited since February 10, while commitments to less developed countries have continued pretty much in line with last year's pattern. This corresponds to the objectives of the program thus far.

To sum up what we know of the situation at present, January-February deficits were followed by a sizeable over-all surplus in March. The March improvement was partly to be expected because of the recovery in exports after the dock strike and certain seasonal reflows of corporate funds at the end of the quarter. But there was also a sharp and substantial decline in long-term bank lending. Moreover, the limited evidence of favorable developments during March tends to be confirmed by very preliminary and partial information on April. According to these indications, we should have an appreciable surplus in over-all payments in April, in contrast to deficits during April in recent years.

except France, where a sharp increase in the first half of the year was offset by a decline in the second half. The spread between Continental Europe and the United States widened slightly on short-term rates and by a third to a half percent on prime long-term bonds.

Despite these shifts in short-term interest rates, we believe that the movement of U. S. funds into the Euro-dollar market and the return flow to U. S. banks was about in balance in 1964. But the gross outflow did enlarge our regular deficit, statistically. During the year, there were also periods when our banks provided large temporary credits to the Euro-dollar market to make up for withdrawals by European banks. At present, there is a differential of Euro-dollar rates at three months of .55 percent over the certificate of deposit rate in New York, according to one series we use, as compared with .40 percent a year ago.

The program of the Federal Reserve aims at a reduction in the level of net new bank lending to foreign borrowers to about $500 million a year -- both long- and short-term -- as against about five times that amount in 1964. This program directly affects the external flow, without interfering with the availability of domestic credit, or raising domestic interest rates.

Preliminary figures for the first quarter balance of payments show a seasonally-adjusted deficit on regular transactions of $767 million -- about half the size of the corresponding deficit in the

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From time to time, it has been suggested that the tendency to excessive outflow of financial capital should be restrained by higher long-term interest rates in the United States. This view is widely held in Europe.

There are reasons for doubting that a simple prescription of higher long-term interest rates here is an effective answer to the problem. First, the differential between long-term rates here and in most of Europe is so large that the possibility of any substantial lessening of the spread by U. S. action is open to considerable question from a purely technical standpoint, in view of the massive volume of savings in this country. Second, and more important, the level of U. S. rates is not low by historical standards, and a significantly higher level might well do harm to our domestic economy. Third, the high interest rates in Europe probably reflect, in part, both the heavy, perhaps excessive, pressure of borrowers on savings and a general tendency for prices to rise, thus cutting down substantially the annual rate of interest, in terms of purchasing power over real goods.

Last year, interest rates on the Continent of Europe tightened noticeably. At the year end, long-term rates exceeded the 4.14 percent level on U. S. Government bonds in the United States by one to two percent, outside of the special case of Switzerland. From year-end 1963 to year-end 1964, long-term bond rates increased on the order of one-half percent in the Netherlands, Belgium, Italy, Germany, and Switzerland, as measured by the highest quality domestic securities. Short-term rates increased one-half percent or more in all these countries

My third observation relates to the volatile nature of the financial-type capital movements. Despite all the difficulties of interpreting recent violent and rapid shifts in the international payments situation, last year's experience again points to a recurrent tendency for long- and short-term capital outflow, particularly of the financial type, to exceed our surplus on other accounts, and to do so at times by a large margin. This is especially true if it is assumed that the wide movements in the residual unidentified balancing items of errors and omissions also represent in part additional financial-type capital flows.

These financial-type flows include new capital issues and redemptions, transactions between Americans and foreigners in outstanding securities, bank loans of short and long maturity, and placement of funds abroad by non-banking corporations, financial or non-financial.

To cover a broader range of capital outflow of this type, we have recently reinforced the restraints of the 1963 Interest Equalization Tax by extending it to bank loans of one year or more and are seeking legislative authority to reduce the minimum maturity subject to the tax from three years to one year, effective February 10, 1965. However, it was necessary to move even more rapidly and directly to halt the heavy build-up of loan commitments by banks, through the voluntary program of the Federal Reserve System.

action taken by President Johnson in his Balance of Payments Message of February 10 removed fears that the dollar outflow would continue at the fourth quarter rate and gave new assurance of our determination to eliminate our deficit.

Some evidence of the effectiveness of our balance of payments program can, I believe, be found in exchange market developments in recent weeks. There are many factors which, particularly in the short run, affect exchange rates other than our own actions, but it may be of some significance that the dollar is closer to par with the German mark than it has been in several years, the Swiss franc reached its lowest level in over a decade, and the French franc has been generally off its ceiling for the past two months.

So much is behind us. We clearly need to keep up a continuing and unrelenting effort to improve our position in the slower moving items of the current goods and services and Governmental expenditures abroad. We cannot rule out considerable swings even in these accounts, particularly in short periods. The effect of the dock strike in the first quarter of this year was to worsen considerably the trade surplus in that quarter, for example. And our net position on these items can be reduced by the effect of slower growth rates in Europe on our exports and the natural growth in imports as our own economy expands toward a fuller use of capacity.

In the latter part of 1964, however, the pressures which were felt upon sterling, and the fact that the sales by Russia were concentrated in the first half, gave rise to mounting speculation in gold, so that the London market ceased to be a channel through which new gold became available for monetary reserves.

This trend continued into this year, and while, in the past few months, the London market has had a generally neutral effect on official reserve accumulations, there has not been an inflow such as occurred last year, which served to reduce U. S. gold losses.

Although an understanding of these factors requires us to view the amount of current gold losses in a longer-range perspective, and demonstrates that our gains or losses may be in part due to the vagaries of the weather in Russia, it provides no ground for complacency. In the final analysis, our losses can only be attributed to current or cumulative deficits in our balance of payments.

In exchange markets, the dollar has been free of a "crisis" atmosphere such as surrounded operations in the early 1960's. Notwithstanding the large deficit incurred by the United States in the fourth quarter of last year and the rather severe pressure, at times, on sterling, the dollar itself was not under speculative attack.

The reasons for this are, I believe, twofold -- first, the network of defenses which have been steadily erected over the past five years have convinced speculators of their folly, and, secondly, the forthright

Of the total drain of $125 million on the U. S. gold stock, only $36 million was due to international monetary transactions, the balance being attributable to net domestic needs for industrial and similar purposes.

The contrast between the small gold loss last year and the loss of over $1 billion so far this year~~, while great~~, is striking -- particularly in view of the fact that we have mounted a vigorous effort to reduce our payments disequilibrium. But a moment's reflection points up the fact that, in the shorter run, it is quite possible to have gold losses even when the United States balance of payments is in surplus and to have little or no loss during periods of heavy deficit. As I have already noted, this is a phenomenon we witnessed last year, and much of this year's loss is due to the U. S. deficits in earlier periods.

Also, the small net loss last year was, to a considerable extent, due to the fact that sales were significantly offset by acquisitions through the cooperative operations undertaken in the London gold market. The London market continued last year to benefit by increased production of newly-mined gold and large sales of gold by Russia, undertaken, as in 1963, to finance the unusual Russian wheat purchases in the West. These sources of supply not only provided more gold to monetary reserves in a direct way but contributed to a generally calm atmosphere in the gold and exchange markets through the first half of 1964, curbing speculative tendencies.

that, in addition to the impact of fluctuations in our own statistical deficit, our gold losses can be influenced by the shifts of dollar holdings among third countries and by the changing demands of private purchases on the London gold market. In a sense, what is most important in determining the amount of our gold losses is the aggregate sum of, and the distribution of, surpluses in foreign balances of payments. If dollars flow to countries maintaining high gold ratios, we are more likely to lose gold than if they are being acquired by countries with a low ratio of gold in their reserve holdings. The amount of gold flowing into monetary use from new production has varied from year to year. If there are large supplies of non-monetary gold available to the monetary authorities of the world, this tends to raise the gold ratios of foreign central banks and reduces their tendency to purchase gold from the United States.

The heavy gold loss in 1965 to date reflects in part a delayed impact of the dollar accruals of some countries during 1964. In part, it also is due to the French policy of converting their surplus dollars into gold at a time when the United Kingdom, as well as the United States, has been paying out large amounts of reserves to the world, and the French have been one of the leading surplus countries.

In 1964, U. S. gold losses were quite small, particularly when viewed in relation to the continuing large balance of payments deficit.

While direct investment added nearly $900 million dollars to the annual rate of outflow, other capital outflow from the U. S. accounted for an enlargement of our deficit between these same two periods of no less than $2.7 billion at an annual rate. About half of this was long-term and about half short-term. Looking at this $2.7 billion of larger outflow in another way, about $1 billion resulted from long- and short-term banking operations, and the remainder was divided about equally between sales to foreigners of new and old securities and short-term placements abroad by non-banking entities. In addition to the $2.7 billion increase in the recorded outflow of American capital, another $1 billion, annual rate, represented unrecorded transactions, and a small part, $200 million, reflected reduced inflows of foreign direct and other long-term capital.

These same movements generally continued until the new balance of payments program of February 10 began to work in March. The results of the first quarter of 1965 are only partially in, but they show a considerable reduction in the regular deficit, to an annual rate of $3.1 billion, as compared with $4.3 billion in July-December, 1964. But the continued pressure on the United Kingdom during this period, and the effects of the dock strike, add to the difficulties of drawing any clear conclusions from the initial impact of the new program.

I should note that there is an operational as well as statistical aspect to the balance of payments. The past year has been a very active one in the gold and exchange markets. In this sphere, we have to recognize

the Group of Ten found themselves adding 5 percent to their reserves of gold and foreign exchange, and 8 percent in all types of reserve assets, which include reserve claims on the IMF.

The moral, as I have implied, is obvious. As I shall note later in more detail, we have made progress toward balance since the President's Message of February 10 this year. I am confident that we shall continue to make progress. We have to do so; the stakes are too high for us to fail. But my confidence rests on the conviction that we shall continue to make the strong efforts now employed. It does not rest on a conviction that our problem is solved. The very worst thing that could happen now is overconfidence, followed by relaxation of effort.

My second point is a simple recital of what happened in the nine months I have mentioned. What was responsible for almost tripling our regular transactions deficit between the second half of 1963 and the second half of 1964? The goods and services balance, excluding Government-financed items, actually improved by almost one-third ($1.6 billion), to an annual rate of nearly $6 billion, comparing July-December, 1963, with July-December, 1964. Also, our net military expenditures and dollar outflow on Government grants and capital improved. What happened, and what seems clearly responsible for the sharp worsening of our payments position, was a striking increase between these two periods in virtually every type of private capital outflow, amounting to $3.6 billion at an annual rate -- from an annual rate of $3.1 billion to $6.7 billion.

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months, improvement had been marked. In the fiscal year 1963-64, the regular deficit, seasonally adjusted, was down to $1.7 billion, as against a five-year average of $3.3 billion. Internationally, the worrisome Italian reserve losses of 1963 and early 1964 were coming to a close and the long sequence of Continental European reserve accumulations, regarded as excessive and inflationary in Europe, seemed to be slowing down. It was recognized, of course, that some of the improvement was temporary, due to the initial impact of the announcement of the Interest Equalization Tax in the U. S., and the heavy Soviet grain purchases and gold sales, but very pronounced relapse seemed unlikely.

But, shortly thereafter, there did occur a marked deterioration, out of which we are now climbing, both in the U. S. balance and in the world pattern. In the last six months of 1964, we saw the regular deficit in the United States soar to an annual rate of $4.3 billion, and to an annual rate of $6 billion in the fourth quarter alone, while the U. K. revealed a very large deficit of $2 billion at an annual rate, measured in the standard U. K. way. A massive short-term support program for the pound sterling of $3 billion accompanied a drawing of $1 billion by the U. K. on the International Monetary Fund. France, Italy and Canada developed particularly heavy surpluses. There also was a general rise in reserve assets in the outside world, resulting from the bulging U. S. deficit and the U. K. drawings upon credit facilities, bilateral and multilateral. For the year 1964 as a whole, the other eight countries in

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TREASURY DEPARTMENT
WASHINGTON

FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE FREDERICK L. DEMING,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
AT THE MIDYEAR MEETING OF THE DIVISION OF FINANCE AND ACCOUNTING
OF THE AMERICAN PETROLEUM INSTITUTE
AT THE BELLEVUE-STRATFORD HOTEL, PHILADELPHIA, PENNSYLVANIA
ON FRIDAY, MAY 28, 1965, AT 10:00 AM (EDT)

RECENT DEVELOPMENTS IN INTERNATIONAL BALANCE OF PAYMENTS

I am glad to be with you today. You are associated with an industry which has an especially broad and pervasive sphere and scale of activity internationally. The oil companies participate in almost every conceivable kind of current and capital transaction affecting our balance of payments. Today, I want to share with you some thoughts on the significance of recent developments in international payments.

The first observation I make is perhaps so obvious that it should need no mention. In popular form, it is expressed by the old saying, "Don't count your chickens until they are hatched." Another way to say it generally is that it is difficult to evaluate future trends which are gestating in the complexities of the present. The point is simple; let me illustrate it by events of the past nine months.

Even in a decade marked by many shifts in the pattern of international payments, the last two quarters of 1964 and the first of 1965 stand out as crowded and confused. As we entered July, 1964, prospects for the U. S. balance of payments seemed reasonably bright. In the previous twelve

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Despite these shifts in short-term interest rates, we believe that the movement of U. S. funds into the Euro-dollar market and the return flow to U. S. banks was about in balance in 1964. But the gross outflow did enlarge our regular deficit, statistically. During the year, there were also periods when our banks provided large temporary credits to the Euro-dollar market to make up for withdrawals by European banks. At present, there is a differential of Euro-dollar rates at three months of .55 percent over the certificate of deposit rate in New York, according to one series we use, as compared with .40 percent a year ago.

The program of the Federal Reserve aims at a reduction in the level of net new bank lending to foreign borrowers to about $500 million a year -- both long- and short-term -- as against about five times that amount in 1964. This program directly affects the external flow, without interfering with the availablity of domestic credit, or raising domestic interest rates.

Preliminary figures for the first quarter balance of payments show a seasonally-adjusted deficit on regular transactions of $767 million -- about half the size of the corresponding deficit in the fourth quarter. Seasonal adjustment, however, is especially difficult in this quarter because of the dock strike in February and in parts of January and March. The trade surplus was down markedly for the quarter as a result. Moreover, there were unusual outflows of some types of capital prior to the announcement of the President's program on February 10, 1965, and large reverse movements when the program began to take effect. Data now available on long-term bank lending commitments show that new commitments to developed countries have been quite limited since February 10, while commitments to less developed countries have continued pretty much in line with last year's pattern. This corresponds to the objectives of the program thus far.

To sum up what we know of the situation at present, January-February deficits were followed by a sizeable over-all surplus in March. The March improvement was partly to be expected because of the recovery in exports after the dock strike and certain seasonal reflows of corporate funds at the end of the quarter. But there was also a sharp and substantial decline in long-term bank lending. Moreover, the limited evidence of favorable developments during March tends to be confirmed by very preliminary and partial information on April. According to these indications, we should have an appreciable surplus in over-all payments in April, in contrast to deficits during April in recent years.

It seems to me, therefore, fair to claim progress. However, I wish to stress again that it is too early to attempt any quantitative appraisal of the outlook for 1965 as a whole. We have seen how rapidly the picture can change, particularly in a sphere of capital movements, though we have reason to hope that the February program will remove much of the valatility in these capital accounts.

However, in the light of the experience that I have briefly reviewed for you today, it is far too early to talk about the attainment of the full achievement of our objectives in solving the balance of payments problem. Over-confidence could be our worst enemy at this point, bringing about premature relaxation of our concentration and our efforts. It is no time to take our eyes off the ball, because we have scored one or two good shots.

Our objectives are far too vital to run that risk. The attainment of equilibrium in our balance of payments is essential to the retention of our position of world leadership.

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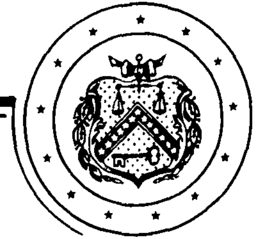
TREASURY DEPARTMENT



WASHINGTON, D.C.
May 28, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT
ON SHOES

The Treasury Department is instructing customs field officers to withhold appraisement of shoes, leather, men's and boys', welt construction, from Rumania pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

Under the Antidumping Act, determination of sales in the United States at less than fair value would require reference of the case to the Tariff Commission, which would consider whether American industry was being injured. Both dumping price and injury must be shown to justify a finding of dumping under the law.

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on October 15, 1964. The complaint was received from Truitt Brothers, Inc., Belfast, Maine, through Senator Edmund S. Muskie.

The dollar value of imports received during the period May 1, 1964, through March 31, 1965, was approximately $227,000.

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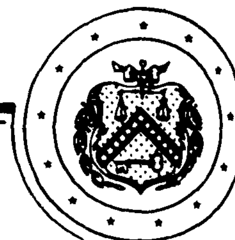

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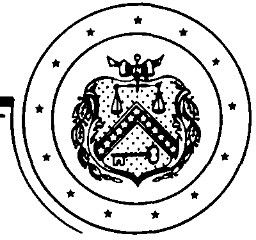

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The dollar value of imports received during 1964 was approximately $1,331,000.

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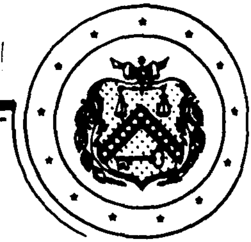

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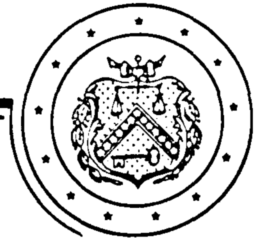


WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Saturday, May 29, 1965.

May 28, 1965

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 March 4, 1965, and the other series to be dated June 3, 1965, which were offered on May 24, were opened at the Federal Reserve Banks on May 28. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, 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 September 2, 1965		182-day Treasury bills maturing December 2, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.026	3.853%	98.023	3.911%
Low	99.020	3.877%	98.013	3.930%
Average	99.022	3.870% 1/	98.016	3.924% 1/

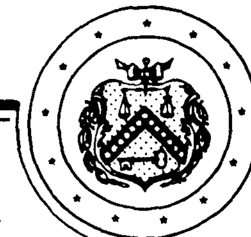
89% of the amount of 91-day bills bid for at the low price was accepted
25% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 20,928,000	$ 10,528,000	$ 30,806,000	$ 12,056,000
New York	1,539,352,000	825,359,000	1,407,447,000	731,847,000
Philadelphia	25,522,000	13,404,000	21,165,000	6,365,000
Cleveland	22,251,000	22,080,000	39,390,000	18,440,000
Richmond	18,802,000	8,775,000	2,983,000	2,983,000
Atlanta	28,499,000	19,803,000	16,888,000	11,063,000
Chicago	282,393,000	145,531,000	314,550,000	132,425,000
St. Louis	31,509,000	22,560,000	13,684,000	10,309,000
Minneapolis	18,786,000	8,647,000	9,633,000	4,258,000
Kansas City	23,409,000	18,473,000	13,260,000	10,345,000
Dallas	26,587,000	12,587,000	10,053,000	5,053,000
San Francisco	168,689,000	94,502,000	112,438,000	56,188,000
	$2,206,727,000	$1,202,249,000 a/	$1,992,297,000	$1,001,332,000 b/

a/ Includes $210,580,000 noncompetitive tenders accepted at the average price of 99.022
b/ Includes $83,772,000 noncompetitive tenders accepted at the average price of 98.016
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.96%, for the 91-day bills, and 4.06%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Saturday, May 29, 1965.

May 28, 1965

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 March 4, 1965, and the other series to be dated June 3, 1965, which were offered on May 24, were opened at the Federal Reserve Banks on May 28. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, 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 September 2, 1965		182-day Treasury bills maturing December 2, 1965	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.026	3.853%	98.023	3.911%
Low	99.020	3.877%	98.013	3.930%
Average	99.022	3.870% 1/	98.016	3.924% 1/

89% of the amount of 91-day bills bid for at the low price was accepted
25% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

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a/ Includes $210,580,000 noncompetitive tenders accepted at the average price of 99.022
b/ Includes $83,772,000 noncompetitive tenders accepted at the average price of 98.016
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.96%, for the 91-day bills, and 4.06%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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