U.S. Treasury Dept.
Press Releases

United States Savings Bonds Issued and Redeemed Through June 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 | 4,993 | 10 | .20 |
| Series F & G-1941 - 1952 | 29,521 | 29,433 | 87 | .29 |
| Series J and K - 1952 | 400 | 388 | 12 | 3.00 |
| UNMATURED | | | | |
| Series E: 3/ | | | | |
| 1941 | 1,846 | 1,584 | 262 | 14.19 |
| 1942 | 8,150 | 7,021 | 1,129 | 13.85 |
| 1943 | 13,119 | 11,331 | 1,788 | 13.63 |
| 1944 | 15,290 | 13,080 | 2,210 | 14.45 |
| 1945 | 11,989 | 10,012 | 1,977 | 16.49 |
| 1946 | 5,396 | 4,296 | 1,100 | 20.39 |
| 1947 | 5,092 | 3,885 | 1,206 | 23.68 |
| 1948 | 5,253 | 3,908 | 1,344 | 25.59 |
| 1949 | 5,174 | 3,768 | 1,406 | 27.17 |
| 1950 | 4,517 | 3,219 | 1,297 | 28.71 |
| 1951 | 3,911 | 2,783 | 1,128 | 28.84 |
| 1952 | 4,093 | 2,872 | 1,221 | 29.83 |
| 1953 | 4,666 | 3,149 | 1,518 | 32.53 |
| 1954 | 4,746 | 3,079 | 1,666 | 35.10 |
| 1955 | 4,944 | 3,038 | 1,906 | 38.55 |
| 1956 | 4,713 | 2,878 | 1,835 | 38.93 |
| 1957 | 4,431 | 2,643 | 1,787 | 40.33 |
| 1958 | 4,290 | 2,425 | 1,865 | 43.47 |
| 1959 | 4,015 | 2,236 | 1,779 | 44.31 |
| 1960 | 4,004 | 2,100 | 1,904 | 47.55 |
| 1961 | 4,020 | 1,947 | 2,073 | 51.57 |
| 1962 | 3,870 | 1,770 | 2,100 | 54.26 |
| 1963 | 4,288 | 1,689 | 2,599 | 60.61 |
| 1964 | 4,191 | 1,353 | 2,838 | 67.72 |
| 1965 | 1,378 | 165 | 1,213 | 88.03 |
| Unclassified | 367 | 441 | -74 | - |
| Total Series E | 137,753 | 96,675 | 41,078 | 29.82 |
| Series H (1952 - Jan. 1957) 3/ | 3,670 | 1,745 | 1,925 | 52.45 |
| H (Feb. 1957 - 1965) | 6,823 | 1,031 | 5,791 | 84.87 |
| Total Series H | 10,493 | 2,776 | 7,716 | 73.53 |
| Total Series E and H | 148,246 | 105,003 | 48,794 | 32.91 |
| Series J and K (1953 - 1957) | 3,329 | 2,081 | 4/ 1,248 | 37.49 |
| All Series: Total matured | 34,654 | 34,814 | 109 | .31 |
| All Series: Total unmatured | 151,575 | 107,084 | 50,042 | 33.01 |
| All Series: Grand Total | 186,229 | 141,898 | 50,151 | 26.93 |

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

BUREAU OF THE PUBLIC DEBT

United States Savings Bonds Issued and Redeemed Through June 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 |
|---|---|---|---|---|
| TURED | | | | |
| eries A-1935 - D-1941 | 5,003 | 4,993 | 10 | .20 |
| eries F & G-1941 - 1952 | 29,521 | 29,433 | 87 | .29 |
| eries J and K - 1952 | 400 | 388 | 12 | 3.00 |
| MATURED | | | | |
| eries E: 3/ | | | | |
| 1941 | 1,846 | 1,584 | 262 | 14.19 |
| 1942 | 8,150 | 7,021 | 1,129 | 13.85 |
| 1943 | 13,119 | 11,331 | 1,788 | 13.63 |
| 1944 | 15,290 | 13,080 | 2,210 | 14.45 |
| 1945 | 11,989 | 10,012 | 1,977 | 16.49 |
| 1946 | 5,396 | 4,296 | 1,100 | 20.39 |
| 1947 | 5,092 | 3,885 | 1,206 | 23.68 |
| 1948 | 5,253 | 3,908 | 1,344 | 25.59 |
| 1949 | 5,174 | 3,768 | 1,406 | 27.17 |
| 1950 | 4,517 | 3,219 | 1,297 | 28.71 |
| 1951 | 3,911 | 2,783 | 1,128 | 28.84 |
| 1952 | 4,093 | 2,872 | 1,221 | 29.83 |
| 1953 | 4,666 | 3,149 | 1,518 | 32.53 |
| 1954 | 4,746 | 3,079 | 1,666 | 35.10 |
| 1955 | 4,944 | 3,038 | 1,906 | 38.55 |
| 1956 | 4,713 | 2,878 | 1,835 | 38.93 |
| 1957 | 4,431 | 2,643 | 1,787 | 40.33 |
| 1958 | 4,290 | 2,425 | 1,865 | 43.47 |
| 1959 | 4,015 | 2,236 | 1,779 | 44.31 |
| 1960 | 4,004 | 2,100 | 1,904 | 47.55 |
| 1961 | 4,020 | 1,947 | 2,073 | 51.57 |
| 1962 | 3,870 | 1,770 | 2,100 | 54.26 |
| 1963 | 4,288 | 1,689 | 2,599 | 60.61 |
| 1964 | 4,191 | 1,353 | 2,838 | 67.72 |
| 1965 | 1,378 | 165 | 1,213 | 88.03 |
| Unclassified | 367 | 441 | -74 | |
| Total Series E | 137,753 | 96,675 | 41,078 | 29.82 |
| eries H (1952 - Jan. 1957) 3/ | 3,670 | 1,745 | 1,925 | 52.45 |
| H (Feb. 1957 - 1965) | 6,823 | 1,031 | 5,791 | 84.87 |
| Total Series H | 10,493 | 2,776 | 7,716 | 73.53 |
| Total Series E and H | 148,246 | 105,003 | 48,794 | 32.91 |
| eries J and K (1953 - 1957) | 3,329 | 2,081 | 4/ 1,248 | 37.49 |
| ll Series: Total matured | 34,654 | 34,814 | 109 | .31 |
| ll Series: Total unmatured | 151,575 | 107,084 | 50,042 | 33.01 |
| ll Series: Grand Total | 186,229 | 141,898 | 50,151 | 26.93 |

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 May 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 | $ 4,993 | $ 11 | .22 |
| Series F & G-1941 - 1952 | 29,521 | 29,432 | 89 | .30 |
| Series J and K - 1952 | 400 | 387 | 13 | 3.25 |
| UNMATURED | | | | |
| Series E: 3/ | | | | |
| 1941 | 1,844 | 1,582 | 262 | 14.21 |
| 1942 | 8,145 | 7,013 | 1,132 | 13.90 |
| 1943 | 13,114 | 11,318 | 1,796 | 13.70 |
| 1944 | 15,278 | 13,065 | 2,213 | 14.48 |
| 1945 | 11,978 | 9,995 | 1,983 | 16.56 |
| 1946 | 5,392 | 4,290 | 1,102 | 20.44 |
| 1947 | 5,088 | 3,878 | 1,210 | 23.78 |
| 1948 | 5,248 | 3,900 | 1,348 | 25.69 |
| 1949 | 5,169 | 3,760 | 1,409 | 27.26 |
| 1950 | 4,512 | 3,212 | 1,301 | 28.83 |
| 1951 | 3,908 | 2,776 | 1,131 | 28.94 |
| 1952 | 4,091 | 2,864 | 1,227 | 29.99 |
| 1953 | 4,662 | 3,138 | 1,524 | 32.69 |
| 1954 | 4,742 | 3,065 | 1,676 | 35.34 |
| 1955 | 4,936 | 3,020 | 1,915 | 38.80 |
| 1956 | 4,706 | 2,869 | 1,837 | 39.04 |
| 1957 | 4,424 | 2,634 | 1,790 | 40.46 |
| 1958 | 4,284 | 2,416 | 1,868 | 43.60 |
| 1959 | 4,009 | 2,226 | 1,783 | 44.47 |
| 1960 | 3,997 | 2,089 | 1,907 | 47.71 |
| 1961 | 4,013 | 1,933 | 2,080 | 51.83 |
| 1962 | 3,862 | 1,755 | 2,107 | 54.56 |
| 1963 | 4,281 | 1,666 | 2,615 | 61.08 |
| 1964 | 4,185 | 1,291 | 2,894 | 69.15 |
| 1965 | 1,045 | 94 | 952 | 91.10 |
| Unclassified | 369 | 410 | -41 | |
| Total Series E | 137,284 | 96,261 | 41,023 | 29.88 |
| Series H (1952 - Jan. 1957) 3/ | 3,670 | 1,712 | 1,959 | 53.38 |
| H (Feb. 1957 - 1965) | 6,778 | 1,026 | 5,752 | 84.86 |
| Total Series H | 10,448 | 2,738 | 7,711 | 73.80 |
| Total Series E and H | 147,732 | 98,999 | 48,734 | 32.99 |
| Series J and K (1953 - 1957) | 3,328 | 2,059 | 4/ 1,268 | 38.10 |
| All Series: Total matured | 34,924 | 34,812 | 113 | .32 |
| All Series: Total unmatured | 151,060 | 101,058 | 50,002 | 33.10 |
| All Series: Grand Total | 185,984 | 168,623 | 50,115 | 26.95 |

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

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| MATURED | | | | |
| Series A-1935 - D-1941 | $ 5,003 | $ 4,993 | $ 11 | .22 |
| Series F & G-1941 - 1952 | 29,521 | 29,432 | 89 | .30 |
| Series J and K - 1952 | 400 | 387 | 13 | 3.25 |
| UNMATURED | | | | |
| Series E: 3/ | | | | |
| 1941 | 1,844 | 1,582 | 262 | 14.21 |
| 1942 | 8,145 | 7,013 | 1,132 | 13.90 |
| 1943 | 13,114 | 11,318 | 1,796 | 13.70 |
| 1944 | 15,278 | 13,065 | 2,213 | 14.48 |
| 1945 | 11,978 | 9,995 | 1,983 | 16.56 |
| 1946 | 5,392 | 4,290 | 1,102 | 20.44 |
| 1947 | 5,088 | 3,878 | 1,210 | 23.78 |
| 1948 | 5,248 | 3,900 | 1,348 | 25.69 |
| 1949 | 5,169 | 3,760 | 1,409 | 27.26 |
| 1950 | 4,512 | 3,212 | 1,301 | 28.83 |
| 1951 | 3,908 | 2,776 | 1,131 | 28.94 |
| 1952 | 4,091 | 2,864 | 1,227 | 29.99 |
| 1953 | 4,662 | 3,138 | 1,524 | 32.69 |
| 1954 | 4,742 | 3,065 | 1,676 | 35.34 |
| 1955 | 4,936 | 3,020 | 1,915 | 38.80 |
| 1956 | 4,706 | 2,869 | 1,837 | 39.04 |
| 1957 | 4,424 | 2,634 | 1,790 | 40.46 |
| 1958 | 4,284 | 2,416 | 1,868 | 43.60 |
| 1959 | 4,009 | 2,226 | 1,783 | 44.47 |
| 1960 | 3,997 | 2,089 | 1,907 | 47.71 |
| 1961 | 4,013 | 1,933 | 2,080 | 51.83 |
| 1962 | 3,862 | 1,755 | 2,107 | 54.56 |
| 1963 | 4,281 | 1,666 | 2,615 | 61.08 |
| 1964 | 4,185 | 1,291 | 2,894 | 69.15 |
| 1965 | 1,045 | 94 | 952 | 91.10 |
| Unclassified | 369 | 410 | -41 | - |
| Total Series E | 137,284 | 96,261 | 41,023 | 29.88 |
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2/ Current redemption value.
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4/ Includes matured bonds which have not been presented for redemption.

BUREAU OF THE PUBLIC DEBT

Mr. Stockfisch was an associate professor of Business Administration at the University of California, Los Angeles, before coming to Washington in 1961. He is a native of California and received his B.A. degree from Pomona College and his Ph.D. in Economics from the University of California, Berkeley.

Gerard M. Brannon, Associate Director, Office of Tax Analysis, will serve as Acting Director until a successor to Mr. Stockfisch is appointed.

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~~May~~ June 1, 1965

FOR IMMEDIATE RELEASE

DEPUTY ASSISTANT SECRETARY STOCKFISCH RESIGNS,
ACCEPTS POSITION WITH STANFORD RESEARCH INSTITUTE

Secretary of the Treasury Henry H. Fowler announced today the resignation of J. A. Stockfisch, Deputy Assistant Secretary and Director, Office of Tax Analysis, to become effective June 4,1965.

Mr. Stockfisch will join the Field Experimentation Department of the Stanford Research Institute at Fort Ord, California. He was appointed to the Treasury on September 4, 1963. In his capacity as Deputy to Assistant Secretary Stanley S. Surrey, Mr. Stockfisch played an important part in the development of the Revenue Act of 1964 and other important legislation in the tax field. Prior to joining the Treasury, Mr. Stockfisch was Assistant Deputy Comptroller and Director for Special Studies, Systems Analysis, in the Office of the Secretary of Defense.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 1, 1965

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Mr. Stockfisch was an associate professor of Business Administration at the University of California, Los Angeles, before coming to Washington in 1961. He is a native of California and received his B.A. degree from Pomona College and his Ph.D. in Economics from the University of California, Berkeley.

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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 June 10, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 10, ~~(17)~~ 1965. Cash

~~Exhibit 2-A~~

~~BETA - MODIFIED~~



TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, June 2, 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 June 10, 1965 ~~(3)~~, in the amount of $ 2,201,332,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued June 10, 1965 ~~(6)~~, in the amount of $ 1,200,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated March 11, 1965 ~~(8)~~, and to mature September 9, 1965 ~~(9)~~, originally issued in the amount of $ 1,000,355,000 ~~(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 June 10, 1965 ~~(13)~~, and to mature December 9, 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~~ Daylight Saving time, Monday, June 7, 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.

June 2, 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 June 10, 1965, in the amount of $2,201,332,000, as follows:

91-day bills (to maturity date) to be issued June 10, 1965, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated March 11, 1965, and to mature September 9,1965, originally issued in the amount of $1,000,355,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,000,000,000, or thereabouts, to be dated June 10, 1965, and to mature December 9, 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, June 7, 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.

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 10, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 10, 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.

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TREASURY DEPARTMENT
Washington

Statement of the Honorable Frederick L. Deming
Under Secretary of the Treasury for Monetary Affairs
Before the
Senate Committee on Appropriations
10:00 A.M., June 3, 1965

Mr. Chairman, and Committee members, I am glad to appear before the Committee today in support of an appropriation to enable the United States, in cooperation with the other members of the International Monetary Fund, to take part in a broad international program for expanding the resources of the Fund by 25 percent plus larger increases for 16 countries. I have with me today Mr. William B. Dale, U.S. Executive Director of the Fund, who will be able to answer any questions of detail you may have on the Fund's operations.

Legislation amending the Bretton Woods Agreements Act of 1945 to authorize a 25 percent increase, amounting to $1,035 million, in the quota of the United States in the Fund was passed by the Senate by unanimous consent and in the House by a vote of 301 to 88. P.L.89-31, which also authorizes the appropriation of the United States quota increase, was signed yesterday by the President.

As President Johnson pointed out in submitting this legislation to the Congress, 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 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 framers of the International Monetary Fund foresaw the probable

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need for periodic increases in Fund quotas to keep pace with the expansion in world economic activity. While the Articles of Agreement permit review of the adequacy of quotas at any time, they provide that quotas must be reviewed each five years. The present proposals for enlarging quotas result from the fourth quinquennial review. While individual quotas have been changed from time to time on the request of particular members and approval by the Governors of the Fund, the only previous general increase occurred in the period 1958-59. At that time, there was a general increase in quotas of 50 percent for all members and special quota increases were requested and accepted by Germany, Canada, Japan and certain other countries.

Since 1958, world trade has increased by more than 50 percent. Aggregate world imports, for example, were about $101 billion in 1958 and about $156 billion in 1964. No comparable single figure is available to measure world capital movements, but these have undoubtedly increased by a substantially greater percentage since the restoration of de facto convertibility in Western Europe at the end of 1958. Both short-term and long-term capital movements have increased greatly. Some of these are equilibrating in nature; others tend to widen rather than narrow balance-of-payments disequilibria.

The same period has seen greater use of the Fund's resources by the larger member countries. Canada, Italy, Japan, the United Kingdom and the United States have either drawn on Fund resources or entered into stand-by arrangements with the Fund, or both. 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. The United Kingdom has also drawn $1.4 billion in May of this year.

As a result of the increased use of the Fund, its holdings of major currencies other than dollars and sterling have declined by about $1.6 billion since 1959 and now amount to about $1.5 billion.

These facts clearly indicate the need for an increase in the Fund's resources at this time. This need was unanimously recognized by the Governors of the Fund at their meeting in Tokyo last September.

Acting on instructions from the Board of Governors, the Executive Directors submitted to the Governors two Resolutions: the first proposes that all member countries accept a 25% increase in quota; the second proposes that sixteen of the members accept, in addition to the 25% increase, special increases which in the aggregate amount to $870 million. On April 1, 1965, the Fund announced that these Resolutions were adopted by the required 80% of the total voting power of the Board of Governors. Former Secretary of the Treasury Dillon, in accordance with the directive of the National Advisory Council, cast the vote of the United States in favor of the two Resolutions.

The combined total of general and special increases recommended amounts to nearly $5 billion, and acceptance of the recommendation by all members would increase the total of Fund quotas from a little more than $16 billion to approximately $21 billion. The United States share of this total increase would be slightly over one fifth, and our quota would become $5,160 million as compared to its present $4,125 million.

If all member countries accept the quota increases suggested for them, Fund holdings of the currencies presently used extensively in drawings 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.

The proposed quota increases by country are shown in detail in the Special Report of the National Advisory Council on International Monetary and Financial Problems. Attached to that report as an appendix is the report of the Executive Directors of the Fund to the Board of Governors entitled "Increases in Quotas of Fund Members: 4th Quinquennial Review".

Now that the Board of Governors has adopted the Resolutions submitted by the Executive Directors two further requirements have to be met. Each member must consent to the increase in its own quota. Moreover, before any of the quota increases may become effective, countries whose quotas on February 26, 1965, aggregated two-thirds of the total Fund quotas must consent to the increase in their quotas and make payment to the Fund. Payments received by the Fund will be placed in a segregated account until the two-thirds total is reached. Consents to the increase must be given before September 25, 1965, unless the Executive Directors extend the time for action.

P.L.8931, the authorizing legislation, provides for the appropriation of $1,035 million to remain available until expended. Except for the gold portion of the increased subscription, I have every reason to believe as I shall presently explain, that, like our GAB participation, no calls for actual expenditures will be made for the foreseeable future.

The Articles of Agreement of the Fund provide that 25% of any quota increase must normally be paid to the Fund in gold. 25% of the proposed U.S. increase of $1,035 million amounts to $258.75 million and this amount must be paid at the time the United States accepts the quota increase. In exchange for this payment, the United States will receive a "gold tranche" drawing right on the Fund. This is a virtually automatic drawing right and represents a reserve asset which the United States can call upon at any time. Thus this payment will not result in any change in our international reserve position and consequently will have no effect on our balance-of-payments.

The remaining portion of the appropriation -- $776.25 -- will permit the United States to issue to the International Monetary Fund a letter of credit in that amount on which the Fund may draw at such time as it may require additional dollar funds to meet drawings of other members. Drawings against this $776 million portion are not likely to occur in the foreseeable future.

It is interesting to note that this Committee considered and approved the appropriation of $2 billion for United States participation in the General Arrangements to Borrow (GAB). At the hearings on the appropriation former Secretary Dillon assured this Committee that "in practice we do not expect to have to use this authority in the foreseeable future." Although the GAB has proved to be extremely useful and appropriation of the whole $2 billion was essential to United States participation, in fact, no expenditures have been made pursuant to this appropriation.

This Committee should also note that although the Fund used dollars extensively in the past, when we were in a strong balance-of-payments position, all these dollars have come back to it and, in effect, back to the United States. Thus, while the Fund has been of great benefit to the world and to the United States, over the entire period of its operations, our participation in the Fund has not cost us, net, any dollars at all in our international accounts. Dollars lent by the Fund in earlier years have been repaid to it and the Fund now holds U.S. dollars in the amount of about $3,215 million. These are held almost entirely in the form of non-interest-bearing notes. As long as the United States continues to have a balance-of-payments deficit, Fund policy will limit drawings in dollars. And, in any event, the Fund's existing holdings of dollars will be used to meet the needs of any future drawings before calls will be made on the new letter of credit.

Because no dollar expenditure is foreseen this portion of the appropriation will also have no adverse effect on our balance-of-payments.

As the Committee is aware, the United States Government has shifted increasingly to the provision of funds through a letter of credit technique. This amounts to an unconditional obligation to provide funds as they are actually needed. This technique is now in general use both in our domestic programs and in our dealings with international institutions. It was designed to obviate expenditures prior to the time when funds are actually needed. In the past, the technique in dealing with international institutions was somewhat different. Payments were made to the institution and excess funds were returned to the United States Government in exchange for non-interest-bearing notes.

I should like to say a word at this point about the nature of the Fund itself. The International Monetary Fund was established following negotiations at the Bretton Woods Conference of 1944.

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 repayments which have taken place.

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.

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 per cent 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 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.

As I have noted, 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.

Our current net drawings of approximately $120 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.

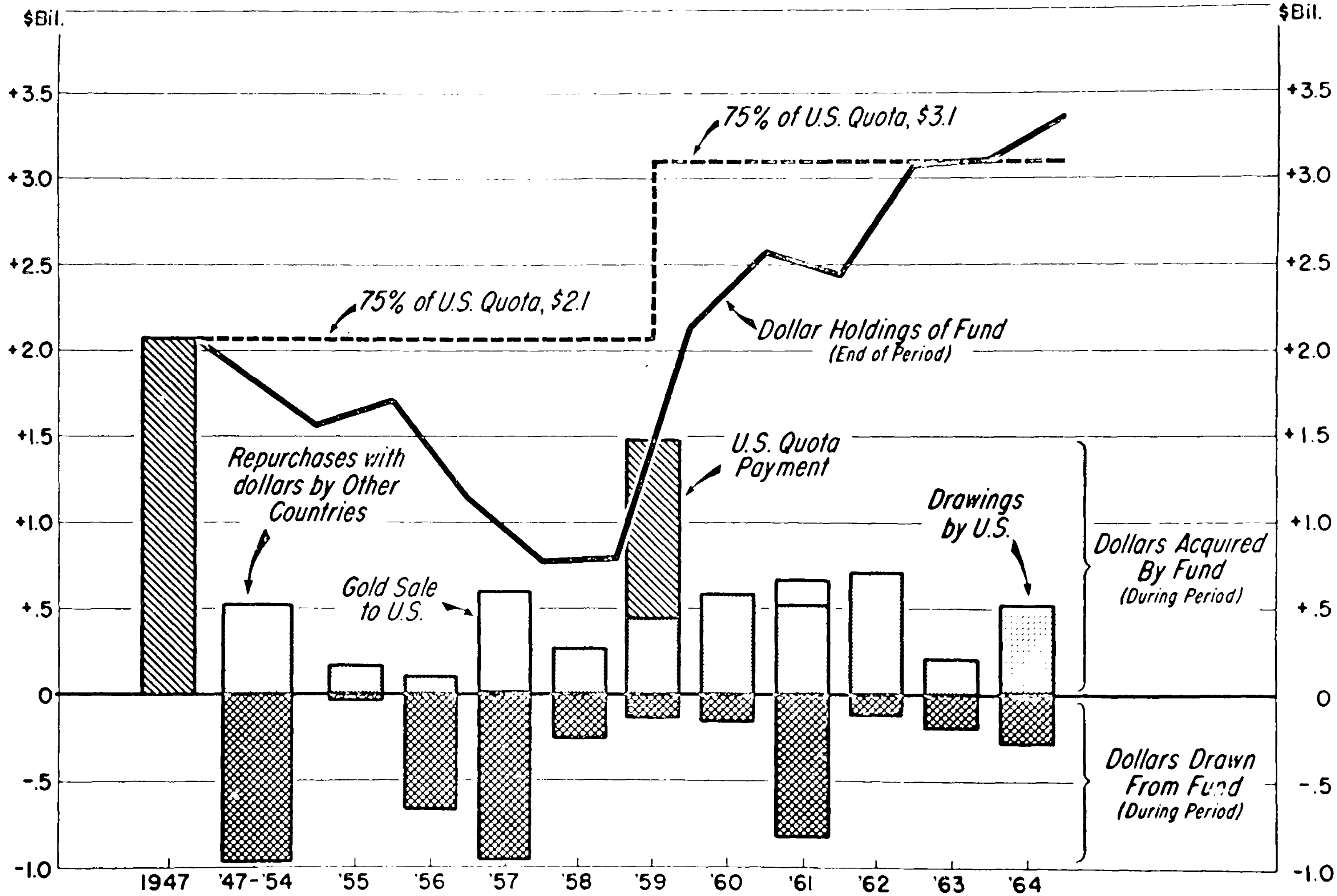
Particular attention has been given to the possible effect on the United States of gold payments to the Fund in connection with the proposed quota increases. It was clear that, in the normal course of events, many countries would wish to purchase gold from the United States in order to pay the gold portion 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 actually diminish aggregate world reserves. The arrangements that have been worked out and which are described on pp 11-13 of the NAC Special Report will provide fully adequate protection for the United States gold stock while at the same time providing the Fund with needed liquidity.

Before concluding, I should like to emphasize that the appropriation must be in the full amount of $1,035 million since the proposed increase in each country's quota is determined by the Resolutions adopted by the Board of Governors. The amount of each country's increase cannot be changed without a reformulation of the entire general and special quota increase proposals. It is thus necessary to have the full amount requested in order to make our increased subscription payment, even though in practice we do not expect that the Fund will make use, in the foreseeable future, of the portion payable through a letter of credit.

The U.S. Government is convinced of the importance of ensuring that adequate resources shall be available to the Fund so that it can continue to play a vital role in the monetary system of the free world. For this reason, the United States took a leading part in the discussions of the Group of Ten, at the Annual Meeting of the Board of Governors in Tokyo and in the deliberations of the Executive Directors in bringing about the present quota increase proposal. It is important for the United States to continue to exercise leadership in this area, at this time when so much attention is being directed to the strengthening of the international monetary system. No better example of leadership can be given than the prompt approval and payment of our own subscription.

President Johnson requested in his transmittal letter to the Congress that the quota increase legislation be given prompt and favorable consideration. The Congress has heeded the President's request in quickly enacting the authorizing legislation. Equally prompt and favorable consideration of the necessary appropriation is requested.

# U.S. POSITION IN THE INTERNATIONAL MONETARY FUND




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

TREASURY DEPARTMENT
Washington

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
HOUSE BANKING AND CURRENCY COMMITTEE
FRIDAY, JUNE 4, 1965, 10:00 A.M.

## THE PRESIDENT'S COINAGE AND SILVER PROPOSALS

Mr. Chairman, I appear before you today in support of the legislation the President has recommended for a new and efficient United States coinage.

We are recommending a change in the coinage because there is not enough available silver to assure the continued minting of our traditional 90 percent silver coins for years in the quantities necessary to meet our rapidly increasing coinage requirements.

As much as all of us would prefer to keep our old and handsome silver coinage, there is no choice but to reduce drastically our heavy dependence upon silver for this purpose for one simple reason -- the demand for silver has far outrun supply.

The only option open to us in this matter, without gravely risking the national interest in adequate and plentiful coinage, has been choice of what new material to use in the place of silver.

The new coinage the President has recommended that you authorize has all the attributes of a strong and stable coin system, and that, moreover, it is fully modern and, specifically engineered to carry out efficiently all the tasks that American merchandising of our day requires.

The new coins recommended to you will provide uninterrupted service as a medium of exchange. They can be made without the necessity of further change for a long period ahead. These coins are made of materials for which there is assured access. They can be minted without undue difficulty and at moderate cost. They can be used across the counter -- and in all of the 12 million coin operated devices in use in the United States -- side-by-side with our existing silver coins.

There is, of course, no substitute for the appearance of silver. In one of the three new coins we are asking authority to make -- the half dollar -- the beauty of the "noble metal" is preserved intact, although the actual silver content is much reduced. The proposed new dime and quarter are a departure from the tradition of silver, but they are coins that have a distinctively modern appearance and that will serve us well because they can protect us from future coin shortages. The fact that they are not silver, but are composite coins made of a nickel alloy bonded to a copper core, is a change that requires getting used to. But I think the ruddy edge resulting from their copper core gives these coins a character we will come not only to accept, but to value.

The need for legislation -- shrinkage of silver supplies

I think the attached table presents the silver supply situation as briefly as possible. I have taken it from our Treasury Staff Study of Silver and Coinage.

The table shows a steadily worsening of our silver supplies, from a small deficiency of production in the early post-war years to a slightly bigger deficiency in the next five year period, a much larger inadequacy in the five years from 1957 through 1961, and to a bounding growth of the deficiency in the last two calendar years. Actual market deficits are smaller than the difference between total consumption and new production because the United States meets its coinage needs for silver out of its stocks. These, however, are being depleted at a rate which cannot be permitted to continue indefinitely.

It is notable that in 1964 each major type of usage (the use of silver by industry and the arts, and use of silver for coinage) taken separately, was greater than new supply.

This is the crux of the matter.

There is simply not enough silver appearing on the market to continue to satisfy the demand for it in the foreseeable future.

ESTIMATED FREE WORLD SILVER CONSUMPTION
AND PRODUCTION, 1949-1964
(millions of fine troy ounces)

| CALENDAR YEAR | USE | | | | | NEW PRODUCTION | GROSS DEFICIT | DEFICIT EXCLUDING U.S. COINAGE DEMAND |
|---|---|---|---|---|---|---|---|---|
| | | Coinage Demand | | | | | | |
| | Industry and the Arts | U.S. | Foreign Free World | Total | Total Consumption | | | |
| 1949-53 averages | 153 | 36 | 48 | 85 | 238 | 174 | 64 | 28 |
| 1953-57 averages | 190 | 37 | 36 | 74 | 264 | 191 | 73 | 36 |
| 957-61 verages | 216 | 47 | 51 | 98 | 314 | 200 | 114 | 67 |
| 962 | 248 | 77 | 50 | 128 | 375 | 207 | 169 | 72 |
| 963 | 252 | 112 | 56 | 167 | 419 | 214 | 205 | 93 |
| 964 | 286 | 203 | 62 | 265 | 550 | 216 | 335 | 132 |

Source: Treasury Staff Study of Silver and Coinage, Part III, Table 1, figures rounded.

Note: A troy ounce equals 480 grains, an avoirdupois pound equals 7,000 grains, a 2,000-pound ton equals 14,000,000 grains, hence, 1 billion troy ounces (480,000,000,000 grains) equal 34,285 tons.

There is no dependable -- or, for that matter, likely -- prospect, in the opinion of experts both inside and outside the Treasury, of new economically workable sources of silver that would appreciably narrow the gap between silver supply and demand. In fact, optimistic projections envision an increase of no more than 20 percent over the next four years. Projected increases in consumption are at least equally as great. This stand-off between future increases of production and consumption in a situation where deficits are already very heavy could not change the basic conclusion that use of silver in our coinage must be very sharply curtailed. Also, because silver is produced chiefly as a by-product of the mining of copper, lead and zinc, even a very great increase in the price of silver would not stimulate new production sufficiently to change the situation.

Most Free World contries have long since ended or nearly ended the use of silver in their coinage. Except for Canada and Switzerland, those countries still using silver coins make only limited use of it, in one or two "prestige" coins, as we now propose to do with the new half dollar. As seen in the above table, in the early post-war years, the United States accounted for less than half of total Free World employment of silver for coins, but at present we use more than three quarters of all silver put into coins in the Free World.

We have no choice but to make a large reduction of silver in the coinage, and no choice but to do so now. We have on hand some 1 billion ounces of silver in the Treasury stock. At current rates of Mint production we are using silver for coinage at the rate of 300 million ounces a year: and for the redemption of silver certificates at 120 million ounces a year.

Even should demands upon our stock increase no more, it is clear that at present rates of use we can expect to exhaust our resources in two or three years. This gives us enough time to shift to a new coinage if we act promptly.

Basic requirement for the new coinage system

In arriving at our recommendations for new coinage alloys our overriding consideration, Mr. Chairman, was the necessity of continuing at all times to provide an adequate means of exchange and of avoiding any disruption of commerce. Experience shows all too clearly that, under modern conditions, the essential medium of exchange function is imperiled if a subsidiary coinage alloy threatens to become more valuable as a commodity than as money.

The Treasury's own staff study, and that of the Battelle Memorial Institute, establish certain other criteria which an acceptable coinage alloy should have, beyond the basic criterion of efficiency in its function as a medium of exchange. These include, the degree to which a coinage material lends itself to being minted into coins which would be durable in use; its acceptability to the public; ease and sureness of production; cost and availability of raw materials, and counterfeiting potential.

An additional criterion is a critical factor for a modern American coinage. Present day coins should perform not only as a medium of exchange, but also as technical merchandising instruments, in use in coin operated vending and service machines.

The need for compatibility of old and new coinage

The new coins should be made compatible with the existing coinage in use in coin operated devices, particularly, in coin operated vending machines. This is one of the most desirable characteristics of a modern coinage, and a characteristic fully met by the President's proposal. If the new coinage could not be used in these mechanisms, the public would be subjected to great inconvenience, and trade and commerce in many sectors of distribution harassed and handicapped. If the new coins were not compatible, two alternatives would be presented, both of them undesirable from the point of view of the public at large:

(1) The vending machines would have to be shut down until new sensing and rejecting devices could be installed, or

(2) Their devices for sensing and rejecting wrong coins and slugs would have to be deliberately circumvented, exposing the machines to a high rate of fraud.

In the case of merchandise vending machines alone -- that is, not including such service devices as pay telephones and coin operated laundries -- over $3-½ billion worth of goods were dispensed to consumers last year, in over 30 billion separate transactions.

These vending machines are equipped with sensitive selectors, which reject wrong coins, slugs, foreign coins and the like. Highly selective rejectors are necessary if coin machines are to be low cost supply points for foods and for many other kinds of goods, available by night and by day, in out of the way as well as accessible places.

Approximately half of the 12 million coin operated machines in the United States are equipped with sensors that accept or reject coins on the basis of the electrical properties of our traditional high silver content coinage. To be compatible in operation with our existing coinage, our new coins must duplicate the electrical characteristics of a coin with high silver content. The coins we are recommending to you reproduce precisely the electrical properties of coins with high silver content. Moreover, they are made of the only materials that do so, satisfactorily, among the practical alternatives. Any other course would subject the public to extensive inconvenience.

If non-compatible materials are used, there will have to be an interregnum while new selectors are developed and brought into mass production that are:

(1) capable of handling coins of high silver content together with coins that do not have the electrical properties of nearly pure silver and that are,

(2) at the same time capable of rejecting slugs, low value foreign coins and coins of wrong denominations. Selectors exist that can handle coins with a wide range of electrical properties. But when they are set for a wide range, their selectivity falls, and they become subject to fraudulent use.

During the one to three years that development, manufacture and installation of a new kind of sensor would take, the public would not be able to use the incompatible new coinage in the

6 million of our coin operated devices, chiefly those vending merchandise, fitted with sensitive selectors. The choice of the coins recommended here avoids these difficulties and the attendent interferences with trade and commerce.

OUTLINE OF THE RECOMMENDATIONS

Section 1 of the proposed legislation describes the metallic content of the proposed new coinage:

A. The Minor Coinage

The penny and the five cent piece:

No change is proposed.

B. The Subsidiary Coinage

1. The dime and the quarter:

It is proposed that silver be eliminated from the dime and quarter. Instead, they should be composite, or clad, coins, faced with an alloy of 75 percent copper and 25 percent nickel (the same cupronickel alloy used throughout the five cent piece), bonded to a core of pure copper.

2. The half dollar:

It is proposed that the 50 cent piece should also be a composite coin, with the silver content reduced from the present 90 percent to a new ratio of 40 percent. It would be faced with an alloy of 80 percent silver and 20 percent copper, clad on core alloy of approximately 21 percent silver and 79 percent copper.

3. The Silver Dollar:

No change is proposed. Authority to make a Silver Dollar of the same weight and fineness (412.5 grains, 90 percent silver) made at various times since the Act of 1837, would be continued. However, we would not plan to mint any new coins of this denomination at the present time.

Section 2 provides that the new coins would be subject to the current laws as to design and inscription.

With respect to these coins, I would like to emphasize the following points, some of them already discussed:

1. It is our intention that the existing silver coinage should circulate side by side with the new coinage, indefinitely.

2. The proposed new dime and quarter would have a copper-colored edge, due to the use of a pure copper core.
3. The new coinage would meet the exacting technical requirements necessary to permit it to be used in the coin operated devices now in use in the United States, including those fitted with rejectors set to refuse coins or imitations of coins that do not have the electrical properties of our current silver coins.
4. We expect to place the new coins in circulation sometime in 1966.
5. The new coins would be of the same size and design as present coins of the same denomination. They would be slightly lighter in weight.

Section 3 provides specific recognition of the new coins as legal tender.

Section 4 provides for continued minting of the existing coins as needed until production of the new coinage is adequate, continuing without change the standard Silver Dollar.

Section 5 provides for standby authority for the Secretary of the Treasury to prohibit the melting, exportation or treating of United States silver coins.

Section 6 provides for sales by the Treasury of silver in excess of what is needed to back silver certificates, at a price not less than the monetary value of silver.

Section 7 would authorize the Treasury to purchase newly mined domestic silver at $1.25 per fine troy ounce.

Section 8 provides for legal authority to procure the materials and technical assistance, equipment and patents needed to make the new coinage in the required quantity.

Section 9 provides authority to continue dating the new coins as of the first year they are issued.

Section 10 would authorize the temporary use of the San Francisco Assay Office for the minting of coins, and would authorize the conversion of that facility for the refining of precious metals, if necessary, after it is no longer needed for coin production.

Sections 11 - 16: An Act requiring recoinage of all worn and uncurrent subsidiary silver received in the Treasury is repealed; the Minor-coinage Metal Fund is renamed the Coinage-Metal Fund, and the Minor-coinage Profit Fund is renamed the Coinage-Profit Fund, and the amount available in the Coinage-Metal Fund is raised from $3 million to $30 million; expenditure of not more than \$15 million is authorized for additional mint facilities to accommodate manufacturing requirements of the new materials; the counterfeiting laws are amended to cover the new coinage; the issuance of necessary regulations by the Secretary of the Treasury under the proposed Act is authorized; and penalties are provided for violations of regulations issued under Section 5.

A separate Title of the proposed legislation provides for the establishment of a Joint Commission on the Coinage after the new coinage is issued.

The Commission would be composed of the Secretary of the Treasury, the Secretary of Commerce, the Director of the Bureau of the Budget, the Director of the Mint, of four public members, not representative of interest groups, appointed by the President, of the chairmen and ranking minority members of the House and the Senate Banking and Currency committees, and of two other congressional members, one appointed by the Speaker of the House and one by the President of the Senate.

The function of the Commission would be to study the progress of the implementation of the new coinage program, new technological developments, the supply of various metals and the future of the silver dollar. It would report as to the time and circumstances in which the government should cease to maintain the price of silver. And it would advise the President, the Congress and the Secretary of the Treasury on the results of its studies.

## Protection of Existing Coinage

The continued use of coins that are 90 percent silver also requires protection of this high silver content coinage from hoarding or destruction.

There is no reason for hoarding of coins in anticipation of a coin shortage. We expect no such shortage during the period when we are installing the new coinage. We can, if necessary, step up production enough to replace completely, in less than three years, the existing silver coinage while at the same time keeping up with the normal growth of coin demand.

We can defend the existing silver coinage against the second possible danger -- the threat of destruction by melting them for their silver content. To make certain that the silver coinage is not destroyed in this manner, it will be necessary for the Treasury to protect the monetary value of our silver coinage by supplying silver to the market upon demand at the present monetary price of silver of $1.29+ per troy ounce. The Treasury has been doing this since 1963 by exchanges of silver bullion against silver certificates.

The value of the silver in our existing coinage, as silver, would exceed the face value of the coins if the price were allowed to rise above a so-called "melting point" of these coins of $1.38 per ounce. We hold the price of $1.29+ per ounce by standing ready freely to redeem silver certificates in silver at this price. The prudent course is to maintain the price of silver at its present level.

It is as additional protection for existing silver coinage, which includes the silver dollar, that we recommend asking for stand-by authority to institute controls over the melting, treating or export of United States coins, practices not now forbidden by law.

We believe strongly that suggestions for more extensive controls would operate against our best interests.

## Sufficiency of coinage supply

As you know, we have recently experienced a shortage of coins. I am happy to say that as a result of intensive production efforts on the part of the Mint the supply of coins in circulation and in inventory in the Federal Reserve banks is improved. There is no longer a shortage of the 1-cent and 5-cent pieces. We still have a problem with dimes and quarter supply but substantial improvement has been made. The shortage of half dollars is still severe.

In view of the continuing shortages of high denomination coins and the uncertainties inevitable during the changeover period, we are gearing up for maximum production of the new coins as soon as the legislation is passed. In the first year after enactment, we expect to make at least 3½ billion of the new subsidiary coins -- a billion and a half more than we will make of the silver coins in fiscal 1965. This is more than double the production in fiscal 1964 and four or five times what we would consider as a normal year's production of silver coins. In the second year after enactment we would expect to make well over 7 billion of the new coins, doubling production again.

## The Silver Dollar

The silver dollar will remain as an authorized coin of the United States, at 90 percent fineness. This is a central element in our program for holding the price of silver to its present level for the protection of our existing subsidiary silver coin. The future of the silver dollar can better be decided when the Joint Commission of the Coinage, which we have recommended, can take a look at the world's silver supply and demand situation and other relevant factors and make its recommendations. At that time, the facts can largely govern the decision on the issue of the future of the silver dollar.

Maintaining some silver in the subsidiary coinage

We have considered it desirable to maintain some silver in our subsidiary coinage. It was to this end that the new silver half dollar was designed. The new composite coin reduced the silver content of the half dollar from 90 percent to 40 percent. It nevertheless retains without readily apparent differences, the aspect and ring of a coin with high silver content, although it is slightly lighter than the present half dollar. It is to be of the same design as the present half dollar, that is, bearing the image of the late President Kennedy.

One reason for retaining some silver in our coinage is a desire to continue the 173-year-old tradition of American silver coinage. Inclusion of a 40 percent silver half dollar is as far as we can safely go to satisfy this tradition. We expect that, barring unforeseen changes in industrial demand for silver, we will have adequate silver to make this one coin in normal amounts for an indefinite period. After the new coins are in full production it should require no more than 15 million ounces a year -- less than 5 percent of expected 1965 silver consumption for coins. One reason for continuing this particular coin is the fact that we could, if unforeseen difficulties developed, do without the half dollar temporarily. It can be replaced in use by two quarters.

## Summary

A change in our coinage is unavoidable. We have reviewed very carefully the results of all of the studies which have been made on this subject. We are satisfied that, taking into account all of the various factors involved in this problem, our recommendations for the new coinage are sound proposals that will, if enacted, provide the United States with a dependable, technically perfect, and distinctive coinage that can be produced in whatever quantity desired. It is a coinage that, I emphasize, will perform not only across-the-counter, but will also carry out fully and without interruption its function as a technical merchandising instrument. This is absolutely necessary for the public interest. I therefore strongly urge approval of these recommendations and that they be enacted into law at the earliest possible date.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.


June 4, 1965

FOR IMMEDIATE RELEASE

## TREASURY DECISION ON BREAD IN LOAVES UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that bread in loaves from British Columbia, 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 April 15, 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 British Columbia, Canada, without regard to any question of dumping.

Imports of the involved merchandise received during the period July 1964 through February 1965 were worth approximately $165,000.

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STATEMENT BY MERLYN N. TRUED
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS
MONDAY, JUNE 7, 1965, 10:00 A. M., EST

Mr. Chairman and Committee Members:

I welcome this opportunity to appear before the Committee on Foreign Relations in support of S. 1760. Also here with me today are Mr. Arthur W. Hummel, Jr., Acting Assistant Secretary of State for Educational and Cultural Affairs, and Mr. John D. Jernegan, Deputy Assistant Secretary of State, Bureau of Near Eastern and South Asian Affairs. Mr. Hummel and Mr. Jernegan have brief statements on certain aspects of this bill.

The bill would authorize the Secretary of the Treasury to settle a debt arising from a loan made to Greece in 1929 for refugee resettlement. Subject to the approval of Congress, under the Settlement Agreement of May 28, 1964, entered into between Greece and the United States, Greece will repay at interest $13,155,921 which represents the outstanding amounts of the original obligation in full, plus a portion of the accrued interest. The approval of Congress is also requested for the use of principal and interest payments made by Greece for a cultural and educational exchange program.

The Loan

In order to help finance the resettlement of Greek refugees from Asia Minor in connection with the work of the Refugee Settlement Commission, established under the auspices of the League of Nations, the United States in 1929 agreed to a loan to Greece of $12,167,000. The Refugee Resettlement Loan as approved by Congress at that time provided for a 20-year maturity and carried interest at 4 percent per year. Payments on this loan to May 1931 reduced the amount outstanding to $11.3 million. However, with the general breakdown of economic conditions in the early 1930's, Congress adopted a Joint Resolution under which the Secretary of the Treasury, with the approval of the President, made on behalf of the United States agreements with a number of countries, including Greece, postponing the payment of any amount due during the year beginning July 1, 1931. An agreement was reached with Greece in May 1932 postponing $400,000 of principal and $500,000 of interest, which were funded into a separate agreement.

From 1933 through 1940 Greece continued to make partial payments of interest on the 1929 loan in accordance with equivalent treatment given to its other foreign creditors.

However, no payments at all were made under the May 1932 Agreement. Since the invasion of Greece in 1941, no payments have been received under the 1929 and 1932 Agreements.

Various attempts have been made in the past to settle Greece's indebtedness. Greece convoked a conference in 1954 to renegotiate a settlement of its defaulted pre-war external debt. In connection with this conference, the Treasury Department advised the Chairman of this Committee that the United States intended to participate in this conference and that Congressional approval would be sought for any settlement agreed upon. However, a settlement could not be reached.

In October 1962, the Government of Greece and the Foreign Bondholders Protective Council agreed upon a settlement of privately held dollar bonds issued prior to the original U.S. Government loan for similar purposes. The principal features of the Bondholders settlement with Greece involved the reduction of the interest rate to one-half the original rate, a grace period of several years during which time interest payments are to be less than one-half of the original rate and forgiveness of approximately 93 percent of the interest arrearages.

The terms of this settlement between the private bondholders and Greece provided the pattern for the United States settlement with Greece. As I have mentioned, this settlement is embodied in an Agreement between the United States and Greece which will enter into effect only after the enactment of the legislation before you. The amount to be repaid under the present Agreement was derived by taking all principal and interest due and unpaid as of August 1933, a total of $12,208,538, and adding to this $947,383 in lieu of arrears of interest subsequent to August 1933. Thus, the total amount to be refunded is $13,155,921. Greece will pay interest on the outstanding balance at the rate of 2 percent per year. It will also pay annually one-half of one percent of the total principal. In addition to these repayments of principal, Greece will make additional principal repayments so that there will be level annual payments of $328,898.02 for the life of the loan.

Payments of principal and interest will be in United States dollars and will begin one year after enactment of authorizing legislation. The Government of Greece has taken all the steps necessary to commence payments, and once Congressional approval is given, Greece will issue the necessary bond evidencing its indebtedness under the Settlement Agreement.

The proposed legislation would authorize settlement on these terms and would also authorize the Secretary of the Treasury to discharge Greece of its obligations under the 1929 and 1932 agreements upon the issuance by Greece of the bond called for by the Agreement.

The Settlement Agreement contains another provision which requires Congressional approval. It provides that the payments of interest and principal made by Greece will be made available, as determined by the Secretary of State, for financing educational and cultural activities authorized by the Mutual Educational and Cultural Exchange Act of 1961. Accordingly, the bill authorizes the appropriation of amounts equal to the Greek payments of principal and interest for this purpose, and it is the intention of the State Department to seek annual appropriations under this authorization. Thus, these payments will help finance a program which has heretofore been financed by the United States. Agreement to use the payments made by Greece for educational exchange purposes constituted an important consideration in reaching a settlement and, at the same time, will provide funds for our valuable educational and cultural exchange activities.

The enactment of this legislation is in the interest of the United States. It will result in the settlement of a debt which has been in default for many years and provide the United States with funds for financing our cultural and educational exchange program with Greece. At the same time, it will help to restore Greece's credit standing in the international financial community and thus contribute towards its continued economic development.

I urge your favorable consideration of this legislation.

STATEMENT OF MERLYN N. TRUED
ASSISTANT SECRETARY OF THE TREASURY
Before the
SENATE FOREIGN RELATIONS COMMITTEE
June 7, 1965

Mr. Chairman and Members of the Committee:

I am happy to appear before you in support of S. 1742, a bill containing three separate proposals relating to the International Bank for Reconstruction and Development and its affiliate, the International Finance Corporation. I have with me Mr. Ralph Hirschtritt, Deputy to the Assistant Secretary of the Treasury.

Mr. Chairman, the proposals embodied in this legislation have been fully endorsed by the National Advisory Council on International Monetary and Financial Problems, and a copy of its Special Report is before you. I shall briefly cover some of the main points.

IBRD Lending to IFC

The first would amend the Articles of Agreement of the IBRD and the IFC to permit the Bank to lend to the IFC. This authority will contribute greatly to the continued success of these institutions in encouraging, each in its own way, private investment in the less developed countries of the free world. I need hardly stress the importance of the role of private enterprise in the economic development of the less developed areas. This role is encouraged by both the IBRD and its affiliate, the IFC. The IFC, of course, was especially created to promote private investment in member countries, particularly the less developed areas. This is its exclusive function. The proposed legislation, by thus increasing the resources available to the IFC, will enable it better to carry out this important function.

I am sure that the Committee is quite familiar with the two institutions. The World Bank, established immediately after World War II, is now engaged primarily in lending to the less developed countries. It makes long-term loans directly to member governments, public entities or private enterprises. All loans must be guaranteed by the member in whose territories the project is located. Projects financed and assisted by the Bank are generally basic to the economic structure of the recipient country and typically have been in the fields of transportation, power, and industrial and agricultural development.

The Bank has been highly successful, and it enjoys the reputation of being a sound financial institution. As I have indicated, except in the case of loans made directly to member governments, the borrower is required to obtain a guarantee from the government of the country in which the project is to be located. Often, however, private investors have been reluctant to seek, and in some cases it is difficult for host governments to give, such guarantees. To complement the Bank's operations in promoting assistance to the private sector in the less developed countries, the Bank sponsored the IFC, which was established in 1956 with the full support of the United States. The IFC invests only in private enterprise projects and does not require host government guarantees of repayment of its investments. The result is that IFC can and does make loans to private enterprise that the Bank cannot make. The proposed legislation would provide additional resources through the IFC for the future stimulation of economic growth through private enterprise.

In its decade of operations, the IFC has promoted the growth of private enterprise activity in the less developed countries and brought new venture capital where it is needed. By providing financing in conjunction with other investment both local and foreign, and often with only limited use of its own funds, the IFC has facilitated the investment of a much greater aggregate volume of private capital.

The IFC offers a variety of forms of assistance. Its operations fall into three major categories: (1) loan or equity investments in operating companies; (2) investments in industrial finance companies that relend to local industry; and (3) participation in underwriting and stand-by transactions for private firms raising capital. Individual IFC investments have been relatively small, generally under $5 million, and they have been made to a variety of types of manufacturing industries. While it still has funds to invest, the pace of IFC's operations is increasing and it is timely and important to make provision for the future.

To this end, the Executive Directors of each institution in August 1964 recommended to the Governors that Bank resources be made available to the private sector through the IFC. This would be accomplished by permitting the Bank to make loans to the IFC. The IFC would use funds borrowed from the Bank for relending to private enterprise. Such loans by the IFC would not require a government guarantee.

The total amount of loans outstanding by the Bank to IFC could not, under the arrangement, exceed four times the unimpaired subscribed capital and surplus of IFC. This limit is about $400 million based on the IFC's present balance sheet.

Bank lending to the IFC would take place only over time and in accordance with IFC's operational requirements.

At their Annual Meeting in Tokyo last September, the Governors of the Bank and the IFC approved the report of the Executive Directors recommending this proposal. Draft resolutions containing the necessary amendments to the Articles of Agreement are presently before the respective Boards of Governors to be voted on by each Governor after obtaining the necessary authority prescribed by domestic law. The Bretton Woods Agreements Act, authorizing U. S. membership in the Bank, requires Congressional authorization for the U. S. Governor to vote for an amendment of the Articles. The International Finance Corporation Act contains a similar provision with respect to amendment of the IFC Articles.

The proposal does not, of course, involve any appropriation or expenditure of funds by the United States. It is fully consistent with the objectives of the United States in promoting private enterprise in less developed countries and should have our full support. A number of countries have already acted and U. S. action will enable it to become effective.

IBRD Capital Increases not Involving the U. S.

The proposed legislation would also permit the U. S. Governor to vote for an increase in the authorized capital stock of the International Bank for Reconstruction and Development. This increase would not involve an increase in the U. S. subscription, nor any expenditure of funds by the United States. The present authorized capital of the Bank is $22 billion. This amount is almost fully subscribed, but it is now apparent that it is not adequate to accommodate the immediate and foreseeable subscriptions of new members and the special increases in the subscriptions of existing members.

As of March 31, 1965, $21,629 million had been subscribed. An additional $165 million in new subscriptions and subscription increases have been authorized by the Board of Governors and these are now merely awaiting the completion of formalities. Total subscriptions will then amount to $21,794 million. Thus, the limit is now very nearly reached at a time when further subscriptions of about $900 million may be expected. This further amount will come about as the 16 countries undertaking special increases in their quotas in the International Monetary Fund also increase their Bank subscriptions, in accordance with normal practice. Other subscriptions may also be expected.

Because the resulting increases could not be made under the Bank's existing authorized capital, there is now pending before the Board of Governors a resolution to increase the authorized capital stock of the Bank by $2 billion. Congressional approval is required for the U. S. Governor to vote in favor of this resolution which, I wish to re-emphasize, does not involve any change in the U. S. subscription. In 1963 the Congress approved a similar increase of $1 billion in the Bank's authorized capital.

The bill before the Committee will authorize the U. S. Governor to vote for the present resolution by granting him continuing authority to vote for any such increases in the authorized capital of the Bank when an increase in the U. S. subscription is not involved and hence no U. S. payments or increased obligations result. If an increase in the U. S. subscription is involved, then, of course, Congressional authorization would continue to be required.

Reports of the NAC

The third change which would be made by S. 1742 would be to permit reports of the National Advisory Council on International Monetary and Financial Problems to be made on an annual basis instead of semi-annually and biennially as presently required. This proposal stems from a request by the President that Executive agencies review the reports which they are required by statute to submit to Congress for the purpose of determining whether such reports could be eliminated or reduced in number. It is anticipated that the proposed annual reports will contain all the information now contained in the presently required reports, while at the same time the number of such reports would be reduced from five to two over each 2-year period.

In connection with this last proposal, it should be noted that Reorganization Plan No. 4 of 1965, submitted by the President on May 27, 1965, would abolish the National Advisory Council as a statutory body and transfer its functions to the President. The President stated, however, that prompt action would be taken to create a successor committee along the general lines of the body now provided by law.

I urge the enactment of S. 1742.

That concludes my statement, Mr. Chairman. However, I have included as an appendix to my statement a technical amendment which should be made in S. 1742 to make it fully consistent with the amendment to the IFC Articles of Agreement proposed by the Governors of that Corporation.

# APPENDIX

On page 3, line 1 of S. 1742, there should be inserted the words "the Corporation lending to or" immediately following the word "against." While there is no intention of the IFC lending to the Bank, the inclusion of the above language is necessary to enable the U. S. Governor to vote for the amendment actually proposed.

# TREASURY DEPARTMENT

JUNE 4, 1965

WASHINGTON, D.C.

The Treasury today supplied the following information in response to queries on seigniorage received from the Press:

## Seigniorage Estimates New Alloy Coins

Seigniorage = difference between face value of coins and the cost of metal in the coins.

| | | | Estimated Seigniorage, at Fiscal Year 1965 Production Rates (millions of dollars |
|---|---|---|---|
| **Present Coins 900 Silver 100 Copper** | | | |
| 10¢ | Face Value | $ 1,000.00 | $102.0 |
| | Cost of Metal | 935.27 | |
| | Seigniorage | $ 64.73 | 6.6 |
| 25¢ | Face Value | $ 1,000.00 | $173.0 |
| | Cost of Metal | 935.27 | |
| | Seigniorage | $ 64.73 | 11.2 |
| 50¢ | Face Value | $ 1,000.00 | $ 96.0 |
| | Cost of Metal | 935.27 | |
| | Seigniorage | $ 64.73 | 6.2 |
| Total Seigniorage $3,000.00 Face Value | | $194.19 | $ 24.0 |
| **New Alloy Coins** | | | |
| 10¢ | Face Value | $ 1,000.00 | |
| | Cost of Metal | 58.61 | |
| | Seigniorage | $941.39 | $ 96.0 |
| 25¢ | Face Value | $ 1,000.00 | |
| | Cost of Metal | 58.61 | |
| | Seigniorage | $941.39 | $162.9 |
| 50¢ | Face Value | $ 1,000.00 | |
| | Cost of Metal | 432.37 | |
| | Seigniorage | $567.63 | $ 54.5 |
| Total Seigniorage on $3,000.00 Face Value | | $ 2,450.41 | $ 313.4 |

### Weights of Subsidiary Coins

| | Present | | Proposed | |
|---|---|---|---|---|
| | Grams | Grains | Grams | Grains |
| 10¢ | 2.5 | 38.58 | 2.268 | 35.0 |
| 25¢ | 6.25 | 96.45 | 5.67 | 87.5 |
| 50¢ | 12.5 | 192.9 | 11.5 | 177.47 |

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, June 8, 1965.

June 7, 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 11, 1965, and the other series to be dated June 10, 1965, which were offered on June 2, were opened at the Federal Reserve Banks on June 7. 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 9, 1965 | | : | 182-day Treasury bills maturing December 9, 1965 | |
|---|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | : | Price | Approx. Equiv. Annual Rate |
| High | 99.049 | 3.762% | : | 98.054 | 3.849% |
| Low | 99.038 | 3.806% | : | 98.044 | 3.869% |
| Average | 99.044 | 3.781% 1/ | : | 98.047 | 3.862% 1/ |

38 percent of the amount of 91-day bills bid for at the low price was accepted
12 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 | $ 25,636,000 | $ 15,636,000 | : | $ 3,436,000 | $ 3,336,000 |
| New York | 1,308,096,000 | 744,996,000 | : | 1,341,874,000 | 706,794,000 |
| Philadelphia | 27,715,000 | 15,715,000 | : | 14,182,000 | 5,877,000 |
| Cleveland | 30,685,000 | 30,685,000 | : | 20,245,000 | 14,845,000 |
| Richmond | 11,830,000 | 11,830,000 | : | 10,428,000 | 6,353,000 |
| Atlanta | 47,707,000 | 47,087,000 | : | 32,032,000 | 11,856,000 |
| Chicago | 255,654,000 | 130,654,000 | : | 268,283,000 | 137,538,000 |
| St. Louis | 34,676,000 | 28,676,000 | : | 13,170,000 | 10,170,000 |
| Minneapolis | 19,943,000 | 19,881,000 | : | 12,081,000 | 10,081,000 |
| Kansas City | 26,947,000 | 26,947,000 | : | 9,637,000 | 9,197,000 |
| Dallas | 31,148,000 | 26,528,000 | : | 10,847,000 | 6,847,000 |
| San Francisco | 112,130,000 | 101,386,000 | : | 110,112,000 | 77,470,000 |
| TOTALS | $1,932,167,000 | $1,200,021,000 | a/ | $1,846,327,000 | $1,000,364,000 |

a/ Includes $245,515,000 noncompetitive tenders accepted at the average price of 99.044
b/ Includes $104,226,000 noncompetitive tenders accepted at the average price of 98.047
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.87%, for the 91-day bills, and 3.99%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

# TREASURY DEPARTMENT

WASHINGTON. D.C.

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| Average | 99.044 | 3.781% 1/ | : | 98.047 | 3.862% 1/ |

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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 NATIONAL MORTGAGE BANKING CONFERENCE
OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA
AT THE HOTEL LEAMINGTON IN MINNEAPOLIS, MINNESOTA,
ON TUESDAY, JUNE 8, 1965, AT 11:15 AM (CDT)

## DEBT MANAGEMENT AND THE LONG-TERM CAPITAL MARKET

The basic continuing goal of debt management is to assure the capacity of the Federal Government at all times to provide the necessary cash to meet any deficit in the budget and to refinance maturing securities, and to do so in ways that will neither require inflationary money creation or disruptive influences on credit markets. Given the large size of the Federal debt in relation to the economy and to the total supply of credit market instruments, as well as its importance as a medium for portfolio adjustments by investors and for Federal Reserve operations, another related, but not identical, goal of debt management is to achieve a well distributed debt, both in terms of ownership characteristics and maturity. This entails, in particular, an amount of shorter-dated debt related to the economy's need for liquid instruments. Finally, changes in the composition of the debt over time, through its influence on the structure of interest rates, the flow of funds to other borrowers, and the liquidity of the economy, can and should contribute to the effort of economic policy as a whole to achieve non-inflationary economic growth at home and balance of payments equilibrium.

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One continuing objective of debt management, in pursuing the broad goals, is to maintain a variety of instruments outstanding in all maturity sectors of the market, and to develop techniques that permit orderly marketing of new issues throughout the maturity spectrum, so that active trading markets and access to areas will be preserved. In the process, a key objective is to avoid a volume of shorter-dated issues so large as to leave the Treasury vulnerable in its financing operations to serious marketing difficulties and sudden large increases in interest cost in periods of market strain. This, in turn, requires continuing attention to the need to offset the passage of time on the maturity structure and the development of techniques that permit the placement in the market of longer-dated securities.

Efficiency in financing, in the sense of minimizing interest costs consistent with the aims described above, is a constant objective of debt management. This objective has been aided by the development of techniques that facilitate the placement of new issues with a minimum market impact, and by taking advantage of opportunities to place debt in those portions of the maturity structure where demand is relatively strong.

Against this background of basic goals and objectives, I want to talk today about the debt management operations of the Treasury Department as they affect the long-term capital markets in the United States. Actually, the <u>net</u> demands of the Federal Government on the markets have been, and will remain, quite moderate in relation to the demands of other borrowers, even though the over-all amount of financing activity in recent years has tended to overshadow this fact.

In making that point, I don't want to minimize the kinds of problems the Treasury debt managers have had to cope with through the postwar years -- problems that were reflected during much of the 1950's in a persistent shortening of the debt structure -- nor the achievement of more recent years in developing ways and means of placing more of our debt in longer-term form. But it is important to keep these problems and achievements in the broader perspective of the growth of the economy and the vast size of our capital markets.

In terms of its absolute size, the Federal debt has gone up $59 billion since 1946, or by almost a quarter. But this compares with a 35 percent rise in our population, so that the debt is now nearly $200 less per capita than it was at the end of World War II. More significantly, the Federal debt has declined to less than one-quarter of total debt, reflecting the much more rapid 400 percent rise in other debt -- debts of individuals, businesses, and State and local governments.

The financing of the Second World War had, of course, greatly inflated the relationship of the Federal debt to over-all business activity, and we emerged from that war in 1946 with our debt equal to 116 percent of gross national product. Currently, this ratio has dropped below 50 percent, and I believe there is every prospect that, with continuing economic growth, it will continue to decline over the years ahead.

By the end of 1959, the average life of the debt had decreased from the comfortable postwar level of seven years and eleven months that existed in 1946 to a greatly reduced level of four years and four months. The Treasury, during a good many of those years, had, in effect, withdrawn from the long-term market in the face of strong competing demands from other borrowers, rising interest rates and tight market conditions. And the sheer arithmatic of the passage of time works insidiously against the debt manager -- year after year.

Perhaps this effect can be demonstrated most graphically by recent experience. In last month's financing operation, involving, in part, the 4-1/4's of 1974, the highly successful extension of $2 billion of debt for nine years provided something less than a one-month addition to the average life of the total marketable debt. So we are continually reminded that it is necessary to "run" to keep up with the effect of the passage of time on our debt structure, and woe betide the debt manager who fails to recognize that fact.

Since the end of 1959, a trend toward a lengthening in the average maturity of the debt has been evident. This reversal of the earlier trend was due in large part to innovations in debt management techniques begun by my distinguished fellow Twin Citian, Julian Baird, and built upon by his successor, Robert Roosa. From December, 1959, to March, 1965, the total amount of Federal securities outstanding increased by $27.5 billion, but nearly all of that increase was in the form of bonds maturing in more than five years. Consequently, the average life of the debt increased to five years and four months. How did this vital change in direction prove possible without bringing strain on the capital market? Part of the answer lies, I believe, in the fact that the demands that were made on the capital market in order to accommodate this debt management requirement were, in the perspective of the capacity of that market, rather modest.

In order to appreciate this point, it is necessary to center attention in the public marketable issues that are held by private investors, U. S. Government investment accounts, and by the Federal Reserve System. This will eliminate from consideration the special issues held in U. S. Government investment accounts, Savings Bonds, other nonmarketable issues (which, in recent years, have been tailored entirely for foreign accounts), and minor amounts of guaranteed Government securities and noninterest-bearing debt. Of the $24 billion increase in the marketable debt that occurred from 1959 to the present, only a little more than $8 billion was placed in the "private" sector. Government investment accounts took about $5 billion of the added marketable issues, and the Federal Reserve banks took $11 billion.

Within the private sector, there are many classes of investors that actually hold slightly fewer Governments now than in December, 1959, including the important commercial banks, insurance companies, mutual savings banks, and corporations. Those whose holdings have increased are State and local governments, which have added over $5 billion; foreign and international investors, who have added $4 billion; and all other investor groups, including savings and loan associations, corporate pension funds, and dealers, whose totals have increased by $4.5 billion. The holdings of individuals are also higher by $1 billion.

This points to the fact that, in placing its added debt, the Treasury has "displaced" potential placements by other borrowers only with State and local governments, many of whom are still restricted to government issues in any event, and probably with some corporate pension funds. And the total increase in demand in this sector of the market was certainly not much more than about $6 billion for the period observed.

Rather than competing for funds with other users, the primary accomplishment of debt management during this period was the successful restructuring of the debt within the framework of existing holdings. The principal vehicle that was used to accomplish this restructuring was the advance refunding technique. Currently, about 67 percent of outstanding 20-year and over debt was placed by this method, and the comparable percentage for the five- to 20-year maturities is 58 percent.

The major categories of investors have been willing to accept the debt extensions that have been offered to them by the Treasury, or have been enabled to find new issues to meet their needs readily in the dealer market. Virtually all of the major investor groups have extended the average life of their portfolios since 1959.

In sheer dollar volume, the primary area of concentration of offerings in advance refundings has been in the five- to ten-year range. This has met the desires of the commercial banks, who have wanted to extend to increase their current income; and it has proved quite acceptable to the mutual savings banks, to the savings and loan associations, and to other investors, who place considerable emphasis on liquidity requirements in their Government security portfolios. Meanwhile, life insurance companies, pension funds, and others interested in the truly long-term bonds have had repeated opportunities to exchange into such bonds, and have responded favorably to advance refunding offers in that area.

At a time of rapid growth in highly liquid savings media, this increase in the average life of the debt has had the broad advantage of forestalling any excessive build-up in liquidity for the economy as a whole. More narrowly, it has had the collateral advantage of allowing the Treasury to make less frequent trips to the market for smaller amounts of funds. Maturities of coupon issues, for example, were reduced from $40-1/2 billion in 1959 to only $31 billion by the end of March, 1965. Then, too, the advance refunding technique has allowed short-dated issues to be extended at times when the market was most receptive and, in effect, has let the market help make the decisions as to how much was to be sold in which maturity range.

I do not, of course, mean to imply that the markets are capable of absorbing indefinite amounts of longer-term debt in advance refunding operations or that there would be no problems in overly-frequent use of this technique. The extent of restructuring has to be keyed to market demand, and it has often required substantial bank and dealer underwriting in order to facilitate the ultimate placement of the securities involved. We will continue to attempt to mesh these plans with our continuing assessment of the market potential, and with recognition, too, of the continuing role and function of the dealer market in enabling investors to do their own "refunding" through the market. It is not our intention to strain the capital markets or to place a ceiling on prospects for price appreciation by a restructuring operation at every favorable juncture.

During the 1960's, a great deal of consideration has had to be given to the implications of our operations for the balance of payments. We have been concerned particularly about maintaining a reasonably competitive relationship between our short-term investment opportunities and alternative short-term investments in other money markets, taking account, of course, of the cost of cover.

This was a primary reason for increasing the volume of regular Treasury bills outstanding by more than $19 billion since December, 1959. But, at the same time, the total of maturities due within one year has increased by only $7-1/2 billion. This was made possible by a massive movement of the coupon bonds out of the short-term area, another change made possible by the use of the advance refunding operation.

Looking to the future, we can examine the Treasury's responsibilities in light of the perspective that has been developed. Ideally, the Treasury wants to place as much of its long-term borrowing in the hands of bona fide savers as is possible. In this connection, it is frequently pointed out that recent increments in the public debt have been accommodated without additions to the Government bond holdings of the commercial banks. The banks held $60.3 billion in December, 1959, and, as of the end of March, 1965, these holdings were estimated to amount to $60 billion.

It should also be pointed out that the U. S. Savings Bonds program is making continuing and substantial contributions in this area. During the past five and one-quarter years, series E and H Savings Bonds have increased by $6 billion, while the discontinued series F, G, J, and K Bonds have declined by $4-1/4 billion. In this way, Savings Bonds, which are the only vehicle we have for directly tapping the "retail" market for savings, have made an important continuing contribution to our debt management objectives, a contribution we expect will continue, aided so greatly by the volunteer efforts of banks and businessmen in all sections of the country.

Here, I want to add a word about the financial requirements for the new fiscal year beginning in less than a month. With every prospect that the deficit for the year will be held within reasonable proportions, these requirements should be fully consistent with attainment of our basic debt management goals.

Certainly, balance of payments considerations will require at least the same total of regular Treasury bills, and, if necessary, that total could be increased without, in my judgment, conflicting with the broader liquidity needs of the economy. At the same time, opportunities are apt to arise over the course of the year to fit additional longer-term financing into our financing pattern, consistent with the relatively modest size of our over-all needs.

The financing schedule for the current fiscal year, 1965, offers a recent example of the manner in which Treasury debt operations, with an estimated deficit on the order of $4-1/2 billion, can be fitted into the market without impeding the orderly flow of funds to other borrowers, while also making progress toward improving the debt structure. So far as cash financing was concerned, $6-1/2 billion of marketable debt was issued in the first half of this fiscal year, with $4 billion of this accounted for by Tax Anticipation bills. Another $1-3/4 billion of tax bills were sold in January. Aside from this temporary debt, less than $4 billion of new securities were sold for cash during the course of the year, and almost half of that $4 billion merely offset normal attrition on our refunding offers. Consequently, the net addition to the marketable debt will only be about $2 billion -- less than the amount absorbed by the Federal Reserve and Government investment accounts in meeting their needs. On balance, therefore, it was not necessary to call upon the market for new funds, and our financing schedule and market developments provided scope for two sizeable advance refundings to improve the debt structure.

The outlook for fiscal year 1966, in terms of our own requirements, is, if anything, for a somewhat smaller volume of cash offerings, reflecting prospects for a slight further decline in our deficit, as well as our comfortable cash balance position. And this is after having taken the fiscal 1966 impact of the pending excise tax cut into consideration.

The immediate outlook concerning the first half of fiscal 1966 is certainly not very different from the preceding year. In fact, our cash balance position would permit deferral of new borrowing well into the fiscal year. We could even, if it seems appropriate, extend to six months our period of absence from the new cash market. Later in the summer or fall, sizeable borrowing needs are certain, perhaps in an amount of $8 billion, to cover seasonal needs of this period. But, again, these needs could appropriately be met in substantial proportion by Tax Anticipation bills, to be retired from the seasonal surplus in March and June. The residual, more permanent, need during the period can, I believe, be handled with considerable flexibility both in timing and maturity, depending both on market developments and the broader needs of the economy, either in terms of our domestic or balance of payments objectives.

One can, of course, cite Government financing activities in the hundreds of billions of dollars by adding together the regular roll-over of Treasury bills, normal refundings, and advance refunding takings on the scale of recent years. But these computations do not seem to me an accurate measure of the impact of Federal finance. They divert attention from the main point that the Treasury's net demands have been, and are likely to remain, modest, when compared with any other sector of the capital market. Moreover, the financing flexibility that we have achieved -- and of which I am a happy recipient of the hard-won gains of my predecessors -- permits these requirements to be spread out in an orderly manner in ways that minimize any potentially disruptive impact.

In concentrating on Treasury debt management today, I do not want to leave you with any impression that I am oblivious of the current problems with which you are coping. As the yield curve has flattened, a competitive squeeze has been placed upon you, between the yield requirements of your customers and the drive to obtain the needed volume of mortgage outlets for your funds. This squeeze probably makes it more difficult to resist pressures toward a deterioration in the quality of credit in the industry.

Given the urgency of our balance of payments problem and the compelling need to maintain a competitive posture in the short-term area, I cannot offer any clear prospect of relief with respect to competing attractions for your customers' funds. On the other side of the coin, I think that there is ample evidence of a continuing large flow of funds available for mortgage investment, and, quite frankly, that seems to me healthy in terms of the economy as a whole. So the squeeze may well continue. And, by the same token, I believe a heavy burden of responsibility is thrust upon your own industry to cope with this situation without being tempted in the process to contribute toward a weakening in the credit structure that would create new problems in the future. In this area, there can simply be no substitute for your own vigilance.

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STATEMENT BY MERLYN N. TRUED
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS
MONDAY, JUNE 7, 1965, 10:00 A. M., EST

Mr. Chairman and Committee Members:

I welcome this opportunity to appear before the Committee on Foreign Relations in support of S. 1760. Also here with me today are Mr. Arthur W. Hummel, Jr., Acting Assistant Secretary of State for Educational and Cultural Affairs, and Mr. John D. Jernegan, Deputy Assistant Secretary of State, Bureau of Near Eastern and South Asian Affairs. Mr. Hummel and Mr. Jernegan have brief statements on certain aspects of this bill.

The bill would authorize the Secretary of the Treasury to settle a debt arising from a loan made to Greece in 1929 for refugee resettlement. Subject to the approval of Congress, under the Settlement Agreement of May 28, 1964, entered into between Greece and the United States, Greece will repay at interest $13,155,921 which represents the outstanding amounts of the original obligation in full, plus a portion of the accrued interest. The approval of Congress is also requested for the use of principal and interest payments made by Greece for a cultural and educational exchange program.

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The Loan

In order to help finance the resettlement of Greek refugees from Asia Minor in connection with the work of the Refugee Settlement Commission, established under the auspices of the League of Nations, the United States in 1929 agreed to a loan to Greece of $12,167,000. The Refugee Resettlement Loan as approved by Congress at that time provided for a 20-year maturity and carried interest at 4 percent per year. Payments on this loan to May 1931 reduced the amount outstanding to $11.3 million. However, with the general breakdown of economic conditions in the early 1930's, Congress adopted a Joint Resolution under which the Secretary of the Treasury, with the approval of the President, made on behalf of the United States agreements with a number of countries, including Greece, postponing the payment of any amount due during the year beginning July 1, 1931. An agreement was reached with Greece in May 1932 postponing $400,000 of principal and $500,000 of interest, which were funded into a separate agreement.

From 1933 through 1940 Greece continued to make partial payments of interest on the 1929 loan in accordance with equivalent treatment given to its other foreign creditors.

However, no payments at all were made under the May 1932 Agreement. Since the invasion of Greece in 1941, no payments have been received under the 1929 and 1932 Agreements.

Various attempts have been made in the past to settle Greece's indebtedness. Greece convoked a conference in 1954 to renegotiate a settlement of its defaulted pre-war external debt. In connection with this conference, the Treasury Department advised the Chairman of this Committee that the United States intended to participate in this conference and that Congressional approval would be sought for any settlement agreed upon. However, a settlement could not be reached.

In October 1962, the Government of Greece and the Foreign Bondholders Protective Council agreed upon a settlement of privately held dollar bonds issued prior to the original U.S. Government loan for similar purposes. The principal features of the Bondholders settlement with Greece involved the reduction of the interest rate to one-half the original rate, a grace period of several years during which time interest payments are to be less than one-half of the original rate and forgiveness of approximately 93 percent of the interest arrearages.

The terms of this settlement between the private bondholders and Greece provided the pattern for the United States settlement with Greece. As I have mentioned, this settlement is embodied in an Agreement between the United States and Greece which will enter into effect only after the enactment of the legislation before you. The amount to be repaid under the present Agreement was derived by taking all principal and interest due and unpaid as of August 1933, a total of $12,208,538, and adding to this $947,383 in lieu of arrears of interest subsequent to August 1933. Thus, the total amount to be refunded is $13,155,921. Greece will pay interest on the outstanding balance at the rate of 2 percent per year. It will also pay annually one-half of one percent of the total principal. In addition to these repayments of principal, Greece will make additional principal repayments so that there will be level annual payments of $328,898.02 for the life of the loan.

Payments of principal and interest will be in United States dollars and will begin one year after enactment of authorizing legislation. The Government of Greece has taken all the steps necessary to commence payments, and once Congressional approval is given, Greece will issue the necessary bond evidencing its indebtedness under the Settlement Agreement.

The proposed legislation would authorize settlement on these terms and would also authorize the Secretary of the Treasury to discharge Greece of its obligations under the 1929 and 1932 agreements upon the issuance by Greece of the bond called for by the Agreement.

The Settlement Agreement contains another provision which requires Congressional approval. It provides that the payments of interest and principal made by Greece will be made available, as determined by the Secretary of State, for financing educational and cultural activities authorized by the Mutual Educational and Cultural Exchange Act of 1961. Accordingly, the bill authorizes the appropriation of amounts equal to the Greek payments of principal and interest for this purpose, and it is the intention of the State Department to seek annual appropriations under this authorization. Thus, these payments will help finance a program which has heretofore been financed by the United States. Agreement to use the payments made by Greece for educational exchange purposes constituted an important consideration in reaching a settlement and, at the same time, will provide funds for our valuable educational and cultural exchange activities.

The enactment of this legislation is in the interest of the United States. It will result in the settlement of a debt which has been in default for many years and provide the United States with funds for financing our cultural and educational exchange program with Greece. At the same time, it will help to restore Greece's credit standing in the international financial community and thus contribute towards its continued economic development.

I urge your favorable consideration of this legislation.

TREASURY DEPARTMENT
Washington

STATEMENT OF MERLYN N. TRUED
ASSISTANT SECRETARY OF THE TREASURY
Before the
SENATE FOREIGN RELATIONS COMMITTEE
June 7, 1965

Mr. Chairman and Members of the Committee:

I am happy to appear before you in support of S. 1742, a bill containing three separate proposals relating to the International Bank for Reconstruction and Development and its affiliate, the International Finance Corporation. I have with me Mr. Ralph Hirschtritt, Deputy to the Assistant Secretary of the Treasury.

Mr. Chairman, the proposals embodied in this legislation have been fully endorsed by the National Advisory Council on International Monetary and Financial Problems, and a copy of its Special Report is before you. I shall briefly cover some of the main points.

## IBRD Lending to IFC

The first would amend the Articles of Agreement of the IBRD and the IFC to permit the Bank to lend to the IFC. This authority will contribute greatly to the continued success of these institutions in encouraging, each in its own way, private investment in the less developed countries of the free world. I need hardly stress the importance of the role of private enterprise in the economic development of the less developed areas. This role is encouraged by both the IBRD and its affiliate, the IFC. The IFC, of course, was especially created to promote private investment in member countries, particularly the less developed areas. This is its exclusive function. The proposed legislation, by thus increasing the resources available to the IFC, will enable it better to carry out this important function.

I am sure that the Committee is quite familiar with the two institutions. The World Bank, established immediately after World War II, is now engaged primarily in lending to the less developed countries. It makes long-term loans directly to member governments, public entities or private enterprises. All loans must be guaranteed by the member in whose territories the project is located. Projects financed and assisted by the Bank are generally basic to the economic structure of the recipient country and typically have been in the fields of transportation, power, and industrial and agricultural development.

The Bank has been highly successful, and it enjoys the reputation of being a sound financial institution. As I have indicated, except in the case of loans made directly to member governments, the borrower is required to obtain a guarantee from the government of the country in which the project is to be located. Often, however, private investors have been reluctant to seek, and in some cases it is difficult for host governments to give, such guarantees. To complement the Bank's operations in providing assistance to the private sector in the less developed countries, the Bank sponsored the IFC, which was established in 1956 with the full support of the United States. The IFC invests only in private enterprise projects and does not require host government guarantees of repayment of its investments. The result is that IFC can and does make loans to private enterprise that the Bank cannot make. The proposed legislation would provide additional resources through the IFC for the future stimulation of economic growth through private enterprise.

In its decade of operations, the IFC has promoted the growth of private enterprise activity in the less developed countries and brought new venture capital where it is needed. By providing financing in conjunction with other investment both local and foreign, and often with only limited use of its own funds, the IFC has facilitated the investment of a much greater aggregate volume of private capital.

The IFC offers a variety of forms of assistance. Its operations fall into three major categories: (1) loan or equity investments in operating companies; (2) investments in industrial finance companies that relend to local industry; and (3) participation in underwriting and stand-by transactions for private firms raising capital. Individual IFC investments have been relatively small, generally under $5 million, and they have been made to a variety of types of manufacturing industries. While it still has funds to invest, the pace of IFC's operations is increasing and it is timely and important to make provision for the future.

To this end, the Executive Directors of each institution in August 1964 recommended to the Governors that Bank resources be made available to the private sector through the IFC. This would be accomplished by permitting the Bank to make loans to the IFC. The IFC would use funds borrowed from the Bank for relending to private enterprise. Such loans by the IFC would not require a government guarantee.

The total amount of loans outstanding by the Bank to IFC could not, under the arrangement, exceed four times the unimpaired subscribed capital and surplus of IFC. This limit is about $400 million based on the IFC's present balance sheet.

Bank lending to the IFC would take place only over time and in accordance with IFC's operational requirements.

At their Annual Meeting in Tokyo last September, the Governors of the Bank and the IFC approved the report of the Executive Directors recommending this proposal. Draft resolutions containing the necessary amendments to the Articles of Agreement are presently before the respective Boards of Governors to be voted on by each Governor after obtaining the necessary authority prescribed by domestic law. The Bretton Woods Agreements Act, authorizing U. S. membership in the Bank, requires Congressional authorization for the U. S. Governor to vote for an amendment of the Articles. The International Finance Corporation Act contains a similar provision with respect to amendment of the IFC Articles.

The proposal does not, of course, involve any appropriation or expenditure of funds by the United States. It is fully consistent with the objectives of the United States in promoting private enterprise in less developed countries and should have our full support. A number of countries have already acted and U. S. action will enable it to become effective.

IBRD Capital Increases not Involving the U. S.

The proposed legislation would also permit the U. S. Governor to vote for an increase in the authorized capital stock of the International Bank for Reconstruction and Development. This increase would not involve an increase in the U. S. subscription, nor any expenditure of funds by the United States. The present authorized capital of the Bank is $22 billion. This amount is almost fully subscribed, but it is now apparent that it is not adequate to accommodate the immediate and foreseeable subscriptions of new members and the special increases in the subscriptions of existing members.

As of March 31, 1965, $21,629 million had been subscribed. An additional $165 million in new subscriptions and subscription increases have been authorized by the Board of Governors and these are now merely awaiting the completion of formalities. Total subscriptions will then amount to $21,794 million. Thus, the limit is now very nearly reached at a time when further subscriptions of about $900 million may be expected. This further amount will come about as the 16 countries undertaking special increases in their quotas in the International Monetary Fund also increase their Bank subscriptions, in accordance with normal practice. Other subscriptions may also be expected.

Because the resulting increases could not be made under the Bank's existing authorized capital, there is now pending before the Board of Governors a resolution to increase the authorized capital stock of the Bank by $2 billion. Congressional approval is required for the U. S. Governor to vote in favor of this resolution which, I wish to re-emphasize, does not involve any change in the U. S. subscription. In 1963 the Congress approved a similar increase of $1 billion in the Bank's authorized capital.

The bill before the Committee will authorize the U. S. Governor to vote for the present resolution by granting him continuing authority to vote for any such increases in the authorized capital of the Bank when an increase in the U. S. subscription is not involved and hence no U. S. payments or increased obligations result. If an increase in the U. S. subscription is involved, then, of course, Congressional authorization would continue to be required.

Reports of the NAC

The third change which would be made by S. 1742 would be to permit reports of the National Advisory Council on International Monetary and Financial Problems to be made on an annual basis instead of semi-annually and biennially as presently required. This proposal stems from a request by the President that Executive agencies review the reports which they are required by statute to submit to Congress for the purpose of determining whether such reports could be eliminated or reduced in number. It is anticipated that the proposed annual reports will contain all the information now contained in the presently required reports, while at the same time the number of such reports would be reduced from five to two over each 2-year period.

In connection with this last proposal, it should be noted that Reorganization Plan No. 4 of 1965, submitted by the President on May 27, 1965, would abolish the National Advisory Council as a statutory body and transfer its functions to the President. The President stated, however, that prompt action would be taken to create a successor committee along the general lines of the body now provided by law.

I urge the enactment of S. 1742.

That concludes my statement, Mr. Chairman. However, I have included as an appendix to my statement a technical amendment which should be made in S. 1742 to make it fully consistent with the amendment to the IFC Articles of Agreement proposed by the Governors of that Corporation.

# APPENDIX

On page 3, line 1 of S. 1742, there should be inserted the words "the Corporation lending to or" immediately following the word "against." While there is no intention of the IFC lending to the Bank, the inclusion of the above language is necessary to enable the U. S. Governor to vote for the amendment actually proposed.

TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE SENATE FINANCE COMMITTEE
ON H. R. 8371
THE EXCISE TAX REDUCTION ACT OF 1965
JUNE 8, 1965

H. R. 8371 can be described by saying that it repeals all of the excises except:

-- those which are intended to impose part of the cost of a particular Government service in the area thereof. This category includes the Highway Trust Fund taxes, the tax on fishing equipment and certain firearms, shells and cartridges, and the tax on air passenger travel.

-- those on alcohol and tobacco, which are traditional sources of revenue. As the House Committee Report indicates, the fact that these taxes may inhibit some choices is part of the reason that we have had them.

-- those which are intended to be regulatory in nature, such as the taxes on certain firearms, wagering, coin-operated gaming devices, marihuana, and opium.

The bill makes these changes in a way that is fiscally responsible through staged reductions. Where postponement of purchases in anticipation of a reduction could be a potential problem, the reduction is scheduled for the first stage -- July 1, 1965. The remaining part of the reduction is scheduled for January 1, 1966 (December 31, 1965 in the case of certain admission taxes and the cabaret tax). In the case of the two taxes where very large amounts of revenue are involved, telephone service and passenger automobiles, part of the reduction is staged through 1967-69.

In two industries where the effect on sales because of the anticipated reduction on July 1 might be a serious problem, passenger automobiles and air conditioners, the bill provides customer refunds to the original announcement date -- May 15. In the other situations floor stock refunds are provided where considered appropriate.

An alphabetical listing of the present excise taxes and the indicated changes under the House bill and the President's program is attached to this statement.

Let me turn now to the few instances in which the House bill differs from the President's program. The President recommended that the passenger automobile tax be reduced by half, from 10 percent to 5 percent, in reductions staged 3 percent on July 1, 1965, 1 percent on January 1, 1967 and 1 percent on January 1, 1968. The revenue obtained from a tax at a 5 percent rate is $950 million, at 1966 levels of income. This tax is efficient to collect. It is not regressive. It falls upon an item without close substitutes. Most important the revenue is large.

The House bill provides that the entire tax be phased out by January 1, 1969; 3 percent on July 1, 1965, 1 percent January 1, 1966, and 2 percent on January 1 in each year 1967, 1968, and 1969.

We believe, however, that only 5 percentage points of the automobile tax should be removed, and 5 percentage points left in effect, in accordance with the President's recommendation. This will allow future Congresses to consider whether to reduce the automobile excise tax below 5 percent.

Postponing the decision with respect to this remaining 5 points of the automobile excise tax until the future is the course of fiscal prudence. In the judgment of the Administration it is unwise to enact now large tax changes to come into effect three and four years in the future. It is impossible to forecast the economic situation that far ahead. The prudent course for the Nation is to stay with the President's program.

One cannot foretell just what tax requirements for responsible fiscal policy will be in the fiscal years 1967, 1968, and 1969, depending as they do on expenditures, receipts, and the economic situation. In fact, one cannot tell just what expenditures will be forced upon us by the automobile itself. How much will we have to spend to deal with such problems as highway safety, air pollution, and automobile graveyards?

The other differences in the House bill from the President's recommendation are relatively minor, and we concur in the House action.

The House bill would retain the tax on lubricating oil so far as it applies to highway users. This would be done by repealing the present tax on cutting oil and by providing refunds for use of lubricating oil in other than highway vehicles. The proceeds of this tax, $50 million, would be put in the Highway Trust Fund.

The remaining difference in the House bill deals with the automobile parts and accessories tax so far as it applies to parts which are primarily designed for trucks. The President recommended retention of this 8 percent tax as it applies to parts which are not suitable for use in a passenger automobile. The problem here is that some large components of trucks are subject to a 10 percent tax if they are installed by a truck manufacturer on a new truck. This 10 percent tax on trucks, which is part of the Highway Trust Fund,is not changed by this bill. If no parts tax applied, there would be a considerable incentive to install the part later as an accessory. Retaining the tax for truck parts and accessories will avoid aggravating this problem. The House bill places this truck parts tax, which amounts to about $20 million, in the Highway Trust Fund, along with the basic tax on trucks.

Finally, I want to say a brief word about the matter of effective dates. The Ways and Means Committee went extensively into this problem,as its Report indicates. It considered the potential postponements of sales and came to the same conclusions that we had reached, after the extensive discussions which trade associations and individual firms had with the Treasury and with the Staff of the Joint Committee.

Two industries thought this sales postponement problem was serious. In automobiles the tax involves a large dollar amount. Postponement of a purchase until after July 1 would bring the buyer close to the new model year when he might decide to wait until fall. This could result in a significant loss of sales for the current model year and perhaps even some permanent loss of sales.

In air conditioners the problem is somewhat similar. Here, nearly 40 percent of the year's sales come in May and June. Postponement of a purchase until after July 1 would mean that part of the hot weather is gone and many potential customers would postpone the purchase until next year. In these two cases, the House considered that customer refunds were appropriate with respect to purchases between May 15 and July 1.

As to other industries, the Committee noted that retroactive refunds were not provided in the last significant excise tax reduction, that of 1954, and that a retroactive date, with consumer refunds, would constitute a serious administrative burden for the industries affected. In order to provide the Internal Revenue Service with some means of verifying the refund claims, it would be necessary that they be channelled through, and consolidated by, the person who initially paid the tax. For most taxes, this would be the manufacturer. Such a procedure would involve the processing, verifying, and consolidating of thousands of small claims by a manufacturer. For manufacturers that sell many different taxes articles the burdens would be multiplied many times, and the benefit of retroactivity would be far outweighed by the burden of additional paperwork involved. Consequently, the House thought that in view of the short time between the announcement date -- May 15 -- and the effective date of the first scheduled reduction, July 1, it would be wise to proceed in all other cases in accordance with prior practice and avoid retroactive reduction. However, as stated earlier floor stock refunds are provided in the House bill for most of the manufacturers taxes.

The Treasury staff has been working with the staff of the Joint Committee on Internal Revenue Taxation on some technical amendments. We will be glad to discuss these matters with the Committee, when it considers the bill in detail.

Attachment

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Excise Tax Program to be Enacted in 1965
Indicating Differences Between President's Recommendation and H.R. 8371 1/

| | July 1, 1965 | January 1, 1966 | January 1967 - January 1969 |
|---|---|---|---|
| issions .................... | - | Repeal | - |
| conditioners ............... | Repeal | - | - |
| omobiles .................... | President's recommendation: | | |
| | Reduce 10% to 7% | Reduce 7% to 6% | Reduce 6% to 5% 1967 |
| | House Bill: | | |
| | Reduce 10% to 7% | Reduce 7% to 6% | Reduce to 4% 1967<br>Reduce to 2% 1968<br>Repeal 1969 |
| omobile parts and accessories excluding trucks parts) ..... | - | Repeal | - |
| l point & fountain pens, tc. ........................ | Repeal | - | - |
| ling alleys & pool tables ... | Repeal | - | - |
| iness & store machines ...... | Repeal | - | - |
| arets ...................... | - | Repeal | - |
| eras & film, etc. ........... | Repeal | - | - |
| arette lighters ............. | Repeal | - | - |
| b dues ...................... | - | Repeal | - |
| n-operated amusement devices. | Repeal | - | - |
| ds of conveyance ............ | - | Repeal | - |
| ctric, gas, & oil appliances. | Repeal | - | - |
| ctric light bulbs ........... | - | Repeal | - |
| ezers ...................... | Repeal | - | - |
| s .......................... | Repeal | - | - |
| elry ....................... | Repeal | - | - |
| ricating oil ............... | President's recommendation: | | |
| | - | Repeal | - |
| | House Bill: | | |
| | - | Repeal as to non-highway use. Put into Highway Trust Fund as to highway use. | - |
| gage & handbags ............. | Repeal | - | - |
| ches ........................ | Repeal | - | - |
| ical instruments ............ | Repeal | - | - |
| ying cards .................. | Repeal | - | - |
| nograph records ............. | Repeal | - | - |
| ios & phonographs ........... | Repeal | - | - |
| rigerators .................. | Repeal | - | - |
| e deposit boxes ............. | Repeal | - | - |
| rting goods (except fishing). | Repeal | - | - |
| cks & bonds -- issuance ..... | - | Repeal | - |
| cks & bonds -- transfer ..... | - | Repeal | - |

(Continued)

Excise Tax Program to be Enacted in 1965
Indicating Differences Between President's Recommendation and H.R. 8371 1/ (Cont'd)

| | July 1, 1965 | January 1, 1966 | January 1967 - January 1969 |
|---|---|---|---|
| Telegraph ........................ | - | Repeal | - |
| Telephone -- general & toll ....... | - | Reduce 10% to 3% | Reduce to 2% 196<br>Reduce to 1% 196<br>Repeal 1969 |
| Telephone -- interior communications systems ........................ | - | Exempt | - |
| Television sets .................. | Repeal | - | - |
| Toilet preparations ............... | Repeal | - | - |
| Wire & equipment service .......... | - | Repeal | - |

1/ The table does not deal with the user tax recommendations. In addition to the items in the table, the automatic reductions in present law respecting cigarettes, beer, distilled spirits, and wine are to be repealed, and the automatic reduction in the case of the general telephone tax is postponed.

TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE SENATE FINANCE COMMITTEE
ON H.R. 8371
THE EXCISE TAX REDUCTION ACT OF 1965
10 A.M. EDT TUESDAY, JUNE 8, 1965

Mr. Chairman:

am pleased to be able to state the views of the Treasury Department on H. R. 8371, the Excise Tax Reduction Act of 1965.

You have the President's Message on excise tax reduction and user charge increases before you, so I will not repeat here the recommendations he has already made in that Message. You also have the Report of the Ways and Means Committee on the bill.

In both the departmental and executive branch consideration and the hearings before the House Ways and Means Committee, I have voluntarily disassociated myself from any specific discussions or decisions as to how the excise tax reduction should be distributed among the various excise tax products and services and, specifically, how the passenger automobile excise taxes should be handled. For that reason, I would like to confine my comments today to the general fiscal aspects of the President's recommendations and the House bill. Assistant Secretary Surrey is here with me to present the Administration's position on the differences between the President's proposed program and the bill as adopted by the House, which centers on the treatment of the passenger car excise tax. He will also present the Administration's position on the specific tax reductions proposed.

I should note that the bill before you does not deal with the recommendations for increased user taxes. The Ways and Means Committee decided to reserve the user charge recommendations for future consideration. At the same time it recognized the desirability of rapid action on the excise reductions to avoid any lengthy disturbance of the marketing of taxed products. While this procedure is understandable, I would like to emphasize that we regard user taxes as a most important part of the President's Program.

The elimination or reduction of the selective excise taxes not now dedicated to particular uses such as the Highway Trust Fund or falling into the category of sumptuary taxes such as liquor and tobacco is an important step in our continuing program of tax reform, which has included the Revenue Acts of 1962 and 1964 as well as the depreciation reform. We are all interested in the development of an overall tax system which is characterized by equity and simplicity and which makes a maximum contribution to economic growth.

The excise tax reductions recommended by the President represent the next logical step in this direction.

Reduction of our selective excise taxes increases the equity of the tax system. Many selective taxes are discriminatory and burdensome on producers, sellers, and consumers of the items subject to tax.

I believe that the Congress and the public have long felt that many of our excise taxes have no place in a permanent tax system. Thus, wherever it is appropriate to remove a particular burden on one product or another, we should strive consistent with other tax goals to provide a freely operating competitive price system, and in the President's words ".... end an unfair burden on many businesses and workers who produce the commodities singled out for excise taxation."

Excise taxes, unlike income taxes, impose burdens on those whose income is below the level of their personal exemptions and deductions. The present excise tax reduction program will lighten the burden of regressive taxation on low- and middle-income people. A great deal of the revenue involved comes from extremely regressive taxes, which are a heavy burden on low incomes. These include the taxes on telephones, automobile parts and accessories, toilet preparations, and most of the household appliances.

The proposed reductions will simplify the tax system by greatly reducing the number of separate taxes as well as the accompanying burden on business of collecting and reporting those taxes. It will cut the Government's cost of tax collection and enforcement.

Many of the selective excises involved in this legislation are expensive to collect, and they impose heavy compliance burdens on the taxpayers. This is particularly true of the retail excises and some of the lower yield taxes, such as the tax on cabarets and safe deposit boxes.

Many of the selective excises fall on items which have non-taxed substitutes. Room air conditioners are taxed, but central air conditioning is not. Most admissions are taxed, but many are not. Some house furnishings are taxable, others not.

But an equally compelling reason for the elimination or reduction of many of these selective excises is that they are incompatible with a tax system that leaves the private economy the maximum opportunity for growth. These taxes were imposed largely in war and emergency in part to sustain production and consumption in the taxed products and services and encourage the transfer of the material and manpower resources dedicated to these products to other areas deemed more essential to the war effort. Imposed in part for this reason, it is only logical that they should be removed as a part of a normal peacetime economy. This removal of a burden on the private sector will bolster the economy in a particularly valuable way since it will strengthen the competitive forces in the market place, and it will entail significant price reductions, thereby contributing to wage-price stability.

The House bill will have substantially the same impact in fiscal years 1966 and 1967 as the President's recommendations. But in the fiscal years 1968, 1969, and 1970 the House bill will eliminate additional excise taxes in successive stages totalling nearly one billion dollars beyond the President's Program.

The revenue effects of an excise tax reduction are somewhat complicated, and I would like to clarify the various figures.

When we speak of the full year gross revenue loss from repealing an excise tax, we are referring to the revenue that is collected in a full year of operation under that tax. The full year decreases in tax collections in the administrative budget under the House bill and the President's Program are given in Table 1.

Table 1

Reduction in Tax Collections
Full Year Effect
House Bill and President's Program

| | House Bill | | President's Program | |
|---|---|---|---|---|
| | Separate | Cumulative | Separate | Cumulative |
| | ($ Billions) | | | |
| July 1, 1965 reduction .... | $1.75 | $1.75 | $1.75 | $1.75 |
| January 1, 1966 reduction.. | 1.68 | 3.43 | 1.73 | 3.48 |
| January 1, 1967 reduction.. | 0.47 | 3.90 | 0.28 | 3.76 |
| January 1, 1968 reduction.. | 0.47 | 4.37 | 0.09 | 3.85 |
| January 1, 1969 reduction.. | 0.47 | 4.84 | 0.09 | 3.94 |

Under the House bill, the important figures here are $1.75 billion for the July 1 reduction, $1.68 billion for the January 1, 1966 reduction, and $470 million for the reduction on each January 1, 1967 to 1969. These will add eventually to a reduction of $4.8 billion in tax collections. Compared to the President's Program, the principal differences occur after 1966. The reduced tax collections under the excise reduction recommendation of the President were $3.9 billion.

The Committee will be particularly interested in the budget effect of these cuts. The figures in Table 1 change in several ways as respects the gross budget effect, before feedbacks.

In the first place, the House bill provides that certain tax receipts, amounting to about $70 million, be put in the Highway Trust Fund. This allocation to the Trust Fund does not reduce tax collections, but it does lower administrative budget receipts.

Second, if an excise tax is repealed effective July 1, 1965 the Federal Government will still get tax payments in July and August on taxable transactions entered into in May and June because the taxes on those transactions will be turned into the Treasury after July 1. The fiscal year loss is, of course, even less when the reduction becomes effective on January 1 in the middle of a fiscal year.

Finally, the budget effects must take into account customer refunds and floor stock refunds.

The gross fiscal year budget losses under the House bill and the President's Program from the tax reduction are shown in Table 2.

Table 2

Gross Fiscal Year Reductions
in Administrative Budget Receipts

| | Fiscal year | | |
|---|---|---|---|
| | 1966 | 1967 | 1968 |
| | | ($ Billions) | |
| House Bill | | | |
| July 1, 1965 reduction | $1.63 | $1.75 | $1.75 |
| January 1, 1966 reduction | 0.54 | 1.78 | 1.77 |
| January 1, 1967 reduction | -- | 0.15 | 0.49 |
| Total | 2.17 | 3.68 | 4.01 |
| President's Program | | | |
| July 1, 1965 reduction | $1.63 | $1.75 | $1.75 |
| January 1, 1966 reduction | 0.54 | 1.74 | 1.73 |
| January 1, 1967 reduction | -- | 0.09 | 0.30 |
| Total | 2.17 | 3.58 | 3.78 |

Under the House bill the gross budget losses are (in round figures) in fiscal year 1966 $2.2 billion, in fiscal year 1967 $3.7 billion, and in fiscal year 1968 $4.0 billion. The losses under the President's Program would have been the same in fiscal year 1966, and slightly smaller in fiscal year 1967 and fiscal year 1968.

Excise tax reduction will mean that there is this much more disposable income of consumers and businesses. As this is spent, there will be increased income taxes and more disposable income for further respending, again increasing income tax receipts.

To properly assess the excise tax reduction, we should take into account these "feedbacks" of increased collections under other taxes. On this basis the expected net budget impacts of the House bill and the President's Program are:

| | House Bill | President's Program |
|---|---|---|
| | ($ Billions) | |
| Fiscal year 1966 ............ | $1.8 | $1.8 |
| Fiscal year 1967 ............ | 2.2 | 2.1 |

In the long run the net revenue loss after feedback will be about one-half of the gross loss.

This excise tax reduction can have an important strategic effect in maintaining the upward thrust of the economy. It is well known that a decline in the pace of our economy, leading possibly to a recession, can cause a major decline of revenues. Federal revenues declined in the recession of 1958 and in the recession of 1960. They did not decline during the period of the major income tax reduction in 1964-65.

Let me turn now to the specific matter of the net budget deficit.

In January of 1963 it was anticipated that the budget deficit for the fiscal year 1964 would be $12 billion. In the end a number of circumstances, including the combination of improving economic conditions resulting from both the anticipation and enactment of the Revenue Act of 1964 and firm expenditure control, brought this figure down to $8.2 billion.

In January of this year the budget deficit for fiscal year 1965 was estimated to be $6.3 billion. Thanks to continued expenditure control and substantial improvements in revenue collections, it was announced late in April that the deficit was likely to be $5.3 billion. Now as a result of additional information, we anticipate that the deficit for fiscal year 1965 will be reduced to $4.4 billion. Of this $1.9 billion reduction in the deficit below the January estimate, $500 million represents reduced expenditures, and $1.4 billion represents increased revenues. It may be that by the end of the fiscal year the expenditure figures will show further reductions but it is too early to hazard any hard estimate.

In January the budget estimate of the deficit for the fiscal year 1966 was $5.3 billion. At that time we were contemplating an excise tax reduction program of only $1.75 billion. Since then we have revised upward our estimate of revenues under the income tax by $1.6 billion. We have also recommended the enlarged excise tax reduction program which will involve for fiscal year 1966 a net budget loss after feedback of $1.8 billion. This is larger by $0.6 billion than the net budget loss that would have occurred under the original $1.75 billion program contained in the Budget Message. This additional revenue reduction of $0.6 billion combined with the expected increase in receipts of $1.6 billion still leaves a net improvement in receipts of $1.0 billion.

At this time, the Bureau of the Budget continues to expect expenditures for fiscal 1966 to be approximately the same as they were estimated to be in the January budget. There have been some increases due to increased defense operations in Viet Nam, but these have been matched by economies elsewhere. The prospective improvement in the deficit figure is, then, this increase of $1.0 billion in receipts which would reduce the deficit to $4.3 billion -- slightly below the $4.4 billion now anticipated for fiscal year 1965.

The question could be raised, "Would the deficit in fiscal year 1966 be lower by $1.8 billion if there were no excise tax reduction?" The answer would be "Yes" only if we ignore the strategic effect of the reduction, that is, if we ignore the particular contributions that the reduction will make to maintaining the expectation of growth, which is our basic defense against the development of recession. As I said before, deficits rise with recession but they can fall with responsible tax cuts.

For the fiscal year 1967, assuming continued economic growth at the long-term trend rate, administrative budget revenues should increase by about $5 billion. This potential gain will be slightly offset by the fact that the January 1966 excise tax cuts will be in operation for all of fiscal year 1967 compared to only half of fiscal year 1966, and some further excise tax cuts will come into effect January 1, 1967. On the other hand, we will in fiscal year 1967 be realizing more of the economic feedback of the first two stages of the program. The added revenue loss of the House bill in fiscal year 1967 over fiscal year 1966 on a net basis will be about $0.4 billion. (Under the President's Program, this added revenue loss in fiscal year 1967 would have been about $0.3 billion.) Roughly, we could thus put the potential revenue gain in fiscal year 1967 at $4.6 billion.

We do not know now what expenditures in fiscal year 1967 will be, but this potential revenue gain leaves considerable room for providing such increased expenditures as might be needed by a growing population and still achieving reduction of the budgetary deficit.

On this matter of expenditures, I would like to repeat the President's statement to the Ways and Means Committee,"I would like to make clear once again my strong determination to hold expenditures to the lowest reasonable levels." As you realize, expenditure control requires hard decisions and the determination to stand behind them. I believe that the Administration has given ample evidence of this determination.

Mr. Surrey is now prepared to present the Administration's position on the specific tax reductions in the bill and the differences between the President's program and the HOuse bill which center largely on the passenger car excise tax.

oOo

Into your hands will be entrusted the high traditions established by generations of brave men before you. I know you will bring new honor to those traditions.

To all of you, I extend -- on my own behalf, and on behalf of Secretary Fowler -- our warmest congratulations and our earnest hope that you have long and successful careers in the service of your nation and of humanity. God speed -- and good sailing.

These, then, are but a few of the challenges and OPPORTUNITIES ~~experiences~~ that will confront you young men in the years ahead -- as you serve your country and your fellow man. Many of you will continue to further your education in YOUR ~~whatever~~ fields OF SPECIALIZATION. THE COAST GUARD NEEDS -- ITS MISSION DEMANDS ~~you intend to specialize. For~~ to fulfill its ~~need for~~ officers of the highest ~~degree of~~ competence, AND THUS IT ~~the Coast Guard is~~ assigns ~~assigning~~ many of its young men to outstanding graduate schools around the country AS WELL AS GIVES THEM EVERY ~~for further training in a variety of specialties~~ INCENTIVE THROUGHOUT THEIR CAREERS TO KEEP ABREAST OF NEW ADVANCES IN THEIR FIELDS. As your Service continues to move into the more complex world of tomorrow, its need for new ideas and fresh approaches will become more and more urgent -- and for these it must look to men such as yourselves.

In a few moments you young men of the Class of 1965 will raise your right hands to take the oath of a Coast Guard officer. You will become part of a most distinguished Service.

safety, and other operations, the Coast Guard plays a key part in the maintenance of our merchant fleet -- and thus performs a vital service ~~in~~ help~~ing~~s THE NATION meet one of ~~our~~ ITS most serious national challenges, the deficits ~~we have suffered~~ in ~~our~~ ITS balance of payments.

We have underway, as you know, a comprehensive program to wipe out those deficits -- and no part of that program is more vital to the current, as well as long run, strength of our balance of payments than our trade position. We are fortunate that our trade position is far and away the strongest in the world. But we must continue to maintain that strength, and to increase it in every way possible. In that task, the American merchant marine plays a prominent, even a crucial, role -- and so does the Coast Guard in helping our merchant marine.

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An outstanding example of the Coast Guard's capacity to ~~adapt~~ the wizardry of modern electronics to the humane

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-- ... to the Pacific Coast. In this instance as in so many others, the Coast Guard's willingness to help all in peril at sea transcends politics and national boundaries.

Through its icebreaking, through its merchant marine

Coast Guard ships to augment the Coast Guard fleet in the decades ahead. New aircraft, still in the experimental stages, will add new capability to search and rescue and other operations Those marvelous electronic computers which can be one of mankind's greatest servants will play a revolutionary new role in Coast Guard planning, and your research in the marine sciences will contribute even more significantly than it already does to our understanding of the age old secrets of the sea.

Coast Guard enforcement of conservation laws designed to protect our valuable marine resources will be crucial to a world which seeks new sources of high quality protein. In the vital area of aids to navigation, Coast Guard engineers are working hard to adapt the power of the atom

So I am not surprised at the intense pride that I see reflected in the faces of you young men of the Class of 1965. For it is pride in the high and humane mission of your Service -- pride in the tradition of surpassing excellence and courage in the performance of that Mission that has characterized the men of the Coast Guard since its very inception -- and pride in yourselves and in the accomplishments that lie ahead for you and your Service.

As you meet the challenges ahead of you, you will have

SUPERB

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BEING AN OFFICER IN ONE OF

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THE [illegible] MARITIME SERVICES IN THE WORLD.

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Already our shipyards are at work building new classes of

The OF THE COAST GUARD

economy. ~~Its~~ Icebreaking operations ~~-- the third order of~~
--AND THUS ACCOMPLISH ITS MISSION ON THE THIRD ORDER OF PRIOR
priority -- benefit the national economy by keeping open the vital flow of commerce in our ports and waterways throughout the winter months. At the fourth level of priority, the Military Readiness and Reserve Training programs help strengthen the security of our nation. And at the fifth level of priority the Coast Guard, through its Oceanography and other programs, helps to advance the cause of scientific knowledge and ultimately to strengthen our national economy and our national security.

These, then, are the programs and the purposes of the Coast Guard. There are no higher puuposes, for these are the purposes of humanity and peace. And there are not many programs that serve such high purposes so effectively as these.

with all other government departments and agencies -- review and report on all of its programs in terms of priorities.

I know of no better way to characterize the value and importance of the Coast Guard's mission than simply to cite the list of priorities which it set up in response to Budget Director Gordon's request.

Let me simply list those priorities: through its Search and Rescue operations the Coast Guard performs its first and highest mission -- its mission of saving lives and protecting property. (AT THE [illegible] OF PRIORITY,) ~~Its~~ programs for Aids to Navigation, for Law Enforcement, and for Merchant Marine Safety serve -- although not as directly or totally -- the same high goal of saving lives and protecting property WHILE ~~at the same time~~ ~~that~~ they help promote the growth and security of our nation's country and to humanity.

Let me illustrate:

Every spring, as you may know, the national Administration begins an intensive review of every government program in every government department and agency -- a review to set the stage for shaping the budget to be presented the following January. This Spring, President Johnson emphasized that this review must not simply be an exercise in numbers, but must reach into the realities behind those numbers -- must deal not simply in allocating different amounts of money for different programs, but in a searching analysis of programs in order to distinguish between those of greater and those of lesser priority. In accordance with the President's directive, Budget Director Gordon requested that the Treasury -- along a Lieutenant Commander in the Coast Guard took six hours of his valuable time to teach me how to bring a craft in alongside a dock -- and in general to give me the benefit of his extraordinary seagoing skill and knowledge. That was the beginning of a wartime association with the Coast Guard that extended through the landings at Salerno, Anzio, Elba and Southern France. On the basis of that experience I have long been convinced that Coast Guardsmen are the greatest sailors in the world.

To that conviction, my years in the Treasury Department have added a profound respect and admiration, not only for the seagoing prowess of the men of the Coast Guard, but for their extraordinary dedication and performance in carrying out their high mission -- the mission of service to their and every member of the Class of 1965 his very warmest congratulations and best wishes.

I am particularly delighted that the Secretary asked me to come here today, for I have had a particularly warm and close association with the Coast Guard -- an association that dates back to the Spring of 1943 when, as a young and rather green naval lieutenant, I was shipped to Bizerte Harbor in Africa to take command of a subchaser. My qualifications consisted of the usual wartime training of three months at Miami Beach and a background as a boating enthusiast. But while I could get by on most maneuvers, I had had no experience at all in the extremely tricky business of landing a craft alongside a dock.

Thus it was that, when I took command of my subchaser, Release upon delivery



REMARKS BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
AT COMMENCEMENT EXERCISES
THE COAST GUARD ACADEMY
NEW LONDON, CONNECTICUT
WEDNESDAY, JUNE 9, 1965, 11:00 A.M., EDT

Admiral Roland, Admiral Smith, members of the class of 1965, distinguished guests, ladies and gentlemen:

Secretary Fowler has asked me to express to you his very deep regret that he cannot join you today on this important occasion in the lives of you young men who will shortly receive your commissions as officers of the United States Coast Guard. The Secretary had looked forward eagerly to being here today, but unfortunately had to forego that pleasure in order to testify before the Congress on recommendations for the first major revision of our coinage system since 1792 -- when the first Coast Guard fleet was still being built. The Secretary has asked me to appear in his absence and to convey to each

TREASURY DEPARTMENT
Washington

FOR RELEASE: UPON DELIVERY

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Thus it was that, when I took command of my subchaser, a compassionate Lieutenant Commander in the Coast Guard took six hours of his valuable time to teach me how to bring a craft in alongside a dock -- and in general to give me the benefit of his extraordinary seagoing skill and knowledge. That was the beginning of a wartime association with the Coast Guard that extended through the landings at Salerno, Anzio, Elba and Southern France. On the basis of that experience I have long been convinced that Coast Guardsmen are the greatest sailors in the world.

To that conviction, my years in the Treasury Department have added a profound respect and admiration, not only for the seagoing prowess of the men of the Coast Guard, but for their extraordinary dedication and performance in carrying out their high mission -- the mission of service to their country and to humanity.

Let me illustrate:

Every spring, as you may know, the national Administration begins an intensive review of every government program in every government department and agency -- a review to set the stage for shaping the budget to be presented the following January. This Spring, President Johnson emphasized that this review must not simply be an exercise in numbers, but must reach into the realities behind those numbers -- must deal not simply in allocating different amounts of money for different programs, but in a searching analysis of programs in order to distinguish between those of greater and those of lesser priority. In accordance with the President's directive, Budget Director Gordon requested that the Treasury -- along with all other government departments and agencies -- review and report on all of its programs in terms of priorities.

I know of no better way to characterize the value and importance of the Coast Guard's mission than simply to cite the list of priorities which it set up in response to Budget Director Gordon's request.

Let me simply list those priorities: through its Search and Rescue operations the Coast Guard performs its first and highest mission -- its mission of saving lives and protecting property. At the second level of priority, its programs for Aids to Navigation, for Law Enforcement, and for Merchant Marine Safety serve -- although not as directly or totally -- the same high goal of saving lives and protecting property while at the same time they help promote the growth and security of our nation's economy. The Icebreaking operations of the Coast Guard benefit the national economy -- and thus accomplish its mission on the third order of priority -- by keeping open the vital flow of commerce in our ports and waterways throughout the winter months. At the fourth level of priority, the Military Readiness and Reserve Training programs help strengthen the security of our nation. And at the fifth level of priority the Coast Guard, through its Oceanography and other programs, helps to advance the cause of scientific knowledge and ultimately to strengthen our national economy and our national security.

These, then, are the programs and the purposes of the Coast Guard. There are no higher purposes, for these are the purposes of humanity and peace. And there are not many programs that serve such high purposes so effectively as these.

So I am not surprised at the intense pride that I see reflected in the faces of you young men of the Class of 1965. For it is pride in the high and humane mission of your Service -- pride in the tradition of surpassing excellence and courage in the performance of that Mission that has characterized the men of the Coast Guard since its very inception -- and pride in yourselves and in the accomplishments that lie ahead for you and your Service.

As you meet the challenges ahead of you, you will have the advantage not only of a splendid tradition, of superb training, of knowing that you serve such high goals -- but the advantage also of being an officer in one of the most modern services in the world.

Already our shipyards are at work building new classes of Coast Guard ships to augment the Coast Guard fleet in the decades ahead. New aircraft, still in the experimental stages, will add new capability to search and rescue and other operations. Those marvelous electronic computers which can be one of mankind's greatest servants will play a revolutionary new role in Coast Guard planning, and your research in the marine sciences will contribute even more significantly than it already does to our understanding of the age old secrets of the sea.

Coast Guard enforcement of conservation laws designed to protect our valuable marine resources will be crucial to a world which seeks new sources of high quality protein. In the vital area of aids to navigation, Coast Guard engineers are working hard to adapt the power of the atom to the operation of lighthouses, buoys, and other humane navigational needs.

An outstanding example of the Coast Guard's capacity to adapt the wizardry of modern electronics to the humane uses of search and rescue is its Automated Merchant Vessel Reporting program, known as AMVER -- the voluntary position-reporting program, open to vessels of any nation which furnishes search and rescue operations with accurate and instant information on the position and characteristics of any vessel which chooses to participate. Since its inception in 1958, more than 8,000 vessels of all nationalities have participated in this program. It has proven so successful that in the near future it will be extended from the Atlantic to the Pacific Coast. In this instance as in so many others, the Coast Guard's willingness to help all in peril at sea transcends politics and national boundaries.

Through its Icebreaking, through its Merchant Marine Safety, and other operations, the Coast Guard plays a key part in the maintenance of our merchant fleet -- and thus helps the nation meet one of its most serious national challenges, the deficits in its balance of payments.

We have underway, as you know, a comprehensive program to wipe out those deficits -- and no part of that program is more vital to the current, as well as long run, strength of our balance of payments than our trade position. We are fortunate that our trade position is far and away the strongest in the world. But we must continue to maintain that strength, and to increase it in every way possible. In that task, the American merchant marine plays a prominent, even a crucial, role -- and so does the Coast Guard in helping our merchant marine.

These, then, are but a few of the challenges and opportunities that will confront you young men in the years ahead -- as you serve your country and your fellow man. Many of you will continue to further your education in your fields of specialization. For the Coast Guard needs -- its mission demands -- officers of the highest competence, and thus it assigns many of its young men to outstanding graduate schools around the country as well as gives them every incentive throughout their careers to keep abreast of new advances in their fields. As your Service continues to move into the more complex world of tomorrow, its need for new ideas and fresh approaches will become more and more urgent -- and for these it must look to men such as yourselves.

In a few moments you young men of the Class of 1965 will raise your right hands to take the oath of a Coast Guard officer. You will become part of a most distinguished Service. Into your hands will be entrusted the high traditions established by generations of brave men before you. I know you will bring new honor to those traditions.

To all of you, I extend -- on my own behalf, and on behalf of Secretary Fowler -- our warmest congratulations and our earnest hope that you have long and successful careers in the service of your nation and of humanity. Godspeed -- and good sailing.

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STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
SENATE BANKING AND CURRENCY COMMITTEE
WEDNESDAY, JUNE 9, 1965, 10:00 A.M.

This statement is presented in support of the legislation the President has recommended for a new and efficient coinage. The new coinage will use a composite copper and nickel alloy in the ten and twenty-five cent pieces in place of the present 90% silver, and a composite silver alloy of 40% in the fifty-cent piece.

In response to this Committee's desire for a detailed description of the proposed program, my statement contains sections on: The New Coinage System, Outline of Legislative Recommendations, The Shortage of Silver (including a table at p. 20), The Choice of a New Coinage Alloy, Importance of the

Operation of the New and Existing Coins in Coin-Operated Machines, and The Adequacy of Coin Supplies.

The New Coinage System

The new alloys reflect the latest developments in modern technology. Precisely engineered characteristics will insure the consistent operation of the new dimes and quarters alongside our high content silver coinage in all of our millions of coin-operated machines. These new ten and twenty-five cent pieces will be functional. They will be attractive in appearance, durable, and available in needed amounts. They will be full legal tender, circulating alongside, and with the same purchasing power, as our present silver dimes and quarters. Their copper colored edge and special production process will reduce counterfeiting potential.

The realities of the silver situation have made it impossible for us to continue much longer the production of silver coins in large volume.

During calendar year 1964, we used more than 200 million ounces of silver in coinage and we are coining silver at about a 300 million ounce rate this year. While Treasury stocks of silver of 1 billion ounces are still very large, they obviously cannot withstand this rate of use for long. Moreover, Treasury stocks must also be available for the continuing redemption of silver certificates which will keep the market price of silver from rising above $1.29+.

We have no choice but to remove silver entirely from the dime and the quarter. Any other course could have serious consequences. By switching to the new cupronickel clad alloy for dimes and quarters, a major and avoidable drain upon our supplies of silver is removed. As a result, it should be possible to maintain our tradition of silver coinage with a silver fifty-cent piece in the new coinage system. At anticipated rates of production, this 50-cent piece of reduced silver content would use relatively small amounts of silver, possibly 15 million ounces a year once we are "on stream." In addition, the present legal definition of the silver dollar would remain unchanged, although planning for renewed minting of that coin would be premature.

The new coinage system looks to the future in providing functional coins for a modern America. The new system also retains a valued tie with the past by extending a 173-year-old tradition of silver in our coinage. We do not expect this combination of the new and the old to require any major modifications in the future. But, we recognize the complexity of the silver and coinage problem and the fact that any change in this area touches the daily lives of all our citizens. Therefore, in the consideration of future silver policies, the role of the silver dollar and other matters, it is fitting that we should provide now for an orderly review of the issues in the light of conditions as they develop. Provision is made as an integral part of this legislation for the formation of a Joint Commission on the Coinage. I will comment upon the duties of the Commission in a moment.

## Outline of Legislative Recommendations

The specific legislative proposals now before you are best summarized by a brief section-by-section review.

Title I of the proposed legislation:

Section I describes the metallic content, weight, and other technical specifications, of the proposed new coinage.

1. The dime and the quarter:

   It is proposed that silver be eliminated entirely from the dime and the quarter.

Instead, they should be composite, or clad, coins faced with an alloy of 75 percent copper and 25 percent nickel (the same cupronickel alloy used in the five-cent piece) bonded to a core of pure copper. By use of this modern technique, it has become possible to duplicate exactly the electrical properties of our existing silver coins. This is essential to avoid disruption to commerce and great inconvenience to the public, as I shall explain later in some detail.

2. <u>The Half Dollar</u>:

It is proposed that the 50-cent piece should also be a composite, or clad, coin. The

> over-all silver content would be reduced from the present 90 percent to 40 percent. This would be accomplished by cladding outer faces of a high content silver-copper alloy on a low content silver-copper core. The outside alloy would be 80 percent silver and 20 percent copper, and the inner core would be approximately 21 percent silver and 79 percent copper. The result is a handsome coin, not readily distinguished from our present 50-cent piece.

Samples of the 10-cent, 25-cent and 50-cent coins are available for your inspection.

A final clause of Section I defines certain technical specifications for the new coins. Among these is a requirement that the outside cladding of the new coins should be at least 30 percent of their weight. This will more than insure that the outside facing of the coins will not be worn away in circulation. Extensive wear tests have been conducted on the new coins with entirely satisfactory results. The new 10-cent and 25-cent cupronickel clad coins can be expected to outwear our present silver coins of the same denomination.

Section II provides that the new coins would be subject to the current laws as to design and inscription. This is desirable in terms of maintaining continuity with the past and increasing ready public acceptance of the new coins.

Section III provides specific recognition of the new coins as legal tender. Such express provision will eliminate any possible doubt or misunderstanding on this score and make it absolutely clear that the new coins will be accepted along with the present coinage. The present coinage would, of course, retain its full legal tender status. We expect the existing silver coinage to remain in active circulation into the indefinite future.

Section IV provides for the continued minting of the existing coins as needed. Silver dimes and quarters and the present half dollar would be phased out of production as rapidly as possible in favor of the new coins. But efficient utilization of Mint capacity during the early parts of next year, may require the production of some amounts of the old coins.

Section IV also provides for the continuation without change of th present specifications of the penny, the nickel, and the standard Silver Dollar. Authority to make a Silver

Dollar of the same weight and fineness (412.5 grains, 90 percent silver) made at various times since the Act of 1837, would thereby be continued. That standard silver dollar, whose pure silver content has actually remained the same since 1792, defines the monetary value of silver at which we are legally and morally obligated to continue the redemption of silver certificates. No change should be made in the legal definition of the standard silver dollar. However, we would not plan to mint any new coins of this denomination under existing circumstances.

Section V provides for standby authority for the Secretary of the Treasury to prohibit the melting, exportation, or treating of United States coins. While these prohibitions probably will not have to be used, we seek the standby authority to use them as a precautionary measure, and as an appropriate permanent provision of law.

We plan to continue our existing silver coins in active circulation alongside the new coins. The existing high silver content coins will be protected by the Treasury supplying silver to the market through exchanges against silver certificates at $1.29+ per ounce. This will prevent the development of any incentive to melt or export our silver coins. And, once the large present drains from the production of silver coins have been removed, our silver stocks should be adequate to protect our coinage for an indefinitely long period ahead.

Section VI provides for sales of silver by the Treasury in excess of that needed to back silver certificates, at a price not less than the monetary value of silver. This is an additional measure designed to insure that there will be no increase in the price of silver above its monetary value, even should silver certificates not be readily available for redemption. There is general agreement that preventing an increase in the price of silver is essential to the protection of the existing coinage.

Section VII would authorize the Secretary of the Treasury to purchase newly mined domestic silver at $1.25 per fine troy ounce. It is not believed that enactment of our proposals to reduce drastically the use of silver in the United States coinage would cause any sizable or persistent decline in the market price of silver. However, since we are imposing a ceiling on the price of silver, it seems reasonable to provide domestic producers of silver with protection against any sizable decline in price. The purchase provision at $1.25 is included for that purpose.

Section VIII provides for legal authority to procure the materials and technical assistance, equipment and patents needed to make the new coinage in the required quantity.

Section IX provides authority to continue dating the new coins as of the first year of coinage or issuance. This will help to avoid hoarding of the initial issue of the new coins.

Section X would authorize the temporary use of the San Francisco Assay Office for the minting of coins and would authorize the conversion of that facility for the refining of precious metals, if necessary, after it is no longer needed for coin production. During early stages of the production of the new coins, the Mint's production load will be particularly heavy and temporary minting facilities at San Francisco will be needed. Subsequently, the provision of refining facilities there will contribute to the efficiency of operations at the Mints and Assay offices.

<u>Sections XI through XVI</u> deal with various minor legislative changes required to assist the establishment of the new coinage system. An Act requiring recoinage of all worn and uncurrent subsidiary silver received in the Treasury is repealed; the

Minor-coinage Metal Fund is renamed the Coinage-Metal Fund, and the Minor-coinage Profit Fund is renamed the Coinage-Profit Fund and the amount available in the Coinage-Metal Fund is raised from \$3 million to \$30 million; expenditure of not more than \$15 million is authorized for additional Mint facilities to accommodate manufacturing requirements of the new materials; the counterfeiting laws are amended to cover the new coinage; the issuance of necessary regulations by the Secretary of the Treasury under the proposed Act is authorized; and penalties are provided for violations of regulations issued under Section V.

The Joint Commission on the Coinage

Title II of the proposed legislation provides for the establishment of a Joint Commission on the Coinage.

The Commission would be composed of the Secretary of the Treasury, the Secretary of Commerce, the Director of the Bureau of the Budget, the Director of the Mint, of four public members, not representative of interest groups, appointed by the President, of the Chairman and ranking minority members of the House and Senate Banking and Currency Committees and of two other Congressional members, one appointed by the Speaker of the House and one by the President of the Senate.

The function of the Commission would be to study and report on the progress of the implementation of the new coinage program, new technological developments, the supply of various metals, and the future of the silver dollar. It would report as to whether the government should continue to control the price of silver or get out of the silver market. And it would advise the President, the Congress and the Secretary of the Treasury on the results of its studies.

The provision for a continuing appraisal of these issues is a very useful step. The problems are complex, and final answers in some areas can only await the fuller information the future will provide. The elimination of silver from our dimes and quarters is a final step, enforced by a developing shortage of silver of inescapable dimensions. But decisions in other areas, such as the quantity of production of the silver 50-cent piece and the future of the silver dollar can be reviewed. Such decisions are better judged against what actually happens, rather than what we think, or hope, may happen. It will be the important function of the proposed Joint Commission to appraise these issues and to suggest any courses of action that may be desirable.

## The Shortage of Silver

The need for the changes contained in the proposed legislation arises from a chronic, and steadily worsening, shortage of silver. That shortage has now become so severe relative to the demands for silver that we have no option but to reduce drastically our use of silver for coinage. The main dimensions of this problem are shown in an accompanying table derived from the Treasury Staff Study of Silver and Coinage.

ESTIMATED FREE WORLD SILVER CONSUMPTION
AND PRODUCTION, 1949-1964
(millions of fine troy ounces)

| CALENDAR YEAR | CONSUMPTION | | | | | NEW PRODUCTION | | | GROSS DEFI- CIT(-) | DEFIC EXCLUD U.S COINA DEMAND |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Coinage | | | | | | | | |
| | Indus- try and the Arts | U.S. | Foreign Free World | Total | Total Con- sump- tion | U.S. | Foreign Free World | Total New Pro- tion | | |
| 1949-53 Averages | 153 | 37 | 48 | 85 | 238 | 39 | 135 | 174 | -64 | -27 |
| 1953-57 Averages | 190 | 38 | 36 | 74 | 264 | 38 | 153 | 191 | -73 | -35 |
| 1958 | 191 | 38 | 41 | 79 | 270 | 37 | 169 | 206 | -64 | -26 |
| 1959 | 213 | 41 | 45 | 86 | 299 | 23 | 165 | 188 | -111 | -70 |
| 1960 | 225 | 46 | 58 | 104 | 329 | 37 | 170 | 207 | -122 | -76 |
| 1961 | 240 | 56 | 81 | 137 | 377 | 35 | 168 | 203 | -174 | -118 |
| 1962 | 248 | 77 | 50 | 128 | 375 | 36 | 171 | 207 | -169 | -92 |
| 1963 | 252 | 112 | 56 | 167 | 419 | 35 | 179 | 214 | -205 | -93 |
| 1964 | 286 | 203 | 62 | 265 | 550 | 36 | 180 | 216 | -335 | -132 |

Source: Treasury Staff Study of Silver and Coinage, Part III, Tables 1 and 3, figures rounded.

The table shows a steady worsening of silver supplies from a small deficiency of production in the early postwar years to a slightly bigger deficiency in the next five year period, a much larger inadequacy, on the average, in the five years from 1957 through 1961, and a bounding growth of the deficiency in the last two calendar years. Last year the gross production deficit was more than 330 million ounces. It will probably be even larger this year.

Actual market deficits are smaller than this difference between total consumption and new production because the United States meets its coinage needs for silver out of its stocks.

These, however, are being depleted at a rate which cannot be permitted to continue indefinitely. Even with U.S. coinage demand excluded, the production gap reached some 130 million ounces in 1964 and has been growing steadily.

It is notable that in 1964 <u>each</u> major type of Free World consumption (the use of silver by industry and the arts, and use of silver for coinage) <u>taken separately</u> was greater than new production.

Thus, there is simply not enough silver appearing on the market to continue to satisfy the demand for it in the foreseeable future.

During the past fifteen years, there has been a steady expansion ir the world-wide use of silver in industry and the arts. Rising incomes have stimulated increases in such consumer-oriented uses as photography, silverware, and jewelry. In addition, the relatively unique physical and electrical properties of silver have led to its rapidly expanding use in a range of industrial and defense applications. As a consequence, growth in the noncoinage uses of silver has been very substantial as may be seen from the attached table.

There has been some expansion of new production of silver in the Free World but not at a pace sufficient to prevent the appearance of the large and widening deficits to which I have already directed your attention. The expansion in silver production that has occurred has been outside the United States, and has largely been a consequence of rising levels of copper, lead, and zinc production with which silver is sometimes found as a by-product.

Production of silver in this country has shown no upward trend in the postwar period, but has averaged a more or less steady 35 to 40 million ounces annually. This level of production is small relative to U.S. industrial demand for silver and this country has typically had to import substantial amounts of silver and rely on Treasury stocks.

During the past four years, Free World industrial use of silver has grown by an estimated 60 million ounces, but Free World production has grown by only about 10 million ounces, and U.S. production has not grown at all. There are some signs that new production of silver in this country and abroad may increase by modest amounts in the future.

In the opinion of experts both inside and outside the Treasury, there is no dependable -- or, for that matter, likely -- prospect of new economically workable sources of silver that would rapidly and appreciably narrow the gap between silver supply and demand. In fact, optimistic projections envision a production increase of no more than 20 percent over the next four years. Projected increases in consumption in industry and the arts are at least equally as great. Thus, there is a standoff between future increases of silver production and noncoinage uses of silver in a situation where deficits are already very heavy. Expected increases in silver production could not, therefore, change the basic conclusion that use of silver in our coinage must be very sharply curtailed. Also, because silver is produced chiefly as a by-product of the mining of copper, lead, and zinc, we could not count on even a very great increase in the price of silver stimulating enough new production to change the situation.

Most Free World countries have long since ended or nearly ended the use of silver in their coinage. Except for Canada and Switzerland, those countries still using silver coins make only limited use of it, in one or two "prestige" coins, as we now propose to do with the new half dollar. As seen in the attached table, in the early postwar years, the United States accounted for less than half of total Free World employment of silver for coins, but at present we use more than three quarters of all silver put into coins in the Free World. We have no choice but to make a large reduction of silver in the coinage, and no choice but to do so now. We have on hand some 1 billion ounces of silver in the Treasury stock. At current rates of Mint production, we are using silver for coinage at the rate of about 300 million ounces a year; and for the redemption of silver certificates at nearly 120 million ounces a year.

Even should demands upon our stock increase no more, it is clear that at present rates of use we can expect to exhaust our resources in two or three years. This gives us enough time to shift to a new coinage, but requires that we act promptly.

## The Choice of a New Coinage Alloy

In arriving at our recommendations for new coinage alloys, an overriding consideration was the necessity of continuing at all times to provide an adequate means of exchange and avoiding any disruption to commerce. Experience shows all too clearly that, under modern conditions, the essential medium of exchange function is imperiled if a subsidiary coinage alloy threatens to become more valuable as a commodity than as money. In addition to insuring that the all important needs of commerce would be met, our coinage choice has been influenced by technical and metallurgical considerations.

In order to be sure that these important technical and metallurgical considerations would be fully investigated, the Mint supplemented its own intensive efforts through a contract study carried on by the Battelle Memorial Institute. This nonprofit research organization has a world-wide reputation in the metallurgical field; and by virtue of this special competence it was uniquely equipped to assist the Mint and the Treasury in a study of the alternative coinage alloys that might be appropriate for use in the new coinage system.

Battelle's investigations and those of the Treasury were guided by specific criteria essential for a modern coinage system. These included criteria relating to:

(1) availability and price of the raw materials required for the coinage program,

(2) public acceptability in terms of the technical characteristics of the coins and the effects of the over-all program,

(3) technical characteristics of the coinage material in terms of color, density, mechanical, chemical, and physical properties, including those required at present by coin selector devices in vending machines,

(4) minting characteristics of alternative materials and assurance of high levels of coin production, and

(5) counterfeiting and slug potential.

Every coinage alloy showing any sign of promise was investigated both by Battelle and by the Mint. Advocates of particular coinage materials were given an opportunity to present their case. Trial strikes of a wide range of different alloys were made by the Mint in the course of its own investigations, and to assist Battelle in theirs. The results of these investigations and the extent to which the different alloys met or fell short of minimum standards of acceptability are set forth in detail in the Battelle Report entitled "A Study of Alloys Suitable for Use as United States Coinage" and in somewhat lesser detail in Section IV of the Treasury Staff Study -- both of which have been made available to your Committee. Consequently, I shall not describe the specific reasons which led to the rejection of some alloys upon technical and metallurgical grounds and the provisional acceptance of others. However, I do want to comment upon the importance we have placed upon the new coins working in vending and service machines. This was a major consideration which, along with its other desirable properties, led us to a final selection of the cupronickel clad coin for use in the 10-cent and 25-cent denominations.

## Importance of the Operation of the New and Existing Coins in Coin-Operated Machines

Because of the greatly increased reliance we now place upon the use of coin-operated devices, our coins must serve us as a technical merchandising instrument as well as a medium of exchange in the traditional sense. The extent of that reliance is suggested by the fact that there are today more than 12 million coin-operated machines in this country. In the case of merchandise vending machines alone -- excluding such devices as pay telephone and most coin-operated laundries -- over $3-1/2 billion worth of goods were dispensed to consumers last year, in over 30 billion transactions.

Our own dependence upon coin-operated machines is much greater than that in any other country. This fact has added an extra dimension to our coinage problem and imposed certain requirements which any new coinage alloy should meet, if at all possible. We now take for granted the fact of ready access to machine-vended goods and services, available by night and by day, in out-of-the-way as well as accessible places. It is clear that a coinage alloy that did not work alongside existing coins in coin-operated devices would impose extreme inconvenience upon the public and some disruption to the orderly flow of commerce would be sure to occur.

About half of our 12 million coin-operated devices are equipped with sophisticated mechanisms which subject coins to a variety of tests before accepting them and dispensing the merchandise or service. The most important of these tests is based upon the electrical resistivity of the coinage material, and has been built around the rather special properties of our existing silver coinage alloy. Yet, the continued use of any silver in our dimes and quarters is out of the question because of the over-all silver situation. Therefore, the alternatives for the dime and the quarter are a nonsilver alloy which would be compatible in the sense of working in vending machines alongside the existing coinage, or one which would not.

If a noncompatible alloy were chosen, two alternatives would be presented, both of them undesirable from the point of view of the public at large:

(1) The vending machines would have to be shut down until new sensing and rejecting devices could be developed and installed, or

(2) Their devices for sensing and rejecting wrong coins and slugs would have to be deliberately circumvented, exposing the machines to a high rate of fraud.

In due course, entirely new rejector mechanisms could probably be developed which would accept any new alloy along with our existing coins. All evidence suggests that it would take at least 1 to 3 years, even after a successful design had been developed, to produce and install new rejector mechanisms. During this period, the public would experience serious inconvenience if machines were shut down entirely and would probably have to pay higher prices if machines were kept in operation but were subjected to a high rate of loss through the use of slugs.

My technical staff advises me that there may well be serious difficulty in designing a rejector which would accept the existing coins together with coins of very different electrical properties, without at the same time seriously compromising the ability of the mechanism to accept genuine coins and to reject slugs, low-valued foreign coins, and coins of wrong denominations. It may be, as I have noted, that these technical limitations can be overcome in time, but they represent an additional factor arguing for the use of a compatible coinage alloy.

I have not mentioned the financial costs to the vending machine industry of adapting to an incompatible coinage alloy. These would undoubtedly be sizable. Very approximate figures are suggested by the Battelle and Treasury studies. The existence of these financial costs did not appreciably influence our final recommendation of the best coinage alloy for the dime and the quarter. Every industry must be reconciled to the costs of adapting to change when it occurs. But, widespread inconvenience to the consuming public, disruption of commerce, and loss of employment were factors which did influence our choice.

The cupronickel alloy clad on a core of pure copper, that we recommend for use in the dime and quarter, is a remarkable example of technical ingenuity. The faces of cupronickel provide a tested, attractive, and durable coinage material. Solid cupronickel coins would not work, however, in the 10¢, 25¢, and 50¢ channels of existing rejector mechanisms. But the same cupronickel material clad on a copper core in the proportions proposed duplicates exactly the electrical properties of our existing silver coins. The new coins work alongside of the existing ones dependably in all of our coin-operated devices.

## The Adequacy of Coin Supplies

The compatibility of the new coins with existing silver coins in vending machines will do much to insure side-by-side circulation. However, it will be essential to continue to protect our high silver content coinage from hoarding or destruction.

There is no reason for our silver coins to be hoarded because of the introduction of the new coins. The existing silver coins can be expected to remain in active circulation indefinitely. There are no plans for their accelerated withdrawal.

Hoarding of coin, of course, is greatly stimulated by fear of shortages. No such fear need be felt in the case of the new coins. The Mint has already shown with pennies and nickels how successfully a massive production effort can overcome an even fairly severe shortage. With silver removed from the dime and the quarter, there will be no barrier to a very large production effort on the new subsidiary coins, if such should be required.

In view of the existing tight supplies of high denomination coins and the uncertainties inevitable during any changeover period, we are gearing up for maximum production of the new coins, beginning very soon after the actual enactment of legislation. In one year from the passage of the legislation, we expect to make at least 3-1/2 billion of the new subsidiary coins. This would be a billion and a half more subsidiary coins than we will be producing in fiscal 1965 even under the greatly increased crash coinage program. It would be more than double the production of similar coins in fiscal 1964 and four or five times what we could consider as a normal year's production of silver coins. In the second year after enactment we will have the capacity to make well over 7 billion of the new coins, doubling production again if that is necessary.

Production capabilities of this size should provide an adequate safeguard against any hoarding of silver coins that might possibly occur.

In addition, however, it will be necessary to continue to protect our existing silver coins from the threat of destruction by melting them for their silver content. To make certain that the silver coinage is not destroyed in this manner, it will be necessary for the Treasury to protect it by supplying silver to the market upon demand at the present monetary value of silver of $1.29+ per troy ounce. The Treasury has been doing this since 1963 by exchanges of silver bullion against silver certificates.

The value of the silver in our existing coinage, as silver, would exceed the face value of the coins if the price were allowed to rise above a so-called "melting point" of these coins of $1.38 per ounce. We hold the price of $1.29+ per ounce by standing ready freely to redeem silver certificates in silver at this price. The prudent course is to maintain the price of silver at its present level. In order to remove any possible question as to our intention and ability to maintain the current price of silver, authority is requested to sell silver not needed to back silver certificates. Such sales could only take place at or above the monetary value of silver.

As additional protection for existing silver coinage, which includes the silver dollar, we ask for stand-by authority to institute controls over the melting, treating or export of United States coins, practices not now forbidden by law.

We believe strongly that suggestions for more extensive controls would operate against our best interests. It has been suggested that we should institute a comprehensive system of controls, including prohibitions on the hoarding of silver coin and bullion and the institution of end-use certificates to regulate the industrial use of silver.

It is our opinion that a prohibition against hoarding coins would be extremely difficult to administer and therefore of doubtful success. An essential initial step would be the determination of what would constitute a normal supply of coins for businesses and individuals. This would appear to be an insoluble problem for which little relevant information is available, and involving massive interference in private businesses. Furthermore, it is difficult to escape the conclusion that any efforts along these lines would be quite likely to stimulate the very hoarding that it is desired to avoid, by giving rise to the impression that the government fears large scale hoarding is about to occur.

Controls over hoarding or exporting of silver bullion and the regulation of industrial consumption through end-use certificates might seem, in principle, a more feasible undertaking. However, such action would result in a dual price system for silver which could jeopardize our supply of circulating silver coins. One price, $1.29+, would be available to legitimate industrial, professional and artistic users of silver who could obtain it from the Government. However, it is difficult to see how the development of a second price paid by speculators, hoarders and foreign users of silver could be avoided. This second price which would be entirely dependent upon the unregulated supply of and demand for silver could rise high enough to constitute a threat to our silver coinage. The best way to achieve a smooth transition to the new coinage is to make silver freely available at the $1.29+ price that will avoid the creation of incentives to melt or export our present coinage.

## The Silver Dollar

The silver dollar will remain as an authorized coin of the United States, with 90 percent silver. This is a central element in our program for holding the price of silver to its present level for the protection of our existing subsidiary silver coin. The future of the silver dollar can best be decided when the Joint Commission of the Coinage, which we have recommended, can take a look at the world's silver supply and demand situation and other relevant factors and make its recommendations. At that time, the facts can largely govern the decision on the issue of the future of the silver dollar.

Maintaining Some Silver in the Subsidiary Coinage

We have considered it desirable to maintain some silver in our subsidiary coinage. It was to this end that the new silver half dollar was designed. The new composite coin reduces the silver content of the half dollar from 90 percent to 40 percent. It nevertheless retains without readily apparent differences, the aspect and ring of a coin with high silver content, although it is slightly lighter than the present half dollar. It is to be of the same design as the present half dollar, that is, bearing the image of the late President Kennedy.

The reason for retaining some silver in our coinage is a desire to continue the 173-year-old tradition of American silver coinage. Inclusion of a 40 percent silver half dollar is as far as we can safely go to satisfy this tradition. We expect that, barring unforeseen changes in industrial demand for silver, we will have adequate silver to make this one coin in normal amounts for an indefinite period. After the new coins are in full production they should require no more than 15 million ounces a year -- less than 5 percent of expected 1965 silver consumption for coins. One reason for confining our use of silver to this particular coin is the fact that we could, if unforeseen difficulties developed, do without the half dollar temporarily. It can be readily replaced in use by two quarters.

## Summary

A change in our coinage is unavoidable. We have reviewed very carefully the results of all of the studies which have been made on this subject. We are satisfied that, taking into account all of the various factors involved in this problem, our recommendations for the new coinage are sound proposals that will, if enacted, provide the United States with a dependable, technically perfect, and distinctive coinage that can be produced in whatever quantity desired. It is a coinage that, I emphasize, will perform not only across-the-counter, but will also carry out fully and without interruption its function as a technical merchandising instrument. This is absolutely necessary in the public interest. I therefore strongly urge approval of the President's recommendations on coinage and silver and that they be enacted into law at the earliest possible date.

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TREASURY DEPARTMENT
Washington

SUMMARY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE
WEDNESDAY, JUNE 9, 1965, 10:00 A.M.

In response to the Committee's requests, I am submitting for the Record of this Hearing a written statement in support of the legislation recommended to the Congress by the President for a new and efficient United States coinage and related matters, and, in addition, this Summary of the President's program.

To conserve time for answers to your questions, I will read only the Summary. However, I would emphasize that the President's coinage and silver program rests upon interdependent developments and considerations, which have created a number of related responsibilities that the legislation you have before you seeks to discharge in balance.

I cannot hope in this Summary to convey more than a suggestion of how and to what extent a world shortage of silver has developed, the risks of trying to maintain a silver coinage in the face of the ever tightening scarcity of silver, the consequent unavoidable need to act promptly -- while our silver stock is still large -- to reduce our dependence upon silver for our coinage, the concurrent need to maintain our existing silver coinage in circulation, and the resulting requirements that we bring into being a new coinage compatible in every way with the old, while at the same time we conserve in the hands of the government silver stocks adequate to fulfill our obligations to redeem silver certificates and to defend the silver coinage against hoarding or destruction.

The Proposed
Coinage System

We propose no change in the penny, the nickel or the silver dollar. The silver dollar remains upon our books as the coin that has been made from time to time since 1837, a coin of 412.5 grains weight, 90 percent silver. We have no present plans for a new minting of silver dollars.

The Dime and the Quarter

We ask authority to make a dime and a quarter without silver content. The proposed new dime and quarter are composite coins with outside layers of the same copper-nickel alloy used in our five cent piece, bonded to a core of pure copper. The copper center gives them a copper edge -- a distinctive appearance coins for some substantial part of their normal life, which is about 25 years.

The second "compatibility" requirement arises from the fact that our coin operated merchandising devices -- which number some 6 million out of a total 12 million coin operated devices of all kinds now operating in the United States -- are guarded against fraudulent use by coin selectors that reject anything not having the electrical properties of our traditional coins containing 90 percent silver.

If, therefore, the silver coinage is to remain in circulation, as we intend, the new coins must duplicate the electrical properties of a 90 percent silver coin, or they will be rejected by the coin controlled vending machines through which some \$3-½ billion of merchandise was sold, in 30 billion transactions, in 1964.

The sensors in these automatic vendors could, of course, be changed to accomodate a non-compatible coinage. But this would impose service delays of up to three years upon the public, and cause attendant business losses and disruption of trade and commerce.

Consequently, we have elected to recommend a non-silver coinage that will operate in coin controlled vending machines without the need for adjustment of the present sensors or the installation of new sensors.

The new dimes and quarters recommended to you use the only combination of metals, among practical alternatives, that precisely duplicates the electrical properties of a coin with 90 percent silver content. They therefore can be put into use with confidence that they can be produced in quantities sufficient to guard against coin shortages in the future, and that they will fit into our coinage system without delay or interruption to the nation's commerce.

The Half Dollar

The proposed new half dollar is also a composite coin, made up of outer layers of a high silver content alloy bonded to a core of low silver content. The overall silver content is reduced from 90 to 40 percent. The new half dollar is nearly indistinguishable from the current 50 cent piece. It will continue to be minted with the image of President Kennedy.

It was to the end of maintaining the 173-year-old tradition of silver in the American subsidiary coinage that this coin was designed. We believe that the economies of silver resulting from the proposed new 25 cent and 10 cent pieces would make available enough silver to keep a half dollar of greatly reduced silver content in circulation, once the transition to the new coinage has been made. We think we can go safely this far toward continuation of the American tradition of silver coinage.

We think the retention of silver in the half dollar is a very important and integral part of our coinage program. Were we to abandon silver completely in subsidiary coins we believe there would be a much greater tendency towards the hoarding of existing silver coins. As long as we retain at least some silver in our coins this tendency will be abated.

Moreover, there are many people in all parts of the nation who want very much to keep some silver in coins. The amount of silver required for use in the half dollar would amount to no more than 5 percent of current use of silver in coins. It is a small price to pay to meet the wishes of these American citizens.

Why We Must Reduce Our
Dependence Upon Silver
In Our Coinage

I draw your attention to the information in the sections on Free World silver production and consumption in the President's Message and in my accompanying Statement. I will only attempt in this Summary the briefest outline of the case that is made there.

> Examination of the past, present and probable future silver supply and demand situation leads without room for doubt to the conclusion that there simply is not enough silver appearing on the market to continue to satisfy the demand for it in the foreseeable future.

An attempt to maintain a coinage dependent upon silver in such a situation would expose the nation to the risks of chronic and growing coin shortages. The overhanging threat of such a situation, to say nothing of its appearance, would be unsettling alike in our commerce and in our daily lives.

Let me point to one or two salient features of the silver situation disclosed in the table embodied in my Statement. First, since 1959, the use of silver by the industry and the arts has alone been greater than total new production. Second, last year, the use of silver for industry and the arts, and for coinage, was each, taken separately, greater than new production. Third, U. S. silver output has not been rising, and would have had to be more than five times as great as it was, in 1964, to provide for U. S. coinage alone.

Only Canada and Switzerland outside the United States still maintain a high silver content coinage. Other nations, as we now propose, have cut back to very limited use of silver in their coinage.

For many years the United States has met its silver coinage needs, and part of its other needs for silver out of the official silver stock.

We now have on hand some 1 billion ounces of silver. Even should demands increase no more, this stock cannot last beyond two to three years. This gives us enough time to shift to a new coinage and enough silver supply to continue the protection of the silver coinage, but it requires that we act promptly.

The Treasury protects the silver coinage by standing ready at all times to redeem silver certificates, at 1 dollar and 29 and a fraction cents. This keeps the price below the point at which it is profitable to melt the coinage for its silver content. This maintenance of the coinage in being, in turn, is the chief protection against hoarding, since it keeps the silver coinage from being reduced in numbers to the point where people fear it will vanish.

As an ultimate protection of the silver coinage -- and remembering that we intend for it to remain in circulation -- we are asking for stand-by authority to institute controls over the melting or export of United States coins. To protect U. S. silver producers from a precipitous fall in the price of silver following the reduction of silver in the coinage, we are asking authority to buy newly mined U. S. silver at $1.25 an ounce.

Coin
Production

We are gearing up for massive production of the new coins at the earliest possible time following approval by the Congress of a new coinage. We expect to place the new coins in circulation in 1966. In one year from the passage of legislation we expect to make at least 3-½ billion pieces of the new coins -- 1-½ billion more pieces than we will produce, under a crash production effort, of the silver coinage in fiscal 1965. In the second year after passage of coinage legislation, we expect to be able to make well over 7 billion pieces of the new coins.

Meanwhile, we will be continuing the production of our existing silver coins, until the new coins are ready in sufficiently large amounts to put into circulation. Production of silver coins will be phased out as production of the new coins comes up.

To ensure the very great and speedy production needed for the shift to the new coinage, we are asking authority for the temporary use of the San Francisco Assay office for minting. It would be converted to precious metals refining at a later time.

A Safeguard
For the Future

A change in coinage is a matter that runs so deep, that touches so intimately the lives of the people, and that is so delicately related to the nation's commerce that it is best not to assume in advance that any proposal, even one as thoroughly parsed out as that the President has put before you, is final in all respects.

Consequently, the President's recommendations call for a Joint Commission on the Coinage, with members from the Congress, the Executive Branch and the Public, to review issues which cannot be resolved at this time -- whether to continue minting silver dollars, whether the Treasury should continue to be in the silver market, and effects of any new technological developments which should be taken into account.

Its tasks would include the formulation of recommendations on these and any other matters pertaining to coinage and to the future of Treasury operations in the silver market.

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965

F-81

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 - June 4, 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 | 7,550,651 | - | - | - | - |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | ***3,372,492 |
| Bolivia | 5,040,000 | ***562,602 | - | - | - | - | - | - |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 10,798,318 | 66,480,000 | 66,480,000 | 37,840,000 | 37,840,000 |
| Italy | - | - | - | - | - | - | 3,600,000 | ***1,432,990 |
| Mexico | - | - | 36,880,000 | 26,278,002 | 70,480,000 | 44,684,360 | 6,320,000 | ***5,555,690 |
| Peru | 16,160,000 | 16,160,000 | 12,880,000 | 8,501,587 | 35,120,000 | 20,929,027 | 3,760,000 | ***3,359,720 |
| Republic of the Congo (formerly Belgian Congo) | - | - | - | - | - | - | 5,440,000 | ***5,438,847 |
| **Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | ***9,374,243 | - | - | - | - |
| All other countries (total) | 6,560,000 | ***5,343,182 | 6,080,000 | ***1,094,265 | 17,840,000 | 17,840,000 | 6,080,000 | 6,080,000 |

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of June 7, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
IRSDAY, JUNE 10,1965

F-81

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 - June 4, 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 | 7,550,651 | - | - | - | - |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | ***3,372,492 |
| Bolivia | 5,040,000 | ***562,602 | - | - | - | - | - | - |
| Canada | 13,440,000 | 13,440,000 | 15,920,000 | 10,798,318 | 66,480,000 | 66,480,000 | 37,840,000 | 37,840,000 |
| Italy | - | - | - | - | - | - | 3,600,000 | ***1,432,990 |
| Mexico | - | - | 36,880,000 | 26,278,002 | 70,480,000 | 44,684,360 | 6,320,000 | ***5,555,690 |
| Peru | 16,160,000 | 16,160,000 | 12,880,000 | 8,501,587 | 35,120,000 | 20,929,027 | 3,760,000 | ***3,359,720 |
| Republic of the Congo (formerly Belgian Congo) | - | - | - | - | - | - | 5,440,000 | ***5,438,847 |
| **Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | ***9,374,243 | - | - | - | - |
| All other countries (total) | 6,560,000 | ***5,343,182 | 6,080,000 | ***1,094,265 | 17,840,000 | 17,840,000 | 6,080,000 | 6,080,000 |

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of June 7, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

# COTTON WASTES
(In pounds)

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

| Country of Origin | Established TOTAL QUOTA | Total Imports Sept. 20, 1964, to June 7, 1965 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1964, to June 7, 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.

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965

F-82

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 - June 7, 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 | 2,701,763 | 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 - June 7, 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 | 2,662,245 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965

F-82

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 - June 7, 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 - June 7, 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 | 2,662,245 |

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 June 7, 1965 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1964, to June 7, 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-82

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of May 29, 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, JUNE 10, 1965 F-83

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 29, 1965:

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of May 29, 1965 |
|---|---|---|---|---|
| Tariff-Rate Quotas: | | | | |
| Cream, fresh or sour ........ | Calendar year | 1,500,000 | Gallon | 582,164 |
| 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 | 12,278 |
| Cattle, less than 200 lbs. each ...................... | 12 mos. from April 1, 1965 | 200,000 | Head | 36,284 |
| Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish .................. | Calendar year | 24,383,589 | Pound | Quota filled |
| Tuna Fish ................... | Calendar year | 66,059,400 | Pound | 12,187,083 |
| 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
Washington

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965 F-83

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 29, 1965:

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of May 29, 1965 |
|---|---|---|---|---|
| Tariff-Rate Quotas: | | | | |
| Cream, fresh or sour ........ | Calendar year | 1,500,000 | Gallon | 582,164 |
| 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 | 12,278 |
| Cattle, less than 200 lbs. each ...................... | 12 mos. from April 1, 1965 | 200,000 | Head | 36,284 |
| Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish .................. | Calendar year | 24,383,589 | Pound | Quota filled 1/ |
| Tuna Fish .................... | Calendar year | 66,059,400 | Pound | 12,187,083 |
| 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.

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of May 29, 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
THUSDAY, JUNE 10, 1965

F-84

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to May 29, 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 29, 1965 |
|---|---|---|---|
| Buttons ....... | 510,000 | Gross | 190,122 |
| Cigars ........ | 120,000,000 | Number | 3,774,762 |
| Coconut oil ... | 268,800,000 | Pound | 268,666,007* |
| Cordage ....... | 6,000,000 | Pound | 3,535,840 |
| Tobacco ....... | 3,900,000 | Pound | 3,006,912 |

*Imports through June 1, 1965.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THUSDAY, JUNE 10, 1965

F-84

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to May 29, 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 29, 1965 |
|---|---|---|---|
| Buttons ....... | 510,000 | Gross | 190,122 |
| Cigars ........ | 120,000,000 | Number | 3,774,762 |
| Coconut oil ... | 268,800,000 | Pound | 268,666,007* |
| Cordage ....... | 6,000,000 | Pound | 3,535,840 |
| Tobacco ....... | 3,900,000 | Pound | 3,006,912 |

*Imports through June 1, 1965.

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965 F-85

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, to May 28, 1965 | Established Quota | Imports May 29, 1964, to May 28, 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 | 120 |
| 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 | 3,815,627 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965 F-85

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, to May 28, 1965 | Established Quota | Imports May 29, 1964, to May 28, 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 | 120 |
| 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 | 3,815,627 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965

F-86

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, 1965, as follows:

| Country of Origin | Wheat | | Milled wheat products | |
|---|---|---|---|---|
| | Established Quota | Imports May 29, 1965, to May 28, 1966 | Established Quota | Imports May 29, 1965, to May 28, 1966 |
| | (Bushels) | (Bushels) | (Pounds) | (Pounds) |
| Canada | 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 | - |
| Australia | - | - | 1,000 | - |
| Germany | 100 | - | 5,000 | - |
| Syria | 100 | - | 5,000 | - |
| New Zealand | - | - | 1,000 | - |
| Chile | - | - | 1,000 | - |
| Netherlands | 100 | - | 1,000 | - |
| Argentina | 2,000 | - | 14,000 | - |
| Italy | 100 | - | 2,000 | - |
| Cuba | - | - | 12,000 | - |
| France | 1,000 | - | 1,000 | - |
| Greece | - | - | 1,000 | - |
| Mexico | 100 | - | 1,000 | - |
| Panama | - | - | 1,000 | - |
| Uruguay | - | - | 1,000 | - |
| Poland and Danzig | - | - | 1,000 | - |
| Sweden | - | - | 1,000 | - |
| Yugoslavia | - | - | 1,000 | - |
| Norway | - | - | 1,000 | - |
| Canary Islands | - | - | 1,000 | - |
| Rumania | 1,000 | - | - | - |
| Guatemala | 100 | - | - | - |
| Brazil | 100 | - | - | - |
| Union of Soviet Socialist Republics | 100 | - | - | - |
| Belgium | 100 | - | - | - |
| Other foreign countries or areas | - | - | - | - |
| | 800,000 | | 4,000,000 | 3,815,000 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, JUNE 10, 1965

F-86

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, 1965, as follows:

| Country of Origin | Wheat | | Milled wheat products | |
|---|---|---|---|---|
| | Established Quota | Imports May 29, 1965, to May 28, 1966 | Established Quota | Imports May 29, 1965, to May 28, 1966 |
| | (Bushels) | (Bushels) | (Pounds) | (Pounds) |
| Canada | 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 | - |
| Australia | - | - | 1,000 | - |
| Germany | 100 | - | 5,000 | - |
| Syria | 100 | - | 5,000 | - |
| New Zealand | - | - | 1,000 | - |
| Chile | - | - | 1,000 | - |
| Netherlands | 100 | - | 1,000 | - |
| Argentina | 2,000 | - | 14,000 | - |
| Italy | 100 | - | 2,000 | - |
| Cuba | - | - | 12,000 | - |
| France | 1,000 | - | 1,000 | - |
| Greece | - | - | 1,000 | - |
| Mexico | 100 | - | 1,000 | - |
| Panama | - | - | 1,000 | - |
| Uruguay | - | - | 1,000 | - |
| Poland and Danzig | - | - | 1,000 | - |
| Sweden | - | - | 1,000 | - |
| Yugoslavia | - | - | 1,000 | - |
| Norway | - | - | 1,000 | - |
| Canary Islands | - | - | 1,000 | - |
| Rumania | 1,000 | - | - | - |
| Guatemala | 100 | - | - | - |
| Brazil | 100 | - | - | - |
| Union of Soviet Socialist Republics | 100 | - | - | - |
| Belgium | 100 | - | - | - |
| Other foreign countries or areas | - | - | - | - |
| | 800,000 | - | 4,000,000 | 3,815,000 |

~~DRAFT -- 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.

~~TEXT AS 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 June 17, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 17, 1965 ~~(17)~~. Cash

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, June 9, 1965

(1)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two serie of Treasury bills to the aggregate amount of $ 2,200,000,000 (2), or thereabouts, for cash and in exchange for Treasury bills maturing June 17, 1965 (3), in the amoun of $2,201,597,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued June 17, 1965 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated March 18, 1965 (8), and to mature September 16, 1965 (9), originally issued in the amount of $1,002,526,000 (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 June 17, 1965 (13), and to mature December 16, 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, June 14, 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

WASHINGTON, D.C.

June 9, 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 June 17, 1965, in the amount of $2,201,597,000, as follows:

91-day bills (to maturity date) to be issued June 17, 1965, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated March 18, 1965, and to mature September 16, 1965, originally issued in the amount of $ 1,002,526,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,000,000,000, or thereabouts, to be dated June 17, 1965, and to mature December 16, 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, June 14, 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.

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 17, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 17, 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

SUMMARY

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE
WEDNESDAY, JUNE 9, 1965, 10:00 A.M.

In response to the Committee's requests, I am submitting for the Record of this Hearing a written statement/* in support of the legislation recommended to the Congress by the President for a new and efficient United States coinage and related matters, and, in addition, this Summary of the President's program.

To conserve time for answers to your questions, I will read only the Summary. However, I would emphasize that the President's coinage and silver program rests upon interdependent developments and considerations, which have created a number of related responsibilities that the legislation you have before you seeks to discharge in balance.

I cannot hope in this Summary to convey more than a suggestion of how and to what extent a world shortage of silver has developed, the risks of trying to maintain a silver coinage in the face of the ever tightening scarcity of silver, the consequent unavoidable need to act promptly -- while our silver stock is still large -- to

* Available upon request from the Office of Information, Treasury Department, Washington, D. C. 20220 (50 pages)

reduce our dependence upon silver for our coinage, the concurrent need to maintain our existing silver coinage in circulation, and the resulting requirements that we bring into being a new coinage compatible in every way with the old, while at the same time we conserve in the hands of the government silver stocks adequate to fulfill our obligations to redeem silver certificates and to defend the silver coinage against hoarding or destruction.

The Proposed
Coinage System

We propose no change in the penny, the nickel or the silver dollar. The silver dollar remains upon our books as the coin that has been made from time to time since 1837, a coin of 412.5 grains weight, 90 percent silver. We have no present plans for a new minting of silver dollars.

The Dime and the Quarter

We ask authority to make a dime and a quarter without silver content. The proposed new dime and quarter are composite coins with outside layers of the same copper-nickel alloy used in our five cent piece, bonded to a core of pure copper. The copper center gives them a copper edge -- a distinctive appearance entirely fitting to their modern and functional nature. Their design and size are unchanged. These coins are carefully engineered to perform, alongside the existing silver dime and quarter, as long lasting, plentiful and dignified media of exchange, and as technical merchandising instruments in the many millions of coin operated devices in use in the United States.

I am compressing in the following lines an account of several highly important and inter-related factors that are spelled out in the President's Message and in my accompanying Statement. Taken altogether, these factors add up to one of the key factors for a new U. S. coinage -- that it be "compatible" with our existing silver coinage.

The first of these factors is the need to keep our present silver coinage at work. We cannot retire it from circulation, because, first of all, it will continue for many months after enactment of new coinage legislation to be the major part of our coinage. These months are needed to bring the new coins into mass production and to build up sufficient stocks of them to begin large scale circulation. Also, the nation's need for coins is growing at such a pace that, although we will be able to make the new non-silver coins in vast quantities, we foresee the need for the continued circulation of our billions of silve coins for some substantial part of their normal life, which is about 25 years.

The second "compatibility" requirement arises from the fact that our coin operated merchandising devices -- which number some 6 million out of a total 12 million coin operated devices of all kinds now operating in the United States -- are guarded against fraudulent use by coin selectors that reject anything not having the electrical properties of our traditional coins containing 90 percent silver.

If, therefore, the silver coinage is to remain in circulation, as we intend, the new coins must duplicate the electrical properties of a 90 percent silver coin, or they will be rejected by the coin controlled vending machines through which some $3-½ billion of merchandise was sold, in 30 billion transactions, in 1964.

The sensors in these automatic vendors could, of course, be changed to accomodate a non-compatible coinage. But this would impose service delays of up to three years upon the public, and cause attendant business losses and disruption of trade and commerce.

Consequently, we have elected to recommend a non-silver coinage that will operate in coin controlled vending machines without the need for adjustment of the present sensors or the installation of new sensors.

The new dimes and quarters recommended to you use the only combination of metals, among practical alternatives, that precisely duplicates the electrical properties of a coin with 90 percent silver content. They therefore can be put into use with confidence that they can be produced in quantities sufficient to guard against coin shortages in the future, and that they will fit into our coinage system without delay or interruption to the nation's commerce.

The Half Dollar

The proposed new half dollar is also a composite coin, made up of outer layers of a high silver content alloy bonded to a core of low silver content. The overall silver content is reduced from 90 to 40 percent. The new half dollar is nearly indistinguishable from the current 50 cent piece. It will continue to be minted with the image of President Kennedy.

It was to the end of maintaining the 173-year-old tradition of silver in the American subsidiary coinage that this coin was designed. We believe that the economies of silver resulting from the proposed new 25 cent and 10 cent pieces would make available enough silver to keep a half dollar of greatly reduced silver content in circulation, once the transition to the new coinage has been made. We think we can go safely this far toward continuation of the American tradition of silver coinage.

We think the retention of silver in the half dollar is a very important and integral part of our coinage program. Were we to abandon silver completely in subsidiary coins we believe there would be a much greater tendency towards the hoarding of existing silver coins. As long as we retain at least some silver in our coins this tendency will be abated.

Moreover, there are many people in all parts of the nation who want very much to keep some silver in coins. The amount of silver required for use in the half dollar would amount to no more than 5 percent of current use of silver in coins. It is a small price to pay to meet the wishes of these American citizens.

Why We Must Reduce Our
Dependence Upon Silver
In Our Coinage

I draw your attention to the information in the sections on Free World silver production and consumption in the President's Message and in my accompanying Statement. I will only attempt in this Summary the briefest outline of the case that is made there.

> Examination of the past, present and probable future silver supply and demand situation leads without room for doubt to the conclusion that there simply is not enough silver appearing on the market to continue to satisfy the demand for it in the foreseeable future.

An attempt to maintain a coinage dependent upon silver in such a situation would expose the nation to the risks of chronic and growing coin shortages. The overhanging threat of such a situation, to say nothing of its appearance, would be unsettling alike in our commerce and in our daily lives.

Let me point to one or two salient features of the silver situation disclosed in the table/embodied in my Statement.* First, since 1959, the use of silver by the industry and the arts has alone been greater than total new production. Second, last year, the use of silver for industry and the arts, and for coinage, was each, taken separately, greater than new production. Third, U. S. silver output has not been rising, and would have had to be more than five times as great as it was, in 1964, to provide for U. S. coinage alone.

Only Canada and Switzerland outside the United States still maintain a high silver content coinage. Other nations, as we now propose, have cut back to very limited use of silver in their coinage.

For many years the United States has met its silver coinage needs, and part of its other needs for silver out of the official silver stock.

* Attached

We now have on hand some 1 billion ounces of silver. Even should demands increase no more, this stock cannot last beyond two to three years. This gives us enough time to shift to a new coinage and enough silver supply to continue the protection of the silver coinage, but it requires that we act promptly.

The Treasury protects the silver coinage by standing ready at all times to redeem silver certificates, at 1 dollar and 29 and a fraction cents. This keeps the price below the point at which it is profitable to melt the coinage for its silver content. This maintenance of the coinage in being, in turn, is the chief protection against hoarding, since it keeps the silver coinage from being reduced in numbers to the point where people fear it will vanish.

As an ultimate protection of the silver coinage -- and remembering that we intend for it to remain in circulation -- we are asking for stand-by authority to institute controls over the melting or export of United States coins. To protect U. S. silver producers from a precipitous fall in the price of silver following the reduction of silver in the coinage, we are asking authority to buy newly mined U. S. silver at $1.25 an ounce.

Coin
Production

We are gearing up for massive production of the new coins at the earliest possible time following approval by the Congress of a new coinage. We expect to place the new coins in circulation in 1966. In one year from the passage of legislation we expect to make at least 3-½ billion pieces of the new coins -- 1-½ billion more pieces than we will produce, under a crash production effort, of the silver coinage in fiscal 1965. In the second year after passage of coinage legislation, we expect to be able to make well over 7 billion pieces of the new coins.

Meanwhile, we will be continuing the production of our existing silver coins, until the new coins are ready in sufficiently large amounts to put into circulation. Production of silver coins will be phased out as production of the new coins comes up.

To ensure the very great and speedy production needed for the shift to the new coinage, we are asking authority for the temporary use of the San Francisco Assay office for minting. It would be converted to precious metals refining at a later time.

A Safeguard
For the Future

A change in coinage is a matter that runs so deep, that touches so intimately the lives of the people, and that is so delicately related to the nation's commerce that it is best not to assume in advance that any proposal, even one as thoroughly parsed out as that the President has put before you, is final in all respects.

Consequently, the President's recommendations call for a Joint Commission on the Coinage, with members from the Congress, the Executive Branch and the Public, to review issues which cannot be resolved at this time -- whether to continue minting silver dollars, whether the Treasury should continue to be in the silver market, and effects of any new technological developments which should be taken into account.

Its tasks would include the formulation of recommendations on these and any other matters pertaining to coinage and to the future of Treasury operations in the silver market.

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STIMATED FREE WORLD SILVER CONSUMPTION
ND PRODUCTION, 1949-1964
millions of fine troy ounces)

| ALENDAR YEAR | CONSUMPTION | | | | | NEW PRODUCTION | | | GROSS DEFICIT (-) | DEFICIT EXCLUDING U.S. COINAGE DEMAND (-) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Coinage | | | | | | | | |
| | Industry and the Arts | U.S. | Foreign Free World | Total | Total Consumption | U.S. | Foreign Free World | Total New Production | | |
| 949-53 verages | 153 | 37 | 48 | 85 | 238 | 39 | 135 | 174 | -64 | -27 |
| 953-57 verages | 190 | 38 | 36 | 74 | 264 | 38 | 153 | 191 | -73 | -35 |
| 958 | 191 | 38 | 41 | 79 | 270 | 37 | 169 | 206 | -64 | -26 |
| 959 | 213 | 41 | 45 | 86 | 299 | 23 | 165 | 188 | -111 | -70 |
| 960 | 225 | 46 | 58 | 104 | 329 | 37 | 170 | 207 | -122 | -76 |
| 961 | 240 | 56 | 81 | 137 | 377 | 35 | 168 | 203 | -174 | -118 |
| 962 | 248 | 77 | 50 | 128 | 375 | 36 | 171 | 207 | -169 | -92 |
| 963 | 252 | 112 | 56 | 167 | 419 | 35 | 179 | 214 | -205 | -93 |
| 964 | 286 | 203 | 62 | 265 | 550 | 36 | 180 | 216 | -335 | -132 |

ource: Treasury Staff Study of Silver and Coinage, Part III, Tables 1 and 3, figures rounded.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 10, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MAY

During May 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 $143,093,000.00.

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F-89

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 10, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN MAY

During May 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 $143,093,000.00.

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F-89

REMARKS OF PAUL A. VOLCKER
DEPUTY UNDER SECRETARY FOR MONETARY AFFAIRS
DEPARTMENT OF THE TREASURY
BEFORE THE
FORECASTING CONFERENCE
OF THE
CHICAGO CHAPTER OF THE AMERICAN STATISTICAL ASSOCIATION
ON
CRITICAL FACTORS IN THE BALANCE OF PAYMENTS PROBLEM
TUESDAY, JUNE 8, 1965

I do not need tonight, before this expert audience, to review in detail our balance of payments performance. The over-all results of recent years are familiar to all of us, and I will not belabor the basic point that our deficits have been both too large and too prolonged.

These deficits have persisted despite the many elements of underlying strength in our position -- our enormous potential to produce, and in particular to produce efficiently the kinds of new and complex equipment in growing demand in world markets -- the productivity of our agriculture in a world of rapidly rising population and heavy pressure on resources -- our steadily growing world creditor position, and the rising returns our foreign investments will yield us in the years ahead -- and, not least, I would also add the progress we have been making, in business and Government alike, in learning to develop policies that support our objective of reasonably steady growth in employment, output, and income at home without inflationary excesses.

These are some of the factors, in addition to our still large gold stock, that have made -- and continue to make -- the dollar the premier currency in the world. But these elements of long-term strength can in no way substitute for effective action to close promptly the imbalance in our payments -- not just for a few months or a year, but without relapse into the chronic deficits of recent years.

One of the first lessons that is drilled into an economist is that a dollar earned in the future cannot be equated with a dollar earned today. That basic lesson applies with special force to the balance of payments. Whatever our future prospects, failure to take whatever action is required to protect the dollar today would strike at the vital underpinnings of the international financial system. The result would be to impair the hard won gains in trade and freer payments during the postwar period, and to undermine both our own prosperity and that of our trading partners. Moreover, the issues are not narrowly economic. It is plain that a strong dollar is an essential part of our ability to discharge effectively our far-flung military, diplomatic, and foreign policy objectives.

This over-riding need to protect the dollar is the essential setting for the balance of payments program set forth by President Johnson in February -- a program that commits us to early elimination of our balance of payments deficit as a matter of high national priority.

I do not mean tonight to debate the particulars of that program. As you know, it includes a variety of measures to strengthen and reinforce our earlier efforts in a number of directions. But we all recognize that the key new element was the call to the business and financial communities for cooperation, even at the expense of some short-run profit opportunities, in reducing the swelling outflow of private capital that was threatening to undercut our entire balance of payments position. These are not the kind of measures that we want to, or even could, live with forever. But, after years of sustained deficit, it is clear that extraordinary measures are essential, and that they must be made to work.

Recognition of that simple fact is implicit, I think, in the willing and gratifying response of businessmen and bankers to the program. The fragmentary data at hand suggest that over the three months since the program was announced our international accounts have returned to balance, and possibly to a surplus -- a sharp contrast to the very large deficits in the fourth quarter of 1964 and the early weeks of this year. That turnabout was clearly importantly influenced by the end of the dock strike in February, and by other temporary factors, and it is far too soon to try to isolate and evaluate the particular contribution of the new program. But there are signs that, amid the other cross currents at work, the special efforts of the banks and businesses are beginning to have an effect.

It would, however, be a great mistake to conclude, on the basis of these early results, that the problem is already solved, or that we can look forward to any early relaxation of our efforts. In fact, the first few months were bound to be the easiest. It is very useful, for instance, to achieve some reflow of liquid funds originally placed abroad simply for the purpose of achieving a slightly higher interest return, and such reflows appear to have been one source of balance of payments improvement in recent months. But that source of improvement is, by its nature, a limited "one-shot" affair, and cannot substitute for hard and continuing efforts to achieve increased exports, to maximize the financing of foreign investment projects with foreign funds, and to reassess or defer marginal investment projects. Similarly, it is one thing for the banks to cut back for a few months the extraordinary bulge in foreign lending that developed in 1964 and during the earlier weeks of this year, as they appear to be doing, and another thing to observe the Federal Reserve guidelines, and the priorities within those guidelines, over time as customer demands build up. But, I see no basis for optimism that the special disciplines of the cooperative program can be relaxed in any way until our ability to maintain a balance over a sustained period has been fully demonstrated and proved.

In asserting this, however, I also recognize that full success in our effort to restore equilibrium cannot be claimed until we can finally phase out these voluntary restraints, and achieve equilibrium under conditions more consistent with normal market incentives and processes. So, it is a fair question to ask whether there are forces and programs at work, alongside the voluntary effort, that give promise of continued progress toward lasting equilibrium in our international accounts.

Without pretending a full analysis of that question tonight, I would like to touch upon developments in several of the critical areas that seem to me to bear directly upon the issue.

First of all, as you know, heartening evidence of an improvement in our trade position is already evident. The U. S. commercial trade surplus, excluding all Government financed shipments, reached a new peak of $3.7 billion last year, an improvement of $900 million since 1960, just before our balance of payments effort got underway in earnest. This performance is all the more noteworthy for the fact that it took place during a period of continuing expansion in the American economy -- an expansion that has generated an increase of over 25% in our import bill since 1960.

To be sure, some non-recurring factors helped our 1964 performance, and we cannot blithely count on so favorable results this year. But, I believe evidence is accumulating that a number of our industries have begun to benefit from the invigorating effects of increased competitiveness in world markets, and that our efforts to step-up export promotion and improve export credit facilities are beginning to pay dividends.

The key to progress in this area has been, and must remain, price stability. In contrast to the noticeable inflationary pressures and rising costs in nearly all other industrialized countries, our own expansion -- despite some lapses in particular cases -- has so far been notable for stability in our unit labor costs and the flatness of our industrial prices. Our wholesale prices, for instance, average only about 1% higher than in 1960, while the increases in France, Germany, the U.K., Italy, and Austria -- to take a few leading European examples -- have ranged from 8 to 15%. The contrast in consumer prices is at least as great, with European increases generally ranging from 12 to 24%, contrasting with about 5% in the United States.

I am aware that changes of this kind in internal price structures are not translated uniformly into export prices, and that the impact of rising average costs on international competitive positions and flows of trade is typically delayed. I am also aware that our relative price position in export markets deteriorated during the 1950's, so we have had ground to make up, and that,in the broader interests of orderly growth in the free world, we cannot expect or desire that our competitors in world markets live with inflation. But, with all the qualifications, recent trends seem to me to provide encouraging evidence that, in a context of vigorously expanding world markets, and with responsible policies at home alert to counter price pressures as they appear, our large export surplus can be maintained and even increased in the years ahead.

Side by side with the gradual recovery in our international competitive position, our current account has also benefitted from a swelling flow of interest and dividends from abroad. This flow reached nearly $4 billion in 1964 alone, an increase of $1.6 billion over 1960. And further increases in these returns will eventually follow from the continuing heavy outflows of investment in recent years, as well as from further gains in business activity abroad.

It has, of course, been precisely in this area of capital outflows that our recent problems have been centered. The United States has been, and clearly should remain, a sizable capital exporter, both in our own interests and those of a world in critical need of capital for development. But the total of our capital outflow in 1964 -- reaching $6-1/2 billion, or more than $2-1/2 billion more than the already large figure of 1960 -- was clearly placing an intolerable burden on our balance of payments.

In examining the disequilibrium in international payments in recent years, and in speculating on their future shape, this outflow of American capital -- and in particular the flow of American capital from the United States to Western Europe -- assumes special importance. In 1964, the flow to Europe, as we record it in our statistics, totaled about $2.1 billion, equivalent to 2/3rds of our entire deficit on regular transactions and about equal to the whole of the net increase in European monetary reserves. Viewed in the broader context of the basic capital needs of the world economy, as well as an immediate source of disequilibrium in world payments, it is incongruous, to say the least, that so much of our capital outflow should be diverted to the second richest area of the world -- an area that should be fully capable of generating its own surplus of savings in helping to meet the urgent needs of the developing countries.

Are there forces in motion that promise, in this area, too, to restore an equilibrium -- forces that will permit in time a relaxation of the special measures undertaken in February? Will the voluntary program itself help pave the way by forcing market adjustments that will themselves ease the task?

I would argue without pretending to foresee the future in detail or to deal with all the uncertainties, that there are some hopeful auguries, as well as continuing problems. For instance, partly responding to the incentives implicit in the Interest Equalization Tax, Europe has already demonstrated its ability to absorb a much larger volume of new foreign bond issues, with the total in 1964 reaching nearly a billion dollars, almost double the previous record. And this burst of activity was accompanied by some useful experimentation with new institutional arrangements to broaden the market, including notably the widespread use of the dollar as, in effect, a common unit of account.

Against this encouraging development must be set the fact that, as the European markets absorbed this larger volume of foreign financing in 1964, long-term interest rates rose, and in some cases sharply. For instance, in the German market, where the largest portion of the foreign issues was placed, long-term rates have now reached 7% or more, in contrast to 6% eighteen months ago. Increases of 1/2% or more in other countries were common. And, as the pressures on the European markets increased, foreign demands for capital tended to seep back into the American market through bank loans or other channels.

In the Euro-dollar market -- to take the other end of the maturity spectrum -- rates have moved up appreciably since February. So in that case, too, restraint by the United States may have had the effect, at least in the short-run, of somewhat increasing interest rate differentials.

In part, these developments seem to me a symptom of underdeveloped capital markets in Europe, the full consequences of which the Europeans have escaped in the past by ready access to our own markets as a source of marginal capital. But more broadly, it is also a reflection of the fact that the European economies, by and large, have been running full tilt, with inflationary pressures of a kind that their monetary authorities would like to brake -- and have been braking -- through monetary policy. And beneath the surface is the implication of a high rate of return on capital investment in Europe -- and in the end funds tend to flow where the profit outlook is best.

The extent to which the Europeans carry through in improving their own capital markets remains to be seen. Certainly, until European markets achieve the greater degree of cohesion, flexibility and efficiency necessary if they are to provide at rates within a normal range the large blocks of capital essential for their own growth, and for meeting a portion of the needs of other countries, the threat of recurring disequilibrating capital flows will remain. There are hopeful signs of progress -- but also many obstacles to the kind of relaxation of restraints and restrictions in foreign markets, government or private, that circumstances would seem to warrant.

Meanwhile, the Interest Equalization Tax, by raising in a nondiscriminatory way, the interest cost for borrowers in developed countries entering our market, is designed to afford protection against this kind of structural disequilibrium in world capital markets. We have asked that that tax be extended through 1967. A tax of this kind, operating through price and cost incentives in ways consistent with normal market forces, seems to me a tool well adapted to meeting this particular kind of problem.

Beyond the question of structural market differences, there is little doubt that we have made progress toward closing the gap which had so clearly developed during the 1950's in basic rates of return and profitability on investment between the United States and Europe. Let me review just a few figures bearing on the issue.

Corporate profits in the United States from 1957-1960 averaged $21.9 billion after taxes, and the ratio to GNP had declined to 4.7% -- a fact reflected in the widespread concern expressed over a "profits squeeze". By the first quarter of this year, however, after tax profits were running two-thirds higher at $36.5 billion, and had returned to 5.6% of GNP -- despite the effects of more liberal depreciation guidelines in encouraging corporations to increase depreciation allowances at the expense of reported profits. Looking at manufacturing industries alone, after tax profit margins on sales rose from 4.5% in the 1957-1960 period to 5.4% in the final quarter of 1964, a gain of 20%. And even more directly relevant to investment decisions, the rate of return on equity in manufacturing industries has climbed over the same period from 9.8% to 12.4%.

Clearly, this improved climate for investment in the United States has not, in itself, so far prevented a rising capital outflow -- or encouraged an equivalent rise in foreign investment here -- amid all the other factors bearing upon these investment decisions. But there are signs that the extraordinary investment and profit opportunities in Europe that developed out of its rapid growth and the development of the Common Market in the late 1950's and early 1960's are gradually being exhausted. And it does seem to me that, slowly but surely, this kind of narrowing of the gap in investment prospects cannot fail to exert a favorable effect in bringing a more balanced flow of funds internationally, as long-range investment programs are established and formulated not on the basis of conditions that existed a few years ago, but on the basis of today's facts and the brighter prospects for the home market.

This is an area in which our domestic needs coincide directly with the requirements of international equilibrium. As you know, our fiscal policies have been fundamentally reoriented in recent years to help sustain our business expansion and improve our profit potential. The results, in terms of our domestic economy, are plain, and I am confident the improved domestic investment climate should help us internationally as well. Moreover, we have proposed measures to encourage foreigners themselves to share in these benefits by removing features of our tax structure that discourage foreign investment here out of all proportion to the revenues generated.

In summary, as we look ahead, in the investment area as in the current account, there are some encouraging signs that basic forces are at work toward equilibrium. Many problems remain and no precise timetable can be specified. But the opportunities are clear, if we have the will and wisdom to seize them.

The nature of the challenge is clear. For example, past experience indicates that the task of maintaining price stability can be even more difficult as levels of unemployment decline. Good as our past performance has been in this respect, Government, business and labor must continue to face up to their own responsibilities in protecting and extending that record against any new threats on the horizon. We must be equally alert to the dangers of recession or stagnation that could only impair investment prospects at home and increase incentives to the outflow of funds, while undermining our prospects for continuing growth in productivity and maintaining our lead in technology. At the same time, as our accounts begin to respond to the voluntary program, we must not be under any illusion that we can delay or weaken measures -- large or small -- to reduce the outflow of Government dollars abroad, to spur our exports, and to encourage tourism in the United States.

The other side of the coin seems to me equally clear. There is no room for relaxation of the voluntary program in a presumption that the long-range factors and other measures upon which I have concentrated tonight will predictably and promptly restore equilibrium -- no matter how favorable they may appear to be. The time has come when we must end our deficits, and end them decisively. We cannot escape into the long-run, nor can we procrastinate in the idle hope that some alchemy in the form of a new international monetary system will ease the task.

I am confident that, with the continued willing cooperation of the business and financial communities, we will succeed in our effort. Anything less will fall short of our needs.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 10, 1965

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON
VINYL ASBESTOS FLOOR TILE

On May 17, 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 1/16 inch vinyl asbestos floor tile, 9 x 9 inch size, imported from Canada, manufactured by Building Products Limited, Montreal, Canada, is 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 Asphalt and Vinyl Asbestos Tile Institute, New York, New York.

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 June 1964 through March 1965 was approximately $400,000.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 11, 1965

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON
FUR FELT HAT BODIES

On May 24, 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 fur felt hat bodies imported from Czechoslovakia 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 United Hatters, Cap and Millinery Workers International Union, New York, New York.

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.

Imports of the involved merchandise received during the year 1964 were worth approximately $170,000.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

)R RELEASE A.M. NEWSPAPERS,
esday, June 15, 1965.

June 14, 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 March 18, 1965, d the other series to be dated June 17, 1965, which were offered on June 9, were opened the Federal Reserve Banks on June 14. Tenders were invited for $1,200,000,000, or ereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills. e details of the two series are as follows:

| NGE OF ACCEPTED MPETITIVE BIDS: | 91-day Treasury bills maturing September 16, 1965 | | : | 182-day Treasury bills maturing December 16, 1965 | |
|---|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | : | Price | Approx. Equiv. Annual Rate |
| High | 99.043 | 3.786% | : | 98.045 | 3.867% |
| Low | 99.038 | 3.806% | : | 98.041 | 3.875% |
| Average | 99.040 | 3.799% 1/ | : | 98.042 | 3.873% 1/ |

75 percent of the amount of 91-day bills bid for at the low price was accepted
45 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 | $ 146,976,000 | $ 134,476,000 | : | $ 4,068,000 | $ 3,049,000 |
| New York | 1,273,127,000 | 685,706,000 | : | 1,724,712,000 | 782,178,000 |
| Philadelphia | 27,941,000 | 15,941,000 | : | 13,620,000 | 5,448,000 |
| Cleveland | 29,073,000 | 29,073,000 | : | 16,968,000 | 14,803,000 |
| Richmond | 13,813,000 | 13,813,000 | : | 2,725,000 | 2,725,000 |
| Atlanta | 32,789,000 | 28,917,000 | : | 34,556,000 | 12,106,000 |
| Chicago | 307,461,000 | 168,336,000 | : | 275,173,000 | 59,013,000 |
| St. Louis | 44,796,000 | 37,396,000 | : | 13,879,000 | 9,279,000 |
| Minneapolis | 19,153,000 | 13,128,000 | : | 10,439,000 | 4,939,000 |
| Kansas City | 20,868,000 | 19,868,000 | : | 10,366,000 | 9,366,000 |
| Dallas | 25,483,000 | 15,408,000 | : | 10,857,000 | 5,857,000 |
| San Francisco | 98,371,000 | 33,571,000 | : | 185,479,000 | 92,706,000 |
| TOTALS | $2,039,851,000 | $1,200,633,000 a/ | | $2,302,842,000 | $1,001,469,000 b/ |

Includes $245,728,000 noncompetitive tenders accepted at the average price of 99.040
Includes $102,442,000 noncompetitive tenders accepted at the average price of 98.042
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.89% for the 91-day bills, and 4.01% 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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STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
SENATE FINANCE COMMITTEE
ON THE PUBLIC DEBT LIMIT
TUESDAY, JUNE 15, 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 our needs in the period ahead. 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.

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. As you are aware, this outlook has improved significantly since that time. Late in April, the President was able to announce an expected decrease in anticipated expenditures for the fiscal year of $500 million. Meanwhile, accumulating evidence 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. As a result, our estimated fiscal 1965 deficit has been reduced to about $4.4 billion.

The difference between our debt ceiling needs for fiscal 1966 and the need when the Treasury appeared before this Committee a year ago is primarily accounted for by this 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.

Every year, the Treasury faces a large seasonal shortfall in revenues during the first six to eight months of a fiscal year. For instance, we typically collect less than 45% of our annual revenues from the end of June to the end of December. Consequently, even in years of balanced budgets, we have substantial seasonal borrowing requirements over that period, and these requirements are relatively little influenced by moderate changes in the budgetary projections for a fiscal year as a whole. The size of an anticipated surplus or deficit does, of course, determine how much of this borrowing can be purely temporary, to be paid off in the spring when revenues are seasonally flush, but it is the earlier peak seasonal needs which must be covered by the debt ceiling.

Given this recurrent seasonal pattern, it is plain that the debt ceiling must be raised not so much to take account of any prospective deficit in fiscal 1966 as a whole, but simply to take account of the fact that, as a result of the $4.4 billion deficit anticipated for the current fiscal year, we expect that we will be entering the current fiscal year with the actual debt some $4.7 billion higher than a year earlier.

I know the Committee is also interested in a review of the prospects for fiscal 1966 as a whole. As you are aware, 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. On the basis of recent experience, and with continued gains in economic activity, that revenue estimate, still 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, which was passed by the House of Representatives recently and upon which your Committee has reported. Enactment of that additional cut will offset an estimated $600 million of the $1.6 billion improvement in the revenue outlook. As a result, we now estimate receipts in fiscal 1966 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 consistent with this budgetary outlook is shown on Table I attached. The debt levels that are shown in the last column of Table I 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 -- a figure below our actual average balances in recent years. In practice, there is, of course, a great deal of fluctuation in our actual cash balances, and at various times during the year it is feasible and desirable to achieve cash balances smaller than $4 billion

However, that figure seems to me a necessary and prudent minimum allowance for a cash balance adequate to conduct the operations of the Treasury in an efficient manner, and 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 Table I 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 was presented to the House Ways and Means Committee as the amount that was necessary to carry the Treasury through the fiscal year 1966. That Committee suggested that this figure instead be rounded down to $328 billion, and the House has since completed action to provide a new temporary ceiling at the $328 billion figure for fiscal 1966. I stated before the House Committee that our study had been carefully done and that we believed it would be prudent to fix the ceiling at the requested figure of $329 billion. I added that the process of shaving the assumptions could entail some measured risks. Nevertheless, I told the House Committee that I would not enter any strong objection to their then proposed action. In consequence, I appear before you with the same data and estimates as were presented to the House Committee, but with a specific request for the $328 billion ceiling as voted by the House rather than the $329 billion we had requested.

I should emphasize, in requesting your concurrence in this action, 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.

I would also like to call your attention to Table II, comparing our projections of the debt subject to limitation submitted to this Committee last June with actual results. It can be seen that the actual debt in most recent months, adjusted to the assumed cash balance of $4.0 billion, (Column 5) fluctuated close to our earlier estimates. While the unexpected increases in the revenue flow have permitted us to remain under our estimates by a wider margin in April and May, at the peak requirement period of mid-March the debt was only $800 million less than that which was estimated a year ago. It is, of course, this peak seasonal requirement that must be anticipated almost a year ahead. I believe the record is also clear that the $3 billion leeway implicit in the temporary ceiling of $324 billion provided for the current fiscal year has, as intended, been properly reserved as a margin for flexibility and emergencies -- a margin that, fortunately, we did not need to draw upon this year.

It can also be seen that as a practical matter the operating cash balance has rarely been at or below $4 billion, and that the substantial, and not entirely predictable, monthly variations in our cash flow have occasionally resulted in considerably higher balances for brief periods. These variations, I believe, are a normal consequence of an orderly financing program designed to assure adequate balances over periods of peak cash drains, adequate flexibility in scheduling our borrowing operations, and our ability to meet the broader economic objectives of our debt management program.

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.

Attachments:

Table I
Table II

Table I

## 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 |

Table II

Comparison of debt projections of June 23, 1964 with actual results

(In billions)

| Fiscal Year 1965 | Projections of June 23, 1964: Operating cash balance (excluding free Gold) (1) | Projections of June 23, 1964: Debt subject to limitation (2) | Actual: Operating cash balance (excluding free Gold) (3) | Actual: Debt subject to limitation (4) | Actual: Debt subject to limitation after adj. cash balance to $4.0 (5) 1/ | Difference col. 5 compared with col. 2 |
|---|---|---|---|---|---|---|
| 1964 | | | | | | |
| June 30 ............... | $4.0 | $307.9 | $10.1 | $312.2 | $306.1 | -1.8 |
| July 15 ............... | 4.0 | 311.0 | 5.9 | 311.2 | 309.3 | -1.7 |
| July 31 ............... | 4.0 | 311.8 | 5.3 | 311.6 | 310.3 | -1.5 |
| August 15 ............. | 4.0 | 313.5 | 6.1 | 313.2 | 311.1 | -2.4 |
| August 31 ............. | 4.0 | 314.2 | 6.0 | 314.6 | 312.6 | -1.6 |
| September 15 .......... | 4.0 | 316.9 | 3.8 | 315.7 | 315.9 | -1.0 |
| September 30 .......... | 4.0 | 311.2 | 9.3 | 316.1 | 310.8 | -.4 |
| October 15 ............ | 4.0 | 315.0 | 5.1 | 315.6 | 314.5 | -.5 |
| October 31 ............ | 4.0 | 316.3 | 4.8 | 316.1 | 315.3 | -1.0 |
| November 15 ........... | 4.0 | 318.1 | 4.8 | 317.0 | 316.2 | -1.9 |
| November 30 ........... | 4.0 | 317.7 | 7.2 | 319.0 | 315.8 | -1.9 |
| December 15 ........... | 4.0 | 320.5 | 3.3 | 318.7 | 319.4 | -1.1 |
| December 31 ........... | 4.0 | 316.0 | 6.2 | 318.5 | 316.3 | +.3 |
| 1965 | | | | | | |
| January 15 ............ | 4.0 | 318.9 | 2.8 | 317.9 | 319.1 | +.2 |
| January 31 ............ | 4.0 | 318.0 | 4.5 | 318.4 | 317.9 | -.1 |
| February 15 ........... | 4.0 | 319.1 | 4.6 | 318.4 | 317.8 | -1.3 |
| February 28 ........... | 4.0 | 318.2 | 6.8 | 320.3 | 317.5 | -.7 |
| March 15 .............. | 4.0 | 321.0 | 4.2 | 320.4 | 320.2 | -.8 |
| March 31 .............. | 4.0 | 315.4 | 8.1 | 318.1 | 314.0 | -1.4 |
| April 15 .............. | 4.0 | 319.2 | 4.5 | 318.0 | 317.5 | -1.7 |
| April 30 .............. | 4.0 | 315.6 | 7.9 | 316.9 | 313.0 | -2.6 |
| May 15 ................ | 4.0 | 316.7 | 8.9 | 316.1 | 311.2 | -5.5 |
| May 31 ................ | 4.0 | 317.1 | 9.7 | 319.5 | 313.8 | -3.3 |
| June 15 ............... | 4.0 | 319.9 | | | | |
| June 30 ............... | 4.0 | 313.9 | | | | |

1/ Adjustment to $4.0 billion cash balance places data on basis comparable to estimates given on June 23, 1964, as shown in column (2).

In addition to the above delegates, the following will attend the Conference as U. S. observers:

Byron Engle, Director of the Office of Public Safety, Agency for International Development, Department of State;

Frank A. Bartimo, Assistant General Counsel (Manpower), Department of Defense;

James F. Greene, Deputy Associate Commissioner, Immigration and Naturalization Service, Department of Justice;

Edward S. Sanders, Legal Attache, United States Embassy, Rio de Janeiro.

Mr. Sagalyn was elected in 1962 to a three-year term, expiring this week, as senior Vice President and a member of Interpol's nine-man Executive Committee. He holds office as a representative of the Western Hemisphere. The President of Interpol is Mr. Firmin Franssen, Commissioner of the Belgium Criminal Police. There are 93 member nations in the organization and three more are expected to be admitted at the meeting this week.

Arnold Sagalyn, Director of Law Enforcement Coordination for the Treasury Department and senior Vice President of Interpol, is Chairman of the U. S. delegation. The Treasury Department, which has international law enforcement responsibilitie in such fields as narcotics trafficking, counterfeiting, and smuggling, serves as the Interpol representative in the United States. Other U. S. delegates at the Rio de Janeiro meeting are:

John R. Enright, Assistant to the Commissioner, Bureau of Narcotics;

Lawrence Fleishman, Deputy Commissioner, Bureau of Customs;

H. Alan Long, Director of Intelligence Division, Internal Revenue Service;

John H. Hanly, Special Agent-in-Charge, U. S. Secret Service.

Alternate delegates are: William J. Durkin, District Supervisor, Bureau of Narcotics, Mexico City, Mexico; and Charles L. Gittens, Special Agent, U. S. Secret Service, San Juan, Puerto Rico.

June 15, 1965

FOR IMMEDIATE RELEASE:

UNITED STATES OFFICIALS AT
INTERPOL CONFERENCE IN RIO DE JANEIRO, BRAZIL

Treasury law enforcement officials are representing the United States at the 34th General Assembly of the International Criminal Police Organization (Interpol) which meets June 16-23 in Rio de Janeiro, Brazil.

Interpol was organized in 1923, to insure and promote mutual assistance between criminal police authorities, within the limits of the laws of the member states, and to work toward efficiency in repression of crime. Its regulations exclude matters of political or religious character, and racial matters.

Subjects to be discussed at the meeting include the international drug traffic, international counterfeiting of currency and securities, laws and regulations governing international trade in gold and diamonds, a study of an international fingerprint classification system, and international frauds.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

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oOo

~~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 June 24, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 24, 1965 ~~(17)~~. Cash

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, June 16, 1965

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~
(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 June 24, 1965 ~~(3)~~, in the amount of $2,207,661,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued June 24, 1965 ~~(6)~~, in the amount of $ 1,200,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated March 25, 1965 ~~(8)~~, and to mature September 23, 1965 ~~(9)~~, originally issued in the amount of $1,000,457,000 ~~(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 June 24, 1965 ~~(13)~~, and to mature December 23, 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~~ Daylight Saving time, Monday, June 21, 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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182-day bills, for $1,000,000,000, or thereabouts, to be dated June 24, 1965, and to mature December 23, 1965.

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

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

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 24, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 24, 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.

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and welfare of his community and of his nation. Always, he has understood that neither the nation nor business is well served by unnecessary and unwarranted antagonism -- by unnecessary and unwarranted misunderstanding -- between government and business. Always, he has recognized instead the need for widening the avenues of communication and cooperation between business and government -- between government officials, on the one hand, who understand the role of the profit system in accomplishing our economic goals and businessmen, on the other hand, who accept their full responsibility in helping government do its job of promoting the welfare of the nation as a whole.

Always, he has advanced the welfare of his business, his nation and his fellow man.

bargaining, of trade, of fiscal and monetary policy.

And, as you know, Stuart served with Henry Ford II as co-chairman of the Business Committee for Tax Reduction without whose efforts the Revenue Act of 1964 might never have seen the light of day -- or might have done so only after our economy had fallen into its fifth postwar recession.

Stuart Saunders
Today, ~~he~~ serves as a member of the Business Advisory Committee on the Balance of Payments -- a committee whose efforts thus far have been instrumental in getting us off to a good start ~~moving us ahead~~ toward bringing our balance of payments to a swift and sure end.

~~To list these endeavors is only to hint at the enormous contributions Stuart Saunders has made to national policies and to the national welfare.~~ Always, STUART SAUNDERS ~~he~~ has understood that the proper concern of the businessman must include more than merely his business or business in general -- it must also include the life

Under the leadership of President Johnson, we in government have thus given continued evidence of our faith in the vigor and viability of our free enterprise system -- and our recognition of the vital role that the American business can, and must, play in the promotion of our national welfare. ~~I know of no better~~ But this policy CAN ONLY SUCCEED TO THE EXTENT THAT American ~~way to illustrate how constructive that role can be than to talk~~, businessmen accept their responsibilities for the ~~again, of my good friend Stuart Saunders.~~ national interest, as does Stuart Saunders.

He has been an active, participating member of a group which has -- I am sorry to say -- been languished of late but which I intend to do all I can to revive: the President's Advisory Committee on Labor-Management Policy. It would be impossible to describe in the little time I have left the range and depth of key national policy questions that this group of business and labor leaders have studied -- questions of automation, of collective government purchases of goods and services in our economy have risen by only $123 billion, while non-government purchases have risen by $552 billion, or by 4½ times as much. Since 1961, government purchases of goods and services have increased $26. ~~the~~ while non-government purchases have risen by $120.9, or

In international financial affairs, as well as in the domestic economy, President Johnson has demonstrated his faith in the American economy and in the American businessman. When special factors joined with an increasing outflow of private investment capital late last year and widened our balance of payments deficit, President Johnson rejected the counsel of those who called for direct government controls upon private outflows. Instead, he sought and he received -- and he followed -- the advice of bankers and businessmen themselves by calling upon the nation's business and banks to join in a program of voluntary restraint on capital outflows abroad.

INSERT FROM p. 22

the five-year period 1961-1966, we expect Federal revenues to

annual
grow by an even larger amount -- $17.7 billion -- despite some

$17 billion in tax reduction. that taxpayers will not
have to pay each year from now on out.

Thus, I see no reason why -- since our policy of tax reduction has made such a signal contribution to our economic needs and goals -- we should not, in the period ~~months and years~~ ahead, continue to look for opportunities for further tax cuts as the circumstances may warrant.

This policy will not only provide a more
dynamic economy and ease the relative burden of federal taxation
There ~~is little, therefore, in recent history to justify~~
It will serve also to dampen the
~~those~~ fears that we see expressed, from time to time, that government is taking over everything, is usurping the role and entering the provinces of private enterprise and of the private sector. In fact, it may come as a surprise to some to learn that in the years between 1929 and the first quarter of 1965,

of the private sector of our economy -- as well as its determination to seek solutions to our economic problems within the framework of the free enterprise system.

Through the investment credit ~~and~~ (OF 1962, THE) depreciation reforms of 1962 and the Revenue Act of 1964, and now through the proposed reductions in excise taxes, we have moved vigorously and repeatedly to diminish the burden of wartime tax rates upon the private economy and thus to furnish it with renewed opportunity and fresh incentives to help meet our basic economic needs.

These measures have not only strengthened the private economy, but they have brought us steadily closer to our goal of a balanced budget in a healthy, balanced economy. During the six-year period 1955-1961 -- a period with no tax reductions -- Federal tax revenues grew by some $17.5 billion. Yet during

These measures ~~have produced~~ with related policies of adequate money ... and Federal policies of balance and moderation in price wage and inventory adjustment have given us since ... a national growth of $150 billion ~~in gross national~~ product

Insert XX p. 2

But, as one observer has remarked, "we have, however, with this won a battle, not a war".

While monetary and private price-wage policies are of vital importance to sustaining prosperity, we cannot afford to forego the use of tried and now proven fiscal instruments simply because they have become "..."

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Insert ~~XX~~ — p. 18

Associated with these bold and forthright programs, achieved by a determined President and Congress, [illegible] not to create but ~~in~~ TO Spite of enormous ~~the~~ budget deficits, was the equally significant policy of holding down increases in federal expenditures in the administration budget. Serving to remove the shackles of restraint from the private economy without the attendant risks of inflation, this mix of fiscal measures, together with a monetary policy of ~~adequate~~ ample money and credit on reasonable terms, and private sector policies of balance and moderation in wage, price

Insert XV p. 3

~~of its inspection~~

Of course, there are some who are



ever, the national welfare requires a dialogue, not discord --

cooperation, not conflict -- between the leaders of American

government and the leaders of American business.

There will -- there must -- be honest differences, but let

them not be divisive. There will -- there must -- be mutual

Insert (A) in p 17

What are the fruits of this attitude of constructive partnership and joint pursuit of the national interest by ~~leaders~~ [illegible] of business and government? ~~and~~

Let me cite one concrete example in which our guest of honor played a big role. As many of you know, Stuart Saunders served with Henry Ford II as co-chairman of the Business Committee for Tax Reduction without whose efforts the Revenue Act of 1964 — the big tax cut — might never have been enacted. ~~seen the light of day~~. Believe me, for I know, this was not SIMPLY AN ENTERPRISE MOTIVATED BY SELF INTEREST ~~a self interest ordinary~~]. It was AN [illegible] motivated ~~not~~ BY a deep conviction that the national economy needed to escape from ~~the~~ a five-year pattern of slow growth, slack and stagnation that had resulted in rising unemployment, increased budget deficits and a threat to our position as the economic dynamo of the Free World.

Let us review some of the results of this private enterprise in the public interest.

strategic role in the life of the nation as a whole. It is his judgment, initiative and administrative skill that primarily determine the goods and services we produce in our system of free competitive enterprise -- that foster the economic development of our society -- that govern the distribution of income to workers and owners -- that furnish the industrial and technological base for our national defense. He, in short, is the main fulcrum of our economic system.

Today, more than ever, he has a crucial role to play in promoting the national welfare -- a role that must reach far beyond the immediate interests of his business.

For today, more than ever, continued economic expansion depends upon a growing partnership for progress between the private and public sectors of our economy. And today, more than

CONSCIENCE AND THE COMMIT[illegible]

must depend very largely upon the civic effort of local business leadership. Speaking of the war on poverty, President Harold Geneen of International Telephone and Telegraph has said -- and I quote:

> "We in industry owe it to our society to use our resources to cure a social ill that has been with us too long. We have the capital, the manpower, the skills, the technology and the desire to get the job done."

These words apply equally as well to poverty and ignorance, and a multitude of other social ills.

But it is not enough that our business leaders extend their interests and their endeavors to the critical needs and problems of their localities. For the businessman also occupies a fortune his child receive a good education, his chances are slim of finding suitable work or a suitable home anywhere but in a neighborhood like that in which he was raised. It is also time -- high time -- for business leaders to play a far more positive and progressive role in seeking solutions to the incendiary problems of de facto segregation in schools and housing. Too often businessmen -- along with many others in our cities and communities -- have simply sat back and watched and waited until these problems reached uncontrollable proportions. It is time for our business leaders to seize the initiative and to set in motion in our cities and communities positive and effective efforts toward solving these problems BEFORE THEY GET OUT OF HAND BEFORE THE DEEP FRUSTRATION OF MEN LONG DENIED BECOME THE [illegible] RAGE OF MEN WHO WILL NO LONGER BE DENIED.

These are but three of the most crucial problems that afflict every area of our nation today -- problems whose solution effective and durable results.

But perhaps there is no more crucial area in which our cities and communities cry out for far greater, far more constructive and courageous leadership from the business community than ~~is~~ in the war on prejudice. For prejudice strikes at one of the most basic beliefs of our societ~~ies~~y -- the belief that, while between individual human beings there may be enormous differences, we all share alike a common humanity. And prejudice in countless ways undermines and impoverishes our lives -- morally, socially, economically

The time has come -- it is indeed high time -- that in our cities and communities we open wide our employment doors to qualified people of all races and colors. For only thus can we help replace with hope the deep despair that afflicts the Negro parent who knows or believes that, even should by some good

There can be no question but that businessmen throughout the country have heard and heeded the call to arms against poverty -- particularly IN HELPING EQUIP as it involves equipping the untrained or illtrained with appropriate skills for productive employment in a given region or community. But there remains enormous room, and need, for greater and growing efforts in this area. It is particularly vital that private industry coordinate its recruitment policies with local and regional retraining programs, whether public or private. Nothing could be more wasteful, or foolish, than to equip people with special skills if there are no jobs available in which to employ those skills. There is, in fact, vital need for deep ~~industry~~ business involvement in all phases of local and regional retraining programs -- in planning, in teaching, in counselling -- for only thus can we assure really in aiding education -- has estimated that corporate contributions to education last year totaled about $250 million -- compared to an estimated $225 million for 1963 and $200 million for 1962. But the $250 million contribution for 1964 amounts to an estimated 0.44 percent of corporate profits before taxes -- the same percentage estimated for 1963. And this is simply one example of simply one aspect of the enormous need for business leadership in helping meet the mounting demand for more and better educational opportunity in our cities and communities.

There is also a critical need for businessmen to expand their efforts in attacking, at the local and regional level, two of our most pervasive and appalling social ills -- poverty and prejudice. For in the war to wipe out these two ills -- as well as in the effort to aid education -- national programs AGAIN serve simply to spur and support local programs.

outpacing our efforts to meet them. More perhaps than any in our history, President Johnson's Education program will hasten that day in our land when ability to learn, rather than ability to pay, will be the sole standard of educational opportunity -- when every child will have the opportunity, in the President's words, "to get as much education as he has the ability to take." But that program is designed to support, not to supplant, the efforts of our communities and states. And while the business community throughout the nation has taken a leading role in those efforts, it must enlarge -- IT MUST INTENSIFY -- that role.

Recently, for example, McGraw-Hill, Inc., noted in a message to industry that WHILE the total amount of dollars contributed by United States corporations to education ~~continues to rise~~ IS RISING, ITS RATE OF RISE HAS BEGUN TO SLOW ~~but at a slower rate~~. The Council for Financial Aid to Education -- a private service organization for companies interest industrial development drives under the personal direction of the governor's office and has been so enormously successful in the past two or three years;

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It is to effective local action that we must look for solid and enduring solutions to these problems -- and effective local action must depend very largely upon the willingness of local business leadership to fulfill its civic responsibilities. What we need in far more cities from far more of our business leaders is the application to local problems of the same kind of initiative imagination and effort that they bring to their businesses. What we need is more -- much more -- of the kind of leadership that than a year ago -- the address in which he first summoned the nation anew to the building of a Great Society for all Americans -- President Johnson pointed out that:

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I mention these simple truths -- with which we are all familiar -- only because too often our very familiarity with them leads us to forget them or take them for granted, because too often our inevitable preoccupation with the incredible complexities and subtle sophistications of today's world leads us to overlook or ignore them. And in that world, above all, it is imperative that we not forget or ignore them -- for that world, above all, requires that the leaders of the business community exercise their responsibilities for furnishing leadership in helping solve the pressing problems that confront cities and communities throughout the land as well as the nation as a whole.

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But a businessman is also a human being responsible for his fellow man, and a citizen responsible for the welfare of his city, his state and his country -- and he is all these things not at different times but at one and the same time and all the time. He does not cease being a citizen when he sits in a board meeting, nor does he cease being a businessman when he stands in a voting booth. And he does not meet his full responsibilities as a citizen merely by standing in a voting booth every other year any more than he meets his full responsibilities as a deeper than the narrow and parochial view which -- while it is fast fading -- is still, I suspect, too prevalent.

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Surely, no one questions that the first and most basic responsibility of a business leader -- to his community and to his nation as well as to himself and to his shareholders -- is to succeed in his business, for thus he provides jobs and incomes and goods and services that bolster his local economy and the

AFTER

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But what is most revealing and most characteristic of Stuart Saunder's career is that to summarize it simply as a surpassing business success, in the ordinary sense of that phrase, is to leave out so much that renders it truly distinctive and truly great. What distinguishes the achievements of Stuart Saunders is ~~not so much the fact that they have ranged so far beyond his concerns and responsibilities as a businessman. Rather, it is~~ the fact that his conception of the proper concerns and responsibilities of the businessman is so much broader and

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REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE DINNER OF THE NATIONAL CONFERENCE
OF CHRISTIANS AND JEWS
IN HONOR OF STUART T. SAUNDERS
AT THE HOTEL AMERICANA, NEW YORK, N.Y.
WEDNESDAY, JUNE 16, 1965, 7:00 P.M., EDT

~~Participate in the great and meaningful adventure~~

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TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS
THURSDAY, JUNE 17, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
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It is a privilege to leave the public counting house behind for one evening and participate with this great organization in its noble venture -- the promotion of brotherhood. Nor could I be more pleased than I am to join with so distinguished a gathering of Americans in honoring -- for all he has done to help his fellow man -- one of the most remarkable men I know, Stuart Saunders.

And I have known Stuart Saunders for almost forty years -- years that go back to the days even before the Great Depression which until recently we had all but forgotten. Although neither of us came from wealthy families, both Stuart and I were fortunate enough to be able to attend the small college of Roanoke in Salem, Virginia. Although we were in different classes -- I was a year ahead of Stuart -- common interests constantly drew us together and we became close friends.

In the years since, I have followed Stuart's career with abiding interest and admiration -- saw him begin as a lawyer in private practice in the nation's capital, saw him become, after brilliant service as one of its counsels,the first non-engineering president of the Norfolk and Western Railway, and saw his extraordinary accomplishments in that difficult job lead to his selection as Chairman of the Board and chief executive officer of the Pennsylvania Railroad.

But what is most revealing and most characteristic of Stuart Saunder's career is that to summarize it simply as a surpassing business success, in the ordinary sense of that phrase, is to leave out so much that renders it truly distinctive and truly great. What distinguishes the achievements of Stuart Saunders is the fact that his conception of the concerns and responsibilities of the businessman is so much broader and deeper than the narrow and parochial view which -- while it is fast fading -- is still, I suspect, too prevalent.

Stuart Saunder's career is a kind of parable, an epitome, of what the full function of the businessman ought to be in today's world. For he has excelled in the three primary roles which that world demands of a business leader -- the role of leader in his company and his industry, the role of leader in his home community, his city and his state, and the role of leader in national affairs.

Surely, no one questions that the first and most basic responsibility of a business leader -- to his community and to his nation as well as to himself and to his shareholders -- is to succeed in his business, for thus he provides jobs and incomes and goods and services that bolster his local economy and the economy of the nation. Nor, in today's intricate and fast-moving world, does anyone underestimate how difficult and demanding is that responsibility alone -- requiring not only considerable personal ability and character but a competence in a broad and ever-widening spectrum of fields.

But a businessman is also a human being responsible for his fellow man, and a citizen responsible for the welfare of his city, his state and his country -- and he is all these things not at different times but at one and the same time and all the time. He does not cease being a citizen when he sits in a board meeting, nor does he cease being a businessman when he stands in a voting booth. And he does not meet his full responsibilities as a citizen merely by standing in a voting booth every other year any more than he meets his full responsibilities as a businessman merely by sitting at board meetings at the regularly scheduled time.

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In his address at the University of Michigan a little more than a year ago -- the address in which he first summoned the nation anew to the building of a Great Society for all Americans -- President Johnson pointed out that:

> "... In the remainder of this century urban population will double, city land will double, and we will have to build homes, highways and facilities equal to all those built since this country was first settled. So in the next 40 years we must rebuild the entire urban United States."

There is, I would imagine, scarcely a city or community of any size in this country that is not beset by a whole host of serious and stubborn problems -- problems of poverty and slums, of delinquency and crime, of schools, of housing, of race relations, of traffic and transportation -- the list is endless. So acute and widespread are these problems that many have long since passed beyond the reach of purely local concern or local effort to arouse national concern and to demand national effort. But at its very best national effort can only supplement and support local effort -- it can never supplant it, it can never succeed without it.

It is to effective local action that we must look for solid and enduring solutions to these problems -- and effective local action must depend very largely upon the willingness of local business leadership to fulfill its civic responsibilities. What we need in far more cities from far more of our business leaders is the application to local problems of the same kind of initiative, immagination and effort that they bring to their businesses. What we need is more -- much more -- of the kind of leadership that Stuart Saunders gave to the city of Roanoke and that he is giving now to the city of Philadelphia. We need in cities and towns throughout the land the kind of business leadership that made Stuart Saunders the leading figure in Roanoke -- the kind of business leadership

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Under the pressures of a rapidly expanding population, for example, our educational needs at all levels are continually outpacing our efforts to meet them. More perhaps than any in our history, President Johnson's Education program will hasten that day in our land when ability to learn, rather than ability to pay, will be the sole standard of education opportunity -- when every child will have the opportunity, in the President's words, "to get as much education as he has the ability to take." But that program is designed to support, not to supplant, the efforts of our communities and states. And while the business community throughout the nation has taken a leading role in those efforts, it must enlarge -- it must intensify -- that role.

Recently, for example, McGraw-Hill, Inc., noted in a message to industry that, while the total amount of dollars contributed by United States corporations to education is rising, its rate of rise has begun to slow. The Council for Financial Aid to Education -- a private service organization for companies interested in aiding education -- has estimated that corporate contributions to education last year totaled about $250 million -- compared to an estimated $225 million for 1963 and $200 million for 1962. But the $250 million contribution for 1964 amounts to an estimated 0.44 percent of corporate profits before taxes -- the same percentage estimated for 1963. And this is simply one example of simply one aspect of the enormous need for business leadership in helping meet the mounting demand for more and better educational opportunity in our cities and communities.

There is also a critical need for businessmen to expand their efforts in attacking, at the local and regional level, two of our most pervasive social ills -- poverty and prejudice. For in the war to wipe out these two ills -- as well as in the effort to aid education -- national programs, again, serve simply to spur and support local programs.

There can be no question but that businessmen throughout the country have heard and heeded the call to arms against poverty -- particularly in helping equip the untrained or illtrained with appropriate skills for productive employment in a given region or community. But there remains enormous room, and need, for greater and growing efforts in this area.

It is particularly vital that private industry coordinate its recruitment policies with local and regional retraining programs, whether public or private. Nothing could be more wasteful, or foolish, than to equip people with special skills if there are no jobs available in which to employ those skills. There is, in fact, vital need for deep business involvement in all phases of local and regional retraining programs -- in planning, in teaching, in counselling -- for only thus can we assure really effective and durable results.

But perhaps there is no more crucial area in which our cities and communities cry out for far greater, far more constructive and courageous leadership from the business community than in the war on prejudice. For prejudice strikes at one of the most basic beliefs of our society -- the belief that, while between individual human beings there may be enormous differences, we all share alike a common humanity. And prejudice in countless ways undermines and impoverishes our lives -- morally, socially, economically.

The time has come -- it is indeed high time -- that in our cities and communities we open wide our employment doors to qualified people of all races and colors. For only thus can we help replace with hope the deep despair that afflicts the Negro parent who knows or believes that, even should by some good fortune his child receive a good education, his chances are slim of finding suitable work or a suitable home anywhere but in a neighborhood like that in which he was raised. It is also time -- high time -- for business leaders to play a far more positive and progressive role in seeking solutions to the incendiary problems of de facto segregation in schools and housing. Too often businessmen -- along with many others in our cities and communities -- have simply sat back and watched and waited until these problems reached uncontrollable proportions. It is time for our business leaders to seize the initiative and to set in motion in our cities and communities positive and effective efforts toward solving these problems before they get out of hand -- before the deep frustrations of men long denied become the explosive rage of men who will no longer be denied.

These are but three of the most crucial problems that afflict every area of our nation today -- problems whose solution must depend very largely upon the conscience and the commitment of local business leadership.

But it is not enough that our business leaders extend their interests and their endeavors to the critical needs and problems of their localities. For the businessman also occupies a strategic role in the life of the nation as a whole. It is his judgement, initiative and administrative skill that primarily determine the goods and services we produce in our system of free competitive enterprise -- that foster the economic development of our society -- that government distribution of income to workers and owners -- that furnish the industrial and technological base for our national defense. He, in short, is the main fulcrum of our economic system.

Today, more than ever, he has a crucial role to play in promoting the national welfare -- a role that must reach far beyond the immediate interests of his business.

For today, more than ever, continued economic expansion depends upon a growing partnership for progress between the private and public sectors of our economy. And today, more than ever, the national welfare requires a dialogue, not discord -- cooperation, not conflict -- between the leaders of American government and the leaders of American business.

There will -- there must -- be honest differences, but let them not be divisive. There will -- there must -- be mutual criticism when those differences occur, but let it be constructive, not destructive, criticism.

What are the fruits of this attitude of constructive partnership and joint pursuit of the national interest by leaders of business and government?

Let me cite one concrete example in which our guest of honor played a key role. As many of you know, Stuart Saunders served with Henry Ford II as co-chairman of the Business Committee for Tax

Reduction without whose efforts the Revenue Act of 1964 -- the big tax cut -- might never have been enacted. Believe me for I know, this was not simply an endeavor motivated by self-interest. It was an endeavor motivated by a deep conviction that the national economy needed to escape from a five-year pattern of slow growth, slack and stagnation that had resulted in rising unemployment, increased budget deficits and a threat to our position as the economic dynamo of the Free World.

Let us review some of the results of this private enterprise in the public interest.

Our current economic expansion is in its fifty-second month. It has outpaced and outperformed all other advances in the peacetime economic annals of this nation. And this economic upsurge is the direct result of one of the most happy combinations of public and private economic policies in our history.

This Administration has demonstrated its determination to pursue policies to encourage in every way possible the growth of the private sector of our economy -- as well as its determination to seek solutions to our economic problems within the framework of the free enterprise system.

Through the investment credit of 1962, the depreciation reforms of 1962 and 1965, and the Revenue Act of 1964, and now through the proposed reductions in excise taxes, we have moved vigorously and repeatedly to diminish the burden of wartime tax rates upon the private economy and thus to furnish it with renewed opportunity and fresh incentives to help meet our basic economic needs.

Associated with these bold and forthright programs, achieved by a determined President and Congress -- programs designed not to create but to reduce budget deficits -- was the equally significant policy of holding down increases in federal expenditures in the administrative budget. Serving to remove the shackles of restraint from the private economy without the attendant risk of inflation, this mix of fiscal measures, together with a monetary policy of ample money and credit on reasonable terms, and private sector policies of balance and moderation in wage, price and inventory adjustments, has provided one of the great economic success stories of this or any other time in this or any other nation.

These measures have not only strengthened the private sector. They have brought the nation steadily closer to our goals of a healthy balanced economy, characterized by a steady trend toward full employment, dynamic economic growth without inflation, a balanced budget, increased competitiveness and productivity, and an abounding plenty of goods and services shared by an ever larger proportion of the population.

Just consider a moment the increase or add on in real gross national product -- more than $100 billion over the last four years. It's as though we had added states with the entire output of France and Canada onto the United States in the period since early 1961.

But, as one observer has remarked: "we have, however, with this won a battle, not a war."

While monetary and private price-wage policies are of vital importance to sustaining prosperity, we cannot afford to forego the use of tried and now proven fiscal instruments simply because they have become "old hat".

While we emerged from 1964 with an improved tax structure, it was no time to call a halt in 1965 to tax reduction, to prosperity, or to our systematic progress toward a tax structure that is more consistent with sustained full employment and vigorous growth. That is why the action of President Johnson and the Congress, now nearing completion, in reshaping and reducing our discriminatory and restrictive excise tax structure should serve to strengthen our confidence in the future.

Moreover, that is why we must undertake additional initiatives in the future to lower income tax rates and adjust the tax structure. The system we have, however improved, is still capable of stalling or holding back the economy at a "somewhat higher altitude." It will still tend to take a very large proportion of the rise in personal and business income. We must seek appropriate opportunities for tax reductions to keep the tax structure's revenue capability from growing too fast as private incomes and the capacity of the economy enlarge. We have, indeed, a great deal yet to accomplish in ridding our tax structure -- and particularly our income tax -- of its impediments to an efficient flow of capital, its unlike treatment of like incomes, and its excessive burdens on small incomes.

Of course, there are some who are fearful that this policy of periodic income tax reduction will deplete the revenue-raising resources of the system to the point where it cannot discharge its basic function.

Some assessment of the record, however, should quiet, if not dispel, these fears.

During the six-year period 1955-1961 -- a period with no tax reductions -- federal tax revenues increased by some $17.5 billion. Yet during the five-year period 1961-1966, we expect Federal revenues to grow by an even larger annual amount -- $17.7 billion -- despite some $17 billion in tax reduction that taxpayers will not have to pay each year from now on out.

Thus, I see no reason why -- since our policy of tax reduction has made such a signal contribution to our economic needs and goals -- we should not, in the period ahead, continue to look for opportunities for further tax cuts as the circumstances may warrant.

In international financial affairs, as well as in the domestic economy, President Johnson has demonstrated his faith in the American economy and in the American businessman. When special factors joined with an increasing outflow of private investment capital late last year and widened our balance of payments deficit, President Johnson rejected the counsel of those who called for direct government controls upon private outflows. Instead, he sought and he received -- and he followed -- the advice of bankers and businessmen themselves by calling upon the nation's business and banks to join in a program of voluntary restraint on capital outflows abroad.

Today, Stuart Saunders serves as a member of the Business Advisory Committee on the Balance of Payments -- a committee whose efforts thus far have been instrumental in getting us off to a good start toward bringing our balance of payments to a swift and sure end.

Under the leadership of President Johnson, we in government have thus given continued evidence of our faith in the vigor and viability of our free enterprise system -- and our recognition of the vital role that the American businessman can, and must, play in the promotion of our national welfare. But this policy can only succeed to the extent that American businessmen accept their responsibilities for the national interest, as does Stuart Saunders.

Always, Stuart Saunders has understood that the proper concern of the businessman must include more than merely his business or business in general -- it must also include the life and welfare of his community and of his nation. Always, he has understood that neither the nation nor business is well served by unnecessary and unwarranted antagonism -- by unnecessary and unwarranted misunderstanding -- between government and business. Always, he has recognized instead the need for widening the avenues of communication and cooperation between business and government -- between government officials, on the one hand, who understand the role of the profit system in accomplishing our economic goals and businessmen, on the other hand, who accept their full responsibility in helping government do its job of promoting the welfare of the nation as a whole.

Always, he has advanced the welfare of his business, his nation and his fellow man.

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DRAFT TREASURY PRESS RELEASE

## FRANCE TO PREPAY $179 MILLION ON DEBT TO UNITED STATES

The Government of France today announced its intention to make in the near future a further prepayment in the amount of $178.6 million of principal outstanding on debts owed to the United States.

The prepayment will be applied to the Export-Import Bank Lend Lease Termination Loan contracted in the early postwar years of French reconstruction and completes repayment of that loan. Previous prepayments on this and other debts to the U.S. in 1962 and 1963 amounted to approximately $630 million. The prepayment announced today, along with regularly scheduled mid-year payments on other debts, will reduce the principal remaining on the French Government's post World War II debt to the United States to slightly under $400 million.

The U.S. Treasury welcomes the prepayment announced today by the Government of France.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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TREASURY DEPARTMENT

Washington

Remarks of the Honorable Merlyn N. Trued,
Assistant Secretary for International Affairs,
U. S. Treasury, before the Institute of Higher
Studies, University of Navarro,
Barcelona, Spain
June 16, 1965

I am very happy to have the opportunity to be here with you today and to discuss developments in the international financial sphere. This is certainly a timely occasion to take a close look at what has happened to the international payments system over the years in the past and to consider what further steps may be in order to assure continuation of the very substantial progress thus far achieved. What happens to the international payments system is, of course, of key concern to you and I think you expect, and have every right to expect, that every appropriate step be taken to insure a smoothly functioning payments system which facilitates the highest levels of international trade to the mutual betterment of all.

I should like in this discussion to take something of a look into the immediate and longer-range future. I would like to approach this against the background of our experiences over the past two decades and in the light of an early elimination of the United States balance of payments deficit. In the light of these considerations I would then like to draw some implications for the future evolution of a payments system that can continue to function effectively to the betterment of the entire Free World. The steps taken by the United States to correct its payments position -- and let no one mistake that firm purpose -- have already brought a number of interesting by-products to light, and these may well have an important bearing on future developments.

What in very broad terms has been achieved since the end of World War II? A comparison of today with the conditions prevailing in a war-torn Europe in the immediate post-World War II years reveals so deep a difference that explanation is superfluous. If we set aside the early years of the miracle of reconstruction, however, and look simply at the last decade, the continuation of impressive progress is evident. During that decade world trade doubled, reaching an estimated $150 billion last year. Gross national product -- in terms of constant prices -- rose by more than 50 percent among the Group of Ten and Switzerland, while the output of goods and services in the United States rose by more than 30 percent. Total gross national product in the Eleven in 1955, in terms of 1962 prices, is estimated at $750 billion; in 1964, it was over $1,000 billion. While there have been some problems, these impressive gains -- indeed unprecedented gains -- should not be overlooked. Europe has enjoyed a truly remarkable and persistent prosperity with the economists' ideal of full employment for at least 15 years -- a truly remarkable phenomenon for those who remember the decade of the 30's.

Since the end of 1953, the amount of gold and foreign exchange reserves held by the Group of Ten and Switzerland rose by $10.6 billion, the gold component climbing $5.2 billion and the foreign exchange, largely dollars, $5.4 billion. However, excluding the United States and the United Kingdom, the picture was very different. The other nine added $17 billion, of which about $12 billion was gold.

The key to this growth in reserves lies, of course, in the United States balance of payments deficits, which, as everyone is now painfully aware, have persisted since 1950, with the single exception of one year. To some extent, however, these deficits have been the fuel for the impressive progress that has been made. Indeed, it is only over the most recent years that the flows of dollars abroad have been less enthusiastically received in all quarters.

If we view the United States payments position in broad terms, we find that it typically shows a very substantial surplus on current account that has been more than offset by United States Government expenditures abroad and outflows of American capital.

The United States surplus on all non-military goods and services transactions, plus private transfers, has been quite large, and growing throughout the period. For the seven years 1950-1956 this surplus (including our aid-financed exports) averaged slightly less than $4 billion annually; the corresponding 1958-1964 annual average -- the period of our largest payments deficits -- was well over $6 billion.

During the 1950-1956 period this surplus was more than offset by our governmental expenditures alone. The average of our net military expenditures plus gross foreign aid and governmental lending was almost $4.5 billion per year. Long-term private capital outflows, averaging about $900 million annually, substantially accounted for the remainder of still relatively moderate deficits.

Over the 1958-1964 period as a whole, the annual average of our deficits on regular transactions was $2 billion higher than it had been before -- $3-1/2 billion per year against the 1950-1956 average of $1-1/2 billion. The largest single factor in this worsening of our position was a nearly three-fold increase in our long-term private capital outflows, to an average during the past seven years of more than $2-1/2 billion annually.

A second major factor in this period was the appearance, beginning in 1960, of large net outflows on unrecorded transactions and on recorded short-term capital movements. Taken together, these two items changed from approximate balance in the first seven-year period to an outflow each year averaging nearly $1-1/2 billion during the most recent period.

Finally, our governmental outlays abroad also showed a further increase for the 1958-1964 period as a whole. The balance of payments impact however dropped since a sharply increased portion of our total foreign grants and credits was used for procurement in the United States.

The balance of payments program undertaken by the United States in 1961, reinforced in 1963, and further broadened in February of this year, clearly promises to bring an end to these deficits in the immediate future.

Those areas of our balance of payments -- particularly export expansion and reduction of net dollar outflows resulting from the Government's own programs abroad -- to which our original balance of payments program in early 1961 was mainly directed had, by last year, already shown very substantial and impressive results.

Our 1964 commercial trade surplus (excluding aid-financed exports) reached a record figure of \$3.7 billion -- which represented a net improvement of \$900 million over the 1960 balance despite a \$3.9 billion increase in the import requirements of our growing domestic economy. We also achieved, over the same period, a reduction of more than \$1 billion in our net military expenditures abroad and our untied dollar payments under foreign-aid and government-lending programs, taken together.

The major new feature of the intensified and expanded corrective program which the President launched in his Message to the Congress last February is a concerted and comprehensive attack on the whole area of long and short-term private capital outflows -- which last year had risen to an unprecedented high level of almost \$6-1/2 billion, up almost \$2.2 billion from the preceding year and \$2.6 billion higher than in 1960. This then clearly had become the primary element in our continuing payments deficit.

This aspect of our present program includes two major elements:

First, the Interest Equalization Tax has now been applied by Executive Order to bank lending of one year or more maturity, and legislative action to extend it for a further two years and broaden it to cover non-bank lending of one to three-year maturities is now before the United States Congress. This tax -- which was instituted in mid-1963, in response to a large and rapid upsurge in portfolio sales of foreign securities in our market -- has, since then, substantially eliminated United States purchases of new securities from those issuers to which it was applicable, and virtually halved our total new-issues outflow to all areas.

Secondly, our banks and business firms are now engaged -- on the basis of a general call sounded by the President in his February Message, plus specific guidelines and continuing surveillance by the Federal Reserve System and the Commerce Department -- on a broad program of voluntary restraint applying to all types of capital outflows.

The Federal Reserve guidelines to the banks, under this voluntary program, are aimed at reducing our net outflow of long- and short-term bank credit to foreigners this year to about $500 million annually -- only about one-fifth as much as last year's increase in such credits.

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 United States 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.

Figures for the first quarter balance of payments show a seasonally-adjusted deficit on regular transactions of about $750 million -- about half the size of the corresponding deficit in the fourth quarter of 1964. Seasonal adjustment, however, is especially difficult in this quarter because of the dock strike in February and in parts of January and March, which markedly reduced our trade surplus for the quarter. Moreover, there were unusual outflows of some types of capital prior to the announcement of the President's program on February 10, 1965, followed by 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.

The description I have given of the United States balance of payments shows, I believe, two factors of key importance. It reveals the deep underlying strength, over the longer term, of the payments picture. It also shows the very real economic underpinning for the dollar wherever held and wherever traded.

Even a cursory look at the domestic economy of the United States strongly reinforces these basic facts. During the first quarter of this year, the gross national product of the United States reached an annual rate of almost $650 billion. Real output during that quarter increased about 1.7 percent, bringing the total growth since the first quarter of 1961 to $117 billion. The United States economy is now in its 52nd consecutive month of a broad-based, non-inflationary expansion -- the longest in its peacetime history. The retail price index over the past four years has risen less than 1-1/2 percent annually; the index of wholesale prices has risen much less. In terms of employment, the last four years have seen the United States civilian labor force increase by over three million persons; at the same time the number of unemployed has declined by one and one-fourth million -- an over-all improvement of more than 25 percent. Our seasonally adjusted unemployment rate in May dropped to 4.6 percent. I do not mean in any way to imply that the United States faces assured smooth sailing. There are some wisps of clouds signaling possible dangers on the price front and certainly we remain unsatisfied with the unemployment rate we still have. However, the danger signals are clearly recognized and there is every determination to meet any challenge they pose.

The nature of the United States balance of payments deficit and the problems we have faced clearly explain why the United States has not, as some have suggested, dealt with the problem by recourse to more "classic" remedies. Interest rates in the United States are, in any historical terms, high. Over recent years, a combination of monetary, fiscal and debt-management policies have combined to shore up the short-term interest rate structure while keeping longer-term rates relatively stable. I think without doubt that the policies chosen have facilitated the vast expansion in the American economy. Looked at conversely, it would seem inappropriate to have had recourse to a sharp tightening of credit availability and a higher interest rate structure which could well have prejudiced attainment of these economic benefits. Indeed, the degree of tightening that would have been required to serve balance of payments purposes could well have acted perversely since, by precipitating recession, an even heavier outflow of investment funds could have passed through the very broad and massive capital markets of the United States.

Looking beyond an immediate future that will be characterized by balance in our payments position is not an easy task, and certainly cannot be done with any precision. Nevertheless, some general lines of probability can be discerned. The underlying strength of the United States balance of payments position should become increasingly evident. Based upon an economy functioning ever more efficiently and productively in a non-inflationary climate, the United States position on its trade account will in all likelihood improve, despite further rises in our substantial imports. The flow of earnings should sharply increase over the years ahead as a result of the heavy investments for decades past in productive enterprises abroad. With continued increases in the standards of living of people throughout the Free World, some narrowing in the difference between American travel expenditures abroad and those of foreigners in the United States may occur. There should be further improvement in the breadth and efficiency of capital markets throughout the Free World -- indeed, developments of the past two years indicate heartening results on this front, in part owing to the measures which the United States has taken to dampen outflows from the United States. No one can predict with any certainty the timing or the magnitude of these changes -- but one can predict their likelihood.

In any event, the timing and magnitude of these changes will dictate to a considerable extent the timing and extent to which the temporary measures taken by the United States on the balance of payments front can be reduced. It seems doubtful, in a world of massive demand for capital, that the United States can again serve in quite the same fashion as a supplier.

If, over time, an appropriate measure is needed to adjust capital flows from the United States roughly to the magnitude permitted by its surplus on current account less necessary Government expenditures abroad, there is much to be said for use of the tax method. The Interest Equalization Tax, for example, is a non-arbitrary non-discriminatory allocator of funds by the cost procedure. Properly conceived, some similar arrangement could serve, with the least interference, to meet the need.

There are two aspects of possible future developments in this area that may be of particular importance. No one can foresee what the structure of rates in the United States and abroad will be, but I have noted earlier that the pattern now in the United States is high by historical standards. The rates in Europe, especially at long term, are well above those generally prevailing before World War II. Over time, one could expect a narrowing between these differences in the two markets if capital markets abroad become more efficient and broad, savings grow, and the European demand for capital of all types is more largely met from European savings.

The second aspect of importance relates to the pull of funds from the United States for investment abroad. In this regard, there are some indicators, heartening to us, that profitability on investment in America has risen -- and substantially. For example, the after-tax profit per dollar of the sales of United States manufacturing concerns as an average between 1957-1960 was 4.5 percent; in the fourth quarter of 1964 it was 5.4 percent -- a rise of over 20 percent. If we compare the average of 1957-1960 with 1964, we find that total profits after taxes have increased from $21.9 billion to $31.6 billion.

Finally, we should note the data that relate directly to the profitability of investment itself, that is to say, the annual rate of profit upon stockholders' equity in the United States. In the 1957-1960 period, after-tax profit on stockholders' equity was 9.8 percent; four years later, it was 12.4 percent -- a rise of over 25 percent. The rate of return is, of course, only one factor in these decisions. Nevertheless, the continuation of these trends should help significantly to dampen the pull of American investment abroad, particularly as there is some indication of narrowing profit margins in some European countries.

At the same time, however, continuation of a high level of prosperity in Europe exerts a powerful impact on our exports and thus on our current account surplus. A declining rate of growth in Europe therefore may have different and partially offsetting effects on the two main divisions of our balance of payments. We therefore have a strong interest in continued European prosperity, at the same time as we hope for the development and more effective use of European savings.

You, of course, are particularly interested in what may lie ahead. It is quite clear that a correction of the United States balance of payments position is necessary if attention is to be turned in meaningful fashion toward further reinforcement of the payments system. But we will achieve this correction and we will share, along with other nations of the Free World, the clear responsibility to assure that the payments system remains adequate and responsive to emerging needs.

As I have noted earlier, the vast gains made over the two decades since World War II have been facilitated by a payments system that has been highly flexible and adaptive. The payments system has had the benefit of using a monetary unit, the dollar, which can slide smoothly through the exchange markets, through private hands and through official channels -- a fact which, I suggest, is of great importance to the private sector.

In any event, in looking forward certain broad-range possibilities are clearly evident. It would seem useful in considering future developments to give attention first to the possible needs in the private sector in order to insure that the financing needs of trade are fully met. As I noted earlier, dollar holdings in the hands of private foreigners have about doubled over the past decade, roughly the same change that has taken place in world trade. This contrasts sharply with the experience in the second decade after World War I -- a testament to the worth of an entirely different approach by the free nations to their inter-relationships.

What has been accomplished over the past 20 years reflects a high degree of cooperation among the Free World's nations. It seems to me quite evident that cooperation must continue if the future is to prove equally rewarding. All have a responsibility for making the system perform well and there is no automatic answer for the widely differing and increasingly complex problems that face us both individually and collectively. Certainly it may be expected that one country or another will, in the future as in the past, be able for a time to follow a path widely divergent from the mainstream of thinking among financial officials generally. But for many nations to ignore the basic need for cooperation and a sharing of responsibility is to invite trade-shattering results and serious deterioration in standards of living generally -- a situation unattractive to contemplate.

Given a minimum of cooperative and responsible action in the future as in the past, the outlook is highly promising.

We are, of course, particularly conscious of the role of the dollar as a currency facilitating the international exchange of goods and services. Similarly, we are conscious of the great need, over time, to inspire confidence in its stable value and its unrestricted use for wide-ranging, useful purposes. In concentrating attention upon official reserves, their needs and composition, we must remain also keenly aware of the day-to-day needs of private trade, and remember that official confidence can mirror as well as affect private confidence.

In viewing these private needs, it is difficult to conceive of -- accounting, perhaps, for the fact that no one has suggested it, so far as I know -- the introduction into the system of a totally new or arbitrary unit which could serve quite as well as a national currency, dealt in and held by financial institutions and traders as a matter of course and as part of their normal working requirements. Indeed, I would firmly expect the dollar to continue to serve as the world's primary trading currency, and I see no insuperable difficulties in assuring its availability to meet private balance requirements.

This role of the dollar in past years is highlighted when one compares the results on the United States balance of payments as presently calculated with alternative methods. As you may know, we in the United States Government are now studying one possible alternative, the official settlements concept, that has been recommended by a committee of distinguished economists, bankers, and businessmen headed by Dr. E. M. Bernstein. If this alternative method were used, the deficits over the past five years would have totalled about $12-1/2 billion rather than $17 billion, and the trend would have been distinctly downward from $3.5 billion in 1960 to $1.5 billion in 1964 instead of remaining in the area of over $3 billion.

Although these private holdings of dollars have increased substantially over the years, the rate of increase from year to year has fluctuated sharply, and we must be conscious of the potential shiftability of the dollar between private and official hands. For this and other reasons as well, the use of the dollar as a trading currency does imply a special responsibility for the United States in maintaining ample international resources and, more broadly, there is sure to be a related need for higher official reserve availability.

Gold, quite clearly, will not fully meet this need -- although some further refinement and strengthening of official operations in gold might well serve to secure an increased proportion of new production for official holdings, the place where gold serves its most useful purpose. But one can predict that gold will not prove adequate, and one may with equal confidence predict that the United States might find it either inconvenient or perhaps embarrassing to run a deficit -- at the expense of its own net reserve position -- simply to supply official reserves needed by "the rest of the world." Other possibilities, therefore, have been explored and are being explored, most notably in the International Monetary Fund and the Group of Ten.

To the extent that the problem is viewed as one of assuring that financing is available to deal with short-lived fluctuations in private balances or recurrent swings in balance of payments positions, the solution could, at least largely, lie in the range of improved credit availability. Some further reinforcement in the International Monetary Fund's resources could well serve this purpose. A reinforcement of the Fund's resources could serve over time to contribute to a secular growth in reserve availabilities, if, for example, ways could be found to substitute a relatively dormant gold certificate for the gold payments now made to the Fund at the time of a quota enlargement.

Another means of reducing the impact of United States payments surpluses on liquidity needs would lie in the accumulation by the United States of holdings of other foreign exchange. To some people this seems a simple matter of reciprocity. If others build up their holdings of dollars when the United States is in deficit, why shouldn't the United States build up its holdings of foreign currencies when it is in surplus? The extent to which such holdings could increase depends upon a number of factors, but this possibility should not be overlooked.

Given a willingness on the part of other countries to permit their currencies to be effectively convertible, and with greatly improved chances that the currency instability of the past will not be characteristic of the future, there is good reason to assume that some addition to liquidity could be carried out in this manner. The reluctance of countries to have their currencies so held, partly because of a lack of market which provides ready investment facilities and partly because of other institutional controls over market activity, might well, hopefully, decline in the future. And if some of the major currencies abroad were to become more closely linked and perhaps even a uniform currency devised, the potentiality of this course of action might be improved.

Some further reinforcement of the system might be possible as a result of concerted action to devise supplementary assets to be held in official reserves. Perhaps the key to a successful search in this regard lies in constructing various types of assets with differing characteristics as regards the earnings from holding the asset, the maturity and liquidity of the asset and the degree of formalized assurance against change in its exchange value. By being able to select from a range of portfolio possibilities, the willingness of financial authorities to hold higher amounts of aggregate reserves might be increased. The possibilities are quite numerous but certainly a vast proliferation of supplementary assets should be avoided in the interest of an orderly and efficient system.

As you know, the methods of creating reserve assets have been under study by a committee of the Group of Ten. In seeking to determine whether and when new types of assets might be appropriately fashioned, a related study is also of importance. This study is one that explores the mechanism by which countries adjust to imbalance in their positions. The need for aggregate reserves of a particular size depends in good part upon the depth and tenacity with which imbalances in a particular country's position occurs, as well as the availability character, and magnitude of credit facilities. To the extent that market instruments, techniques and institutions, along with fiscal and monetary policies, are fully available to deal with maximum effectiveness in solving deficit or surplus problems, the need for increased reserve assets in official reserves is reduced.

The challenge of insuring a payments system that performs equally as well in the next two decades as it has in the past two decades is a real one. And I would not, in concentrating upon these possibilities, wish to exclude an appropriate role for bilateral instruments and techniques that serve importantly to safeguard against abrupt and serious threats to stability in the foreign exchange markets or serve to meet the needs of the two parties concerned in the particular circumstances that might prevail at a given time. Certainly, these techniques, some of which have been introduced into the system with immense benefit, will also continue as an appropriate facet of the system.

As we consider possible improvements in the payments system of the future, it is important that we alertly avoid falling into the trap of thinking that completely formalized arrangements are always more dependable than the less formal, or that rigid guidelines always assure greater stability than would less rigid, more adaptable rules. The flexible and adaptable payments system of the past and present, responsive to emerging needs, as I have pointed out, has facilitated vast progress. In viewing future arrangements to correct any weaknesses, the strengths and the stability of that system should not be cast lightly aside. A degree of responsiveness and flexibility must be retained -- to help insure that needless rigidity does not bring abrupt and shattering points of conflict.

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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 actuall received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

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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 June 30, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 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 June 17, 1965

TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $ 1,000,000,000 , or thereabouts, of 365 -day Treasury bills, for cash and in exchange for Treasury bills maturing June 30, 1965 , in the amount of $ 1,001,222,000 , to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated June 30, 1965 , and will mature June 30, 1966 , 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~~ Daylight Saving time, Thursday, June 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 decimals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

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WASHINGTON, D.C.

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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

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

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12:00 NOON
THURSDAY

FOR IMMEDIATE RELEASE

CHANCELLOR OF THE EXCHEQUER TO VISIT WASHINGTON

Secretary of the Treasury Henry H. Fowler today announced that The Right Honorable James Callaghan, M. P., Chancellor of the Exchequer in the United Kingdom, will visit Washington for informal discussion of topics of mutual interest on June 29th and 30th.

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WASHINGTON, D.C.

June 17, 1965

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# TREASURY DEPARTMENT

W.^SHINGTON, D.C.

June 18, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON HEADBOARDS
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed the investigation with respect to the possible dumping of headboards, manufactured of wood, from Yugoslavia. 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 Yugoslavia is not being withheld at this time.

The dollar value of imports of the involved merchandise received during the period June 1, 1964, through March 31, 1965, was approximately $110,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 18, 1965

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 18, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON HARDBOARD
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of hardboard from South Africa. 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 South Africa is not being withheld at this time.

The dollar value of imports of the involved merchandise received during the period January 1, 1964, to date was approximately $151,000.

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June 18, 1965

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, June 22, 1965.

June 21, 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 25, 1965, and the other series to be dated June 24, 1965, which were offered on June 16, were ope at the Federal Reserve Banks on June 21. 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 23, 1965 | | 182-day Treasury bills maturing December 23, 1965 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.047 | 3.770% | 98.068 | 3.822% |
| Low | 99.042 | 3.790% | 98.062 | 3.833% |
| Average | 99.042 | 3.789% 1/ | 98.063 | 3.831% 1/ |

98% of the amount of 91-day bills bid for at the low price was accepted
68% 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 | $ 26,288,000 | $ 16,284,000 | $ 6,460,000 | $ 3,050,000 |
| New York | 1,551,212,000 | 821,861,000 | 1,689,029,000 | 710,630,000 |
| Philadelphia | 26,457,000 | 14,045,000 | 18,919,000 | 6,658,000 |
| Cleveland | 36,487,000 | 36,150,000 | 19,806,000 | 12,941,000 |
| Richmond | 13,277,000 | 12,747,000 | 4,721,000 | 4,667,000 |
| Atlanta | 34,575,000 | 17,407,000 | 34,591,000 | 19,140,000 |
| Chicago | 315,794,000 | 179,931,000 | 374,173,000 | 172,451,000 |
| St. Louis | 33,631,000 | 24,135,000 | 14,844,000 | 10,344,000 |
| Minneapolis | 18,508,000 | 10,582,000 | 14,890,000 | 4,340,000 |
| Kansas City | 29,704,000 | 24,029,000 | 17,509,000 | 10,771,000 |
| Dallas | 26,708,000 | 13,698,000 | 14,119,000 | 6,619,000 |
| San Francisco | 108,210,000 | 33,913,000 | 132,301,000 | 40,466,000 |
| TOTALS | $2,220,851,000 | $1,204,782,000 a/ | $2,341,362,000 | $1,002,077,000 |

a/ Includes $234,768,000 noncompetitive tenders accepted at the average price of 99.04
b/ Includes $110,631,000 noncompetitive tenders accepted at the average price of 98.06
1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide yields of 3.88%, for the 91-day bills, and 3.96%, 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, June 22, 1965.

June 21, 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 25, 1965, and the other series to be dated June 24, 1965, which were offered on June 16, were opened at the Federal Reserve Banks on June 21. 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 23, 1965 | | 182-day Treasury bills maturing December 23, 1965 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.047 | 3.770% | 98.068 | 3.822% |
| Low | 99.042 | 3.790% | 98.062 | 3.833% |
| Average | 99.042 | 3.789% 1/ | 98.063 | 3.831% 1/ |

98% of the amount of 91-day bills bid for at the low price was accepted
68% 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 | $ 26,288,000 | $ 16,284,000 | $ 6,460,000 | $ 3,050,000 |
| New York | 1,551,212,000 | 821,861,000 | 1,689,029,000 | 710,630,000 |
| Philadelphia | 26,457,000 | 14,045,000 | 18,919,000 | 6,658,000 |
| Cleveland | 36,487,000 | 36,150,000 | 19,806,000 | 12,941,000 |
| Richmond | 13,277,000 | 12,747,000 | 4,721,000 | 4,667,000 |
| Atlanta | 34,575,000 | 17,407,000 | 34,591,000 | 19,140,000 |
| Chicago | 315,794,000 | 179,931,000 | 374,173,000 | 172,451,000 |
| St. Louis | 33,631,000 | 24,135,000 | 14,844,000 | 10,344,000 |
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b/ Includes $110,631,000 noncompetitive tenders accepted at the average price of 98.063
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.88%, for the 91-day bills, and 3.96%, 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.

F-98

borrowed in ways similar to gold, reserve currencies, or existing claims on the Fund. That is, they could make possible the simultaneous existence of surpluses among the major countries, including the United States, in excess of new monetary gold supplies, and without redistribution of existing gold reserves or cancellation of other reserve assets. They would then be true supplements to existing reserves.

A concensus may not emerge easily or quickly. For the world has to date relied essentially on gold and reserve currencies, and the public everywhere tends to be cautious and pragmatic in monetary matters. Money is peculiarly sensitive to public acceptance and public confidence.

We shall not find answers to these questions over night. Indeed, the answers can probably evolve only as they are shaped and molded by the actual course of monetary history in the making.

-o0o-general public acceptance with a minimal disturbance of financial and exchange markets and with especial care to avoid encouragement to gold hoarding and gold speculation. Fourth, a balance would have to be achieved between the fears of some that creation of international reserves becomes too easy, with a general over-expansionary effect on world supplies of money and credit, and those who fear that international decisions would be too cumbersome and too restrictive. There are, of course, many other questions that might divide proponents of this or that technique, or appeal to particular countries, including the always important questions of who participates in the benefits and responsibilities of reserve creation, and how they are shared.

Reserve assets, once created, in a satisfactory way or ways, could be shifted from country to country and earned or

borrowed

Other suggestions have been made involving more restrictive procedures, both as to participation and governing rules. I do not propose to comment in any detail on any of these approaches. However, I would like to underline some of the characteristics of any approach which seem to me especially significant.

First, additional or new reserve assets should be accepted as such by the major industrial countries. Secondly, they should be held as reserve assets without directly or indirectly leading to a reduction in reserve currencies or other supplements to gold reserves. That is, they should not accentuate the future demands on [illegible] limited new supplies of monetary gold, or on existing gold reserves of the reserve countries. Thirdly, the method of providing additional reserves should be in general evolutionary, in the sense of

general

provisions as tomaturity, interest rates and exchange protection.

Another approach would be a further evolution of the present reserve claims on the International Monetary Fund. These claims are drawing rights that countries have obtained, and can use virtually at will, as a result either of having paid gold subscriptions to the Fund, or from the use of their currencies by the Fund to extend credits to other countries. The Managing Director of the Fund, Mr. Schweitzer, has recently indicated how this might be done, either by increasing the present readily available drawing rights across the board for Fund members that meet some pre-determined qualifications, or by creating special ~~segregated~~ claims on the Fund to be used as reserve assets.

industrial countries require in the form of gold, and what will they be willing to take into their reserves in addition to gold?

There are a number of technical possibilities for creating additional reserve assets to meet these or other situations in the future. They involve essentially an agreement or understanding among monetary authorities to treat a particular type of credit claim, either on another country or on an institution, as a monetary reserve asset.

One method, frequently mentioned, is the further extension of the technique of reciprocal acquisition of currencies, as in the short-term swaps of the Federal Reserve, but for a long-term. Each country then regards its claim on the other partner as a reserve asset. The countries could also issue special securities to each other, with appropriate provisions

It is especially worthy of note that the demand of these countries for gold to add to their reserves, at $12 billion, was about twice the availability of new monetary gold supplies for the world as a whole. This was made possible only by large-scale transfers of gold to them from United States reserves.

I do not attempt today more than to sketch out some of the relationships between international capital flows and our balance of payments and liquidity problems. As and when our balance of payments shows continuing strength, some of the uncertainties that have to date surrounded the liquidity problem should begin to clear. We can then see what we face, once the all-embracing screen of the massive United States deficit has been lifted and moved aside. The essential questions that will have to be answered are: What will be the reserve needs of the world: How much will the major

Actually the growth in liquidity in the past ten years has been concentrated largely in the surplus industrial countries. When we look at the position of international reserves and their recent growth, we are struck at once by the really phenomenal enlargement of reserves in the industrial countries, excluding the United States and the United Kingdom. From the end of 1953 to the end of 1964, the gold and foreign exchange reserves of eight leading industrial countries in the Group of Ten and Switzerland rose from $10.6 billion to $27.6 billion, or by $17 billion. This amounted to nearly tripling their total reserves.

Moreover, during this period, while these countries increased their reserves in gold and foreign exchange, the rest of the world lost about $3 billion of reserves in this form.

Trthough our over-all balance of payments position. But there are several qualifications to bear in mind. One is that these countries have for some time been facing heavy pressures on savings, on prices, and on labor supplies. Under such conditions it should be possible for these countries to absorb without adverse results a considerable part of the impact of a smaller volume of foreign receipts. Secondly, as noted, the amount of these receipts is small in relation to total investment and savings of the European economies. Thirdly, the movement of reserves frequently seems to be the dependent variable in the equation. Especially in recent years, persistent reserve increases seem in some cases not to have been the result of policies directed specifically toward the external accounts, but rather a by-product of action taken to dampen domestic inflationary pressures.

number of countries on the continent of Europe have become accustomed to much larger aggregate increases in their reserves year by year, some adjustments could be expected. While the authorities in some of these countries might look with favor upon a position of United States equilibrium and somewhat slower growth in their reserves, there are voices here and abroad that express concern about the effect upon these economies of a considerable and rapid tapering off of these customary reserve increases. They would fear that domestic credit might tighten too sharply, and that this might place an additional brake on expansion, already slowing down in several Continental countries, and that this could affect the level of activity in the outside world.

It is certainly true that some adjustments will need to be made in these countries, for any change in capital flows to the outside world will have its economic effect.

and in accommodating the needs of some foreign borrowers, particularly Japan; some countries have applied special disincentives to the attraction of foreign capital into their monetary reserves. But there remains the need to reduce European capital imports and to stimulate larger foreign investments, without a corresponding increase in its current account position.

Capital Flows and European Reserves

A reduction in the flow of financial capital from the United States and an associated shrinkage of the United States deficit could have a considerable effect on international liquidity. Without a U.S. deficit, the increase in world reserves would be limited essentially to the amount of new gold production flowing into monetary channels -- that is, to about $500 to $700 million per year. Since a in the United States. Hence the relationship of this correction of our deficit to world business activity is marginal, and should not be over-stressed.

As the world moves further away from the restrictions and restraints of the earlier post-war period, the stream of financial capital moving between these two great industrial complexes in Europe and the United States might tend to widen. At the same time, the United States cannot reasonably be expected to continue to supply capital as an international banker if its reserve position is steadily reduced by a continuing deficit. This may well present a challenge to Europe and the United States to find an appropriate set of policies to meet on a continuing basis the capital flows problem. European countries, it is true, made some progress in 1964 in enlarging their capital markets, It should be noted that, even today, foreign placements are small in relation to our annual gross private domestic investment of $73 billion, or with respect even to our personal savings of $35 billion a year. Moreover, the capital drawn from the United States represents a small percentage of the total of savings and investment in Europe.

All in all, leaving aside direct investment, some $4 billion of United States capital moved out last year. About half went to Canada and Japan, less than a quarter directly to Western Europe, and the remainder to Latin America, Asia, and other regions. The reductions we anticipate from the programs now in effect, particularly when the impact is directed toward the other industrial countries, should form a relatively small part of the total investment financed in those countries. In the major countries of Western Europe alone annual investment in all forms probably equals that interest rates in the United States is an effective answer. The spread between long-term rates here and in most of Europe is so wide that the possibility of any substantial narrowing of the differential by United States action is open to considerable question from a purely technical standpoint, because of the massive volume of savings in the United States. Second, as noted, present levels are not low historically, and a significantly higher level of rates might well do harm to the domestic economy. Thirdly, as noted, the European rates not only are influenced by the pressure of demands from borrowers on savings, but also probably reflect the general tendency for prices to rise, thus reducing considerably the real rate of interest, in terms of purchasing power over goods.

-It-applying such a prescription to the situation in which we find ourselves. One very large economic entity, the industrial nations of Continental Europe, has a historically high level of interest rates that has prevailed during a period of generally full or over full employment and inflationary pressures on prices and wages. The entire structure of the capital values in these countries has for a long time been geared to a plateau of rates substantially higher than that in our own economy. This European rate structure seems likely to come down slowly, if at all, as inflationary pressures subside.

On the other hand, long-term interest rates in the United States are also at high levels in terms of our own background and history. There are several reasons for doubting that a simple prescription of higher long-term

Efforts are being made to explore these and other structural problems in the European financial system, in the hope of developing more efficient and more competitive capital markets that can meet the types of demands that now fall so heavily upon the United States. Indeed, as strong surplus and creditor countries, many Continental European countries would normally be expected to be net sources of capital to the rest of the world. But instead of becoming capital exporters, they have continued to import capital from the United States, and have, in effect, banked the proceeds with their central banks in the form of reserves.

Particularly in Europe, it is frequently suggested that the way to restrain the tendency for capital to flow out of the United States would be to bring about a higher level of long-term interest rates in the United States. But a moment's reflection will indicate the difficulties of

applying

of other advanced countries that they should readjust their financing patterns to as to obtain capital resources out of their own savings.

As noted, the tendency to seek United States funds may be in part due to the generally high cost of borrowing in foreign countries.

But there are other reasons why some types of borrowers are attracted to the United States market. These include the narrowness and high cost of security issue markets in Europe, the favored position of governmental borrowing entities and nationalized industries in some capital markets abroad, the channeling of savings of the public through savings banks and mortgage banks into government securities or mortgages, and the tendency in many countries of the large banks to maintain a relatively rigid pattern of lending policies.

Thus, while our balance of payments program has consistently aimed at improving both our current accounts and our governmental accounts, increasing attention has had to be devoted since July 1963 to the large flow of capital abroad -- particularly to other industrial countries. Through the Interest Equalization Tax, we have sought to provide a market-type regulator. We have hoped in this way to strengthen the incentive to other industrial countries to utilize their savings more effectively to meet the demands that would otherwise come to the United States. More recently, in the wake of the very sharp deterioration in our capital accounts and in the balance of payments, generally, during the period since July 1964, we have adopted the voluntary credit restraint program on February 10. This program, too, is increasing the awareness

The major channels through which these capital funds have recently been flowing out, apart from Canadian security issues in New York, are the direct lending operations of the banking system, or the placement of funds with foreign banks, or with foreign branches of American banks, by non-banking entities. While some of the proceeds in the form of dollars were added to the rising total of foreign private dollar holdings, foreign official dollar balances were built up as well.

While our private investments abroad, both short and long-term, are presumably sound and profitable ones in the sense of income-earning assets, they have clearly tended to exceed the net surplus on other accounts. This adds to our liquid liabilities to foreigners, and these liabilities, in turn, may be converted into gold.

At short-term, however, the position was rather different. Foreign short-term claims on the United States, both private and official, amounted to $28.7 billion at the end of 1963. This figure includes about $3 billion that are not considered liquid financial liabilities. Nearly half of the total amount was officially held. Against this, the United States then held $15.6 billion in gold, and other reserve-type assets of $1.2 billion. In addition, our privately held short-term claims on foreigners were about $8 billion.

Moving from the cross section to the changing pattern over time, our net position on private long-term capital account had improved from $27 billion to $35 billion, from 1960 to 1963, while our net official and private position on short-term account (including gold), worsened by $5 . billion.

United States subsidiaries abroad. Finally, there is the differential between interest rates here and abroad, particularly at longer-term.

Let us recall briefly the general structure of our international investment position. We do not yet have detailed figures for 1964, but at the close of 1963, private long-term investments abroad were valued at $58 billion, of which $40.6 billion was direct investments, and $17.6 billion represented other types of long-term assets. Foreign long-term investments in the United States amounted to nearly $23 billion, leaving a net balance in our favor on private long-term investment account of about $35 billion. Note that this does not count any of our governmental claims on foreign countries.

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## The U. S. Position as International Banker

We have all heard much about the United States role as an international banker and about our tendency to pile up long-term investments while accumulating short-term liabilities. We have large and competitive money and capital markets, as compared with the narrower and less competitive markets in the other industrial countries. There has been increasing desire for capital investment abroad, arising from the long-continued European prosperity, the Common Market preferences, and the rapidly growing European demand for many products in which American corporations have traditionally been interested. While these latter are factors that are particularly significant in the area of direct investment, they also may account for some movement of banking funds to supply the needs of some for the cooperation of the business and financial communities in reducing this drain on the balance of payments.

The response of businessmen and bankers has been most impressive. While the limited data yet available are difficult to evaluate because of special factors they suggest that this cooperation, upon which the program depends, has begun to have a significant effect. The deficit on regular transactions for the first quarter was reduced to about half the magnitude of the very large figures in the final quarter of 1964. Such indications as we have since the end of March have continued to be even more favorable. But I cannot over-emphasize that we need to establish a record of clear and sustained equilibrium, to demonstrate our full recovery from the long continued malady of deficits. We cannot, therefore, contemplate any early relaxation of our efforts.

The

But this was not the case. The outflow of private United States capital in all forms had already jumped sharply in 1956 from the moderate levels of 1950-1955, and ranged between \$2-1/2 and \$4 billion in the years 1956-1960. In 1964 it reached almost \$6-1/2 billion, with a very decided surge in the latter part of the year. Between 1960 and 1964 United States security and credit transactions grew from \$2.2 billion to \$4.1 billion. In July 1963, the Interest Equalization Tax had been was announced when the early manifestations of these latest capital demands on our markets appeared, particularly in the form of potential placements by other industrial countries in our capital market. The further dramatic evidence of the volatile capital accounts in 1964 led President Johnson to propose on February 10, 1965, a comprehensive program calling

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however, changed markedly after 1957. From 1958-1964 our deficits on regular transactions have averaged $3-1/2 billion a year.

## Private Capital Movements and the United States Balance of Payments

I do not intend to review the policies applied in 1961 and 1962 to correct our balance of payments and at the same time revitalize the domestic economy. We did achieve substantial progress in 1961-1964 in enlarging our commercial export surplus, despite a rising total of imports, and in reducing the balance of payments impact of our military and aid programs. With a steady increase in our services income, our deficit would have been largely eliminated if the capital accounts had remained constant.

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and some other countries have been associated with over-heated domestic economies rather than situations of economic recession.

In general, there have been pressures on wages and prices, labor shortages, and a general preoccupation with the need to place brakes on the domestic economies, rather than accelerate them. A different situation has prevailed in the United States, where the economy has required from time to time an assist from fiscal policy rather than public action to restrain an over-exuberant business activity. Even so, however, the United States itself has had during the post-war years no prolonged recessions and at the present time has had 52 months of continuing economic advance.

In most industrial countries, balances of payments have been in surplus and international reserves have been rising at an extremely rapid rate. Our own payments position,

however

We sometimes forget, in our immersion in the problems of today, how much of a positive character has been achieved in the post-war period. During the past decade, world trade has grown at a surprising pace. World exports reached a total of more than $150 billion in 1964, about double the corresponding figure at the beginning of the decade. In the industrial countries, the last ~~fifteen~~ ten years has been a period of rather persistent prosperity. The Organization for Economic Cooperation and Development (OECD) countries have had a total output rise, in real terms, of about 50 percent. In most countries this has been accompanied by full or over full employment, although this, of course, has not been true of the United States. But even the financial strains that have been felt on occasion by the United Kingdom, Japan, Italy, One of the interesting aspects of this period of ferment through which we are passing is the very wide range of opinion on all these questions. Thus, at one end of the spectrum, there is concern that any diminution in the flow of United States capital to other developed countries might have a serious and immediate effect upon world prosperity. A somewhat milder view held widely in the United States is that there will be a need to replace the outflow of dollars in recent years with some substitute form of international liquidity, since the United States deficit has provided a source of reserves to other countries. At the other end of the spectrum, a view held particularly on the Continent of Europe, it is contended that the outflow of capital from the United States has been excessive, has added unduly to the level of Continental European reserves, and has contributed to inflationary pressures in Europe.

to domestic monetary and fiscal policies, to the needs for international reserves, and to other aspects of the extremely broad subject of international liquidity.

In a very real sense, the world is searching to find a constructive relationship between capital flows, balance of payments adjustment and the magnitude and composition of growing needs for international liquidity.

Today, I do not wish to attempt any sweeping review of this extremely broad and extremely intricate subject. Rather I should like to draw your attention to some leading facts, to some conflicting interpretations that are sometimes drawn from them, and to contribute, if I can, to placing these relationships in perspective.

First, I want to mention briefly the United States balance of payments position, against the background of post-war economic progress. Then I would like to focus attention more specifically on international movements of private United States capital, and particularly on those outside the field of direct investments.

Speaking generally, we are in a period in which deep and serious attention is being given to international monetary and payments problems. Within governments, in the financial press, and in the academic community, both here and abroad, there is intense interest in the determinants of the various types of international capital movements, the relationship of these movements to the balance of payments,

For Release P.M. Newspapes
Tuesday, June 22, 1965

Remarks by the Honorable Frederick L. Deming,
Under Secretary of the Treasury for Monetary Affairs,
at the Annual Convention of the Washington State
Bankers' Association, Tacoma, Washington,
Tuesday, June 22, 1965, at 9:30 a.m., PDT

International Banking in Relation to
the Balance of Payments and to International Liquidity

I very much welcome the invitation to cross the country and talk with bankers from the State of Washington. Situated on the Pacific Coast, with important maritime and aerial connections with other parts of the world, you are, I am sure, sensitive to and interested in the international aspects of financial and banking matters. I have chosen to discuss some of the aspects of our international payments position that are of a special interest, I believe, to the banking community.

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TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
TUESDAY, JUNE 22, 1965

REMARKS BY THE HONORABLE FREDERICK L. DEMING,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
AT THE ANNUAL CONVENTION OF THE WASHINGTON STATE
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# INTERNATIONAL BANKING IN RELATION TO THE BALANCE OF PAYMENTS AND TO INTERNATIONAL LIQUIDITY

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In a very real sense, the world is searching to find a constructive relationship between capital flows, balance of payments adjustment and the magnitude and composition of growing needs for international liquidity.

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In general, there have been pressures on wages and prices, labor shortages, and a general preoccupation with the need to place brakes on the domestic economies, rather than accelerate them. A different situation has prevailed in the United States, where the economy has required from time to time an assist from fiscal policy rather than public action to restrain an over-exuberant business activity. Even so, however, the United States itself has had during the post-war years no prolonged recessions and at the present time has had 52 months of continuing economic advance.

In most industrial countries, balances of payments have been in surplus and international reserves have been rising at an extremely rapid rate. Our own payments position, however, changed markedly after 1957. From 1958-1964 our deficits on regular transactions have averaged $3-1/2 billion a year.

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I do not intend to review the policies applied in 1961 and 1962 to correct our balance of payments and at the same time revitalize the domestic economy. We did achieve substantial progress in 1961-1964 in enlarging our commercial export surplus, despite a rising total of imports, and in reducing the balance of payments impact of our military and aid programs. With a steady increase in our services income, our deficit would have been largely eliminated if the capital accounts had remained constant.

But this was not the case. The outflow of private United States capital in all forms had already jumped sharply in 1956 from the moderate levels of 1950-1955, and ranged between $2-1/2 and $4 billion in the years 1956-1960. In 1964 it reached almost $6-1/2 billion, with a very decided surge in the latter part of the year. Between 1960 and 1964 United States security and credit transactions grew from $2.2 billion to $4.1 billion. In July 1963, the Interest Equalization Tax had been announced when the early manifestations of these latest capital demands on our markets appeared, particularly in the form of potential placements by other industrial countries in our capital market. The further dramatic evidence of the volatile capital accounts in 1964 led President Johnson to propose on February 10, 1965, a comprehensive program calling for the cooperation of the business and financial communities in reducing this drain on the balance of payments.

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We have all heard much about the United States role as an international banker and about our tendency to pile up long-term investments while accumulating short-term liabilities. We have large and competitive money and capital markets, as compared with the narrower and less competitive markets in the other industrial countries. There has been increasing desire for capital investment abroad, arising from the long-continued European prosperity, the Common Market preferences, and the rapidly growing European demand for many products in which American corporations have traditionally been interested. While these latter are factors that are particularly significant in the area of direct investment, they also may account for some movement of banking funds to supply the needs of some United States subsidiaries abroad. Finally, there is the differential between interest rates here and abroad, particularly at longer-term.

Let us recall briefly the general structure of our international investment position. We do not yet have detailed figures for 1964, but at the close of 1963, private long-term investments abroad were valued at $58 billion, of which $40.6 billion was direct investments, and $17.6 billion represented other types of long-term assets. Foreign long-term investments in the United States amounted to nearly $23 billion, leaving a net balance in our favor on private long-term investment account of about $35 billion. Note that this does not count any of our governmental claims on foreign countries.

At short-term, however, the position was rather different. Foreign short-term claims on the United States, both private and official, amounted to $28.7 billion at the end of 1963. This figure includes about $3 billion that are not considered liquid financial liabilities. Nearly half of the total amount was officially held. Against this, the United States then held $15.6 billion in gold, and other reserve-type assets of $1.2 billion. In addition, our privatel held short-term claims on foreigners were about $8 billion.

Moving from the cross section to the changing pattern over time, our net position on private long-term capital account had improved from $27 billion to $35 billion, from 1960 to 1963, while our net official and private position on short-term account (including gold), worsened by $5 billion.

The major channels through which these capital funds have recently been flowing out, apart from Canadian security issues in New York, are the direct lending operations of the banking system, or the placement of funds with foreign banks, or with foreign branches of American banks, by non-banking entities. While some of the proceeds in the form of dollars were added to the rising total of foreign private dollar holdings, foreign official dollar balances were built up as well.

While our private investments abroad, both short and long-term, are presumably sound and profitable ones in the sense of income-earning assets, they have clearly tended to exceed the net surplus on other accounts. This adds to our liquid liabilities to foreigners, and these liabilities, in turn, may be converted into gold.

Thus, while our balance of payments program has consistently aimed at improving both our current accounts and our governmental accounts, increasing attention has had to be devoted since July 1963 to the large flow of capital abroad -- particularly to other industrial countries.

Through the Interest Equalization Tax, we have sought to provide a market-type regulator. We have hoped in this way to strengthen the incentive to other industrial countries to utilize their savings more effectively to meet the demands that would otherwise come to the United States. More recently, in the wake of the very sharp deterioration in our capital accounts and in the balance of payments, generally, during the period since July 1964, we have adopted the voluntary credit restraint program on February 10. This program, too, is increasing the awareness of other advanced countries that they should readjust their financing patterns so as to obtain capital resources out of their own savings.

As noted, the tendency to seek United States funds may be in part due to the generally high cost of borrowing in foreign countries.

But there are other reasons why some types of borrowers are attracted to the United States market. These include the narrowness and high cost of security issue markets in Europe, the favored position of governmental borrowing entities and nationalized industries to some capital markets abroad, the channeling of savings of the public through savings banks and mortgage banks into government securities or mortgages, and the tendency in many countries of the large banks to maintain a relatively rigid pattern of lending policies.

Efforts are being made to explore these and other structural problems in the European financial system, in the hope of developing more efficient and more competitive capital markets that can meet the types of demands that now fall so heavily upon the United States. Indeed, as strong surplus and creditor countries, many Continental European countries would normally be expected to be net sources of capital to the rest of the world. But instead of becoming capital exporters, they have continued to import capital from the United States, and have, in effect, banked the proceeds with their central banks in the form of reserves.

Particularly in Europe, it is frequentyy suggested that the way to restrain the tendency for capital to flow out of the United States would be to bring about a higher level of long-term interest rates in the United States. But a moment's reflection will indicate the difficulties of applying such a prescription to the situation in which we find ourselves. One very large economic entity, the industrial nations of Continental Europe, has a historically high level of interest rates that has prevailed during a period of generally full or over full employment and inflationary pressures on prices and wages. The entire structure of the capital values in these countries has for a long time been geared to a plateau of rates substantially higher than that in our own economy. This European rate structure seems likely to come down slowly, if at all, as inflationary pressures subside.

On the other hand, long-term interest rates in the United States are also at high levels in terms of our own background and history. There are several reasons for doubting that a simple prescription of higher long-term interest rates in the United States is an effective answer. The spread between long-term rates here and in most of Europe is so wide that the possibility of any substantial narrowing of the differential by United States action is open to considerable question from a purely technical standpoint, because of the massive volume of savings in the United States. Second, as noted, present levels are not low historically, and a significantly higher level of rates might well do harm to the domestic economy. Thirdly, as noted, the European rates not only are influenced by the pressure of demands from borrowers on savings, but also probably reflect the general tendency for prices to rise, thus reducing considerably the real rate of interest, in terms of purchasing power over goods.

It should be noted that, even today, foreign placements are small in relation to our annual gross private domestic investment of $73 billion, or with respect even to our personal savings of $35 billion a year. Moreover, the capital drawn from the United States represents a small percentage of the total savings and investment in Europe.

All in all, leaving aside direct investment, some $4 billion of United States capital moved out last year. About half went to Canada and Japan, less than a quarter directly to Western Europe, and the remainder to Latin America, Asia, and other regions. The reductions we anticipate from the programs now in effect, particularly when the impact is directed toward the other industrial countries, should form a relatively small part of the total investment financed in those countries. In the major countries of Western Europe alone annual investment in all forms probably equals that in the United States. Hence the relationship of this correction of our deficit to world business activity is marginal, and should not be over-stressed.

As the world moves farther away from the restrictions and restraints of the earlier post-war period, the stream of financial capital moving between these two great industrial complexes in Europe and the United States might tend to widen. At the same time, the United States cannot reasonably be expected to continue to supply capital as an international banker if its reserve position is steadily reduced by a continuing deficit. This may well present a challenge to Europe and the United States to find an appropriate set of policies to meet on a continuing basis the capital flows problem. European countries, it is true, made some progress in 1964 in enlarging their capital markets, and in accommodating the needs of some foreign borrowers, particularly Japan; some countries have applied special disincentives to the attraction of foreign capital into their monetary reserves. But there remains the need to reduce European capital imports and to stimulate larger foreign investments, without a corresponding increase in its current account position.

## Capital Flows and European Reserves

A reduction in the flow of financial capital from the United States and an associated shrinkage of the United States deficit could have a considerable effect on international liquidity. Without a U.S. deficit, the increase in world reserves would be limited essentially to the amount of new gold production flowing into monetary channels -- that is, to about $500 to $700 million per year. Since a number of countries on the continent of Europe have become accustomed to much larger aggregate increases in their reserves year by year, some adjustments could be expected. While the authorities in some of these countries might look with favor upon a position of United States equilibrium and somewhat slower growth in their reserves, there are voices here and abroad that express concern about the effect upon these economies of a considerable and rapid tapering off of these customary reserve increases. They would fear that domestic credit might tighten too sharply, and that this might place an additional brake on expansion, already slowing down in several Continental countries, and that this could affect the level of activity in the outside world.

It is certainly true that some adjustments will need to be made in these countries, for any change in capital flows to the outside world will have its economic effect, through our over-all balance of payments position. But there are several qualifications to bear in mind. One is that these countries have for some time been facing heavy pressures on savings, on prices, and on labor supplies. Under such conditions it should be possible for these countries to absorb without adverse results a considerable part of the impact of a smaller volume of foreign receipts. Secondly, as noted, the amount of these receipts is small in relation to total investment and savings of the European economies. Thirdly, the movement of reserves frequently seems to be the dependent variable in the equation. Especially in recent years, persistent reserve increases seem in some cases not to have been the result of policies directed specifically toward the external accounts, but rather a by-product of action taken to dampen domestic inflationary pressures.

Actually the growth in liquidity in the past ten years has been concentrated largely in the surplus industrial countries. When we look at the position of international reserves and their recent growth, we are struck at once by the really phenomenal enlargement of reserves in the industrial countries, excluding the United States and the United Kingdom. From the end of 1953 to the end of 1964, the gold and foreign exchange reserves of eight leading industrial countries in the Group of Ten and Switzerland rose from $10.6 billion to $27.6 billion, or by $17 billion. This amounted to nearly tripling their total reserves.

Moreover, during this period, while these countries increased their reserves in gold and foreign exchange, the rest of the world lost about $3 billion of reserves in this form.

It is especially worthy of note that the demand of these countries for gold to add to their reserves, at $12 billion, was about twice the availability of new monetary gold supplies for the world as a whole. This was made possible only by large-scale transfers of gold to them from United States reserves.

I do not attempt today more than to sketch out some of the relationships between international capital flows and our balance of payments and liquidity problems. As and when our balance of payments shows continuing strength, some of the uncertainties that have to date surrounded the liquidity problem should begin to clear. We can then see what we face, once the all-embracing screen of the massive United States deficit has been lifted and moved aside. The essential questions that will have to be answered are: What will be the reserve needs of the world: How much will the major industrial countries require in the form of gold, and what will they be willing to take into their reserves in addition to gold?

There are a number of technical possibilities for creating additional reserve assets to meet these or other situations in the future. They involve essentially an agreement or understanding among monetary authorities to treat a particular type of credit claim, either on another country or on an institution, as a monetary reserve asset.

One method, frequently mentioned, is the further extension of the technique of reciprocal acquisition of currencies, as in the short-term swaps of the Federal Reserve, but for a long-term. Each country then regards its claim on the other partner as a reserve asset. The countries could also issue special securities to each other, with appropriate provisions as to maturity, interest rates and exchange protection.

Another approach would be a further evolution of the present reserve claims on the International Monetary Fund. These claims are drawing rights that countries have obtained, and can use virtual at will, as a result either of having paid gold subscriptions to the Fund, or from the use of their currencies by the Fund to extend credits to other countries. The Managing Director of the Fund, Mr. Schweitzer,has recently indicated how this might be done, either by increasing the present readily available drawing rights or by creating special claims on the Fund to be used as reserve assets.

Other suggestions have been made involving more restrictive procedures, both as to participation and governing rules. I do not propose to comment in any detail on any of these approaches. However, I would like to underline some of the characteristics of any approach which seem to me especially significant.

First, additional or new reserve assets should be accepted as such by the major industrial countries. Secondly, they should be held as reserve assets without directly or indirectly leading to a reduction in reserve currencies or other supplements to gold reserves. That is, they should not accentuate demands on gold. Thirdly, the method of providing additional reserves should be in general evolutionary, in the sense of general public acceptance with a minimal disturbance of financial and exchange markets and with especial care to avoid encouragement to gold hoarding and gold speculation. Fourth, a balance would have to be achieved between the fears of some that creation of international reserves becomes too easy, with a general over-expansionary effect on world supplies of money and credit, and those who fear that international decisions would be too cumbersome and too restrictive. There are, of course, many other questions that might divide proponents of this or that technique, or appeal to particular countries, including the always important questions of who participates in the benefits and responsibilities of reserve creation, and how they are shared.

Reserve assets, once created, in a satisfactory way or ways, could be shifted from country to country and earned or borrowed in ways similar to gold, reserve currencies, or existing claims on the Fund. That is, they could make possible the simultaneous existence of surpluses among the major countries, including the United States, in excess of new monetary gold supplies, and without redistribution of existing gold reserves or cancellation of other reserve assets. They would then be true supplements to existing reserves.

A concensus may not emerge easily or quickly. For the world has to date relied essentially on gold and reserve currencies, and the public everywhere tends to be cautious and pragmatic in monetary matters. Money is peculiarly sensitive to public acceptance and public confidence.

We shall not find answers to these questions over night. Indeed, the answers can probably evolve only as they are shaped and molded by the actual course of monetary history in the making. What we must insure is that the monetary authorities of the world have a common awareness of the type of problem which may arise as dollars become more scarce and have a common objective of shaping the evolving international monetary system in a cooperative way to the benefit of the sound economic aspirations of developed and developing nations alike.

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DRAFT WHITE HOUSE RELEASE June 21, 1965

EXCISE TAX PAMPHLET FOR CONSUMERS

The ~~White House~~ TREASURY today announced publication of a pamphlet entitled, "The Excise Tax Reduction -- Some Questions and Answers for Consumers."

The pamphlet was prepared by the Treasury in cooperation with the President's Committee on Consumers Interest. A limited number will be available at the Treasury Information Office. Other copies may be ordered from the Government Printing Office at 10 cents a copy.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

June 21, 1965

FOR IMMEDIATE RELEASE

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The next general meeting of the Treasury panel of economic consultants will be held in July.

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"The Treasury is very fortunate in having access to the tremendous pool of talent represented by Dr. Harris and the other consultants. These men have made a great contribution in recent years

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to informing the Treasury and other government

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officials on new ideas and research in the areas of fiscal and monetary policy. They are an invaluable source of information and academic expertness available to Treasury officials engaged in working out new policies and reviewing progress on existing programs. Their efforts will assure that the Treasury has continued access to leading scholars, as well as to the leaders of business, finance, and labor with whom it regularly consults."

La Jolla, California, will continue as Senior Consultant. Dr. Harris will also continue to coordinate the activities of the panel.

The panel holds several general meetings each year. Smaller working groups meet from time to time with Treasury officials and staff members, with respect to current problems. The general meetings may be attended by other government officials from the Council of Economic Advisers, the Bureau of the Budget, the Commerce Department or any agency which has an interest in the subjects to be discussed.

In announcing that the Treasury would continue to make use of the services of the consultants, Secretary Fowler said:

~~DRAFT PRESS RELEASE~~

FOR ~~IMMEDIATE RELEASE~~ Release A.M. Newspapers
Wednesday, June 23, 1965

TREASURY TO CONTINUE ROLE OF ECONOMIC CONSULTANTS

Treasury Secretary Fowler announced today that he will continue the practice of meeting with members of a panel of outside economists who serve as Treasury consultants. Panel members are leading economists on the staffs of universities and of research organizations. They serve the Treasury as consultants in their particular field of study.

Secretary Fowler named 33 economists as members of his consultative panel, and indicated that four others may BE attend INC meetings from time to time. Nearly all named today had served previously on a panel of Treasury economic consultants established in 1961 by FORMER Secretary Dillon.

Dr. Seymour E. Harris, Chairman of the Department of Economics, the University of California, San Diego, at

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 22, 1965

RELEASE A.M. NEWSPAPERS
WEDNESDAY, JUNE 23, 1965

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Treasury and other government officials abreast of new ideas and research in the areas of fiscal and monetary policy. They are an invaluable source of information and academic expertness available to Treasury officials engaged in working out new policies and reviewing progress on existing programs. Their efforts will assure that the Treasury has continued access to leading scholars, as well as to the leaders of business, finance, and labor with whom it regularly consults."

The next general meeting of the Treasury panel of economic consultants will be held in July.

List of Treasury consultants attached.

PANEL OF TREASURY CONSULTANTS

George L. Bach
Carnegie Institute of Technology
Schenley Park
Pittsburgh, Pennsylvania

Philip W. Bell
Haverford College
Haverford, Pennsylvania

Roy Blough
Columbia University
New York, New York

Harvey E. Brazer
The University of Michigan
Ann Arbor, Michigan

Gerhard Colm
National Planning Association
Washington, D. C.

Richard N. Cooper
Yale University
New Haven, Connecticut

James S. Duesenberry
Harvard University
Cambridge, Massachusetts

John G. Gurley
Stanford University
Stanford, California

Gottfried Haberler
Harvard University
Cambridge, Massachusetts

Alvin H. Hansen
Harvard University
Cambridge, Massachusetts

Seymour E. Harris
University of California, S.D.
La Jolla, California

Albert G. Hart
Columbia University
New York, New York

Hendrik S. Houthakker
Harvard University
Cambridge, Massachusetts

Harry G. Johnson
The University of Chicago
Chicago, Illinois

John H. Kareken
University of Minnesota
Minneapolis, Minnesota

Peter B. Kenen
Columbia University
New York, New York

C. P. Kindleberger
Massachusetts Institute of Technology
Cambridge, Massachusetts

Hal B. Lary
National Bureau of Economic Research, Inc.
New York, New York

John Lintner
Harvard Graduate School of Business Administration
Soldiers Field
Boston, Massachusetts

Fritz Machlup
Princeton University
Princeton, New Jersey

Lloyd A. Metzler
The University of Chicago
Chicago, Illinois

Raymond F. Mikesell
University of Oregon
Eugene, Oregon

Franco Modigliani
Massachusetts Institute
of Technology
Cambridge, Massachusetts

Geoffrey H. Moore
National Bureau of Economic
Research, Inc.
New York, New York

Richard A. Musgrave
Princeton University
Princeton, New Jersey

Alice Rivlin
The Brookings Institution
Washington, D.C.

Carl S. Shoup
Columbia University
New York, New York

Warren L. Smith
The University of Michigan
Ann Arbor, Michigan

Arthur Smithies
Harvard University
Cambridge, Massachusetts

Robert Solow
Massachusetts Institute
of Technology
Cambridge, Massachusetts

Daniel B. Suits
The University of Michigan
Ann Arbor, Michigan

James Tobin
Yale University
New Haven, Connecticut

Robert C. Turner
Indiana University
Bloomington, Indiana

Others who are expected to participate upon an occasional basis include:

Edward M. Bernstein
E.M.B. Limited
Washington, D. C.

Joseph A. Pechman
The Brookings Institution
Washington, D.C.

Walter S. Salant
The Brookings Institution
Washington, D. C.

Paul A. Samuelson
Massachusetts Institute of Technology
Cambridge, Massachusetts

~~BETA - MODIFIED~~

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

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

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

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

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for 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 July 1, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 1, 1965. Cash

~~Exhibit 2A~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,

June 23, 1965

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TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series of Treasury bills to the aggregate amount of $ 2,200,000,000 , or thereabouts, for cash and in exchange for Treasury bills maturing July 1, 1965 , in the amount of $ 2,202,143,000 , as follows:

91 -day bills (to maturity date) to be issued July 1, 1965 , in the amount of $1,200,000,000 , or thereabouts, representing an additional amount of bills dated September 30, 1964 , and to mature September 30, 1965 , originally issued in the amount of $1,000,539,000 / (an additional $1,002,063,000 was issued April 1965), the additional and original bills to be freely interchangeable.

182 -day bills, for $ 1,000,000,000 , or thereabouts, to be dated July 1, 1965 , and to mature December 30, 1965 .

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern ~~Standard~~ Daylight Saving time, Monday, June 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

# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 23, 1965

'OR IMMEDIATE RELEASE

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

F-102

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 July 1, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 1, 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.

FOR RELEASE A.M. NEWSPAPERS,
Friday, June 25, 1965.

June 24, 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, or thereabouts, of 365-day Treasury bills to be dated June 30, 1965, and to mature June 30, 1966, which were offered on June 17, were opened at the Federal Reserve Banks on June 24.

The details of this issue are as follows:

Total applied for - $2,190,290,000
Total accepted - 1,000,090,000 (includes $47,025,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting one tender of $840,000)

| | | | |
|---|---|---|---|
| High | - 96.157 | Equivalent rate of discount approx. | 3.790% per annum |
| Low | - 96.126 | " " " " " | 3.821% " " |
| Average | - 96.140 | " " " " " | 3.807% " " / |

(90% of the amount bid for at the low price was accepted)

| Federal Reserve District | Total Applied for | Total Accepted |
|---|---|---|
| Boston | $ 10,504,000 | $ 504,000 |
| New York | 1,687,197,000 | 685,197,000 |
| Philadelphia | 12,214,000 | 2,214,000 |
| Cleveland | 14,575,000 | 14,575,000 |
| Richmond | 9,443,000 | 9,443,000 |
| Atlanta | 15,584,000 | 15,384,000 |
| Chicago | 307,265,000 | 162,265,000 |
| St. Louis | 7,421,000 | 5,421,000 |
| Minneapolis | 6,145,000 | 6,145,000 |
| Kansas City | 4,104,000 | 4,104,000 |
| Dallas | 30,730,000 | 30,730,000 |
| San Francisco | 85,108,000 | 64,108,000 |
| TOTAL | $2,190,290,000 | $1,000,090,000 |

/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 3.97%. 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

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE
SENATE FINANCE COMMITTEE ON H. R. 8147
RELATING TO CERTAIN CUSTOMS EXEMPTIONS
JUNE 24, 1965

Mr. Chairman and Members of the Committee:

I welcome this opportunity to appear before your Committee to comment on H. R. 8147.

## Introduction

On May 12 I appeared before the House Ways and Means Committee to testify in support of H. R. 7368, a bill introduced at the request of the Administration. That bill provided, among other things, that from July 1, 1965, until January 1, 1968, the current exemption from duty available to residents returning from foreign travel would be reduced from $100, wholesale value, to $50, fair retail value. It also provided that the exemption would be applicable only to articles accompanying returning residents.

In substitution for H. R. 7368, the House passed H. R. 8147, as amended. Instead of the $50 recommended by the Administration, the

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bill passed by the House provides, on a permanent basis, for a tourist free exemption of $100 retail value. Moreover, it would not, as did the legislation proposed by the Administration, limit the exemption to articles accompanying the returning residents. The Treasury Department is strongly opposed to the changes made in these provisions and hopes that your Committee will reject them and, at a minimum, substitute for them the provisions in the original bill which was H. R. 7368.

H. R. 8147 also contains special exemptions for residents of the United States returning from the Virgin Islands, Guam, or American Samoa, but increases them by 100 percent over the amounts provided in the Administration-supported H. R. 7368. The Treasury is also opposed to these increases.

In addition to the modifications of H. R. 7368 described above, H. R. 8147 would limit to one quart the present one gallon, duty-free liquor allowance available to returning residents, and would restrict it to individuals who have attained the age of 21. The Treasury endorses this provision of the bill.

Urgent need for legislation

If Congress fails to act before July 1, the tourist exemption will automatically revert to $500, a figure utterly out of keeping with our present needs.

Impact of tourist free exemptions provisions of H. R. 8147 on U. S. balance-of-payments program

Passage of H. R. 8147 without substantial amendment would have some implications for our balance-of-payments position which I view as quite serious. I fear that the American public would regard such legislation as a sign that it is now safe to relax; and that our foreign friends would regard it as a weakening in the American Government's resolve to take a step considered politically disagreeable to carry through the balance-of-payments program announced by the President on February 10. The fact is that, from a balance-of-payments standpoint, we are far from a position where it is safe to relax and, as Secretary of the Treasury, I have no alternative but to urge this Committee and the Congress to avoid any action that would indicate a lack of will and determination to bring our balance of payments into equilibrium and keep it there.

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."

Although we are not restricting American tourist travel abroad, we feel strongly that this is certainly no time to encourage foreign travel and spending abroad. I am concerned that Senate approval of the House-approved version of H. R. 8147 would be interpreted by some as Congressional encouragement of foreign travel. Instead, it is a time for the Congress to carry out fully the President's recommendation that the Congress:

"-- pass legislation to reduce the duty exemption on foreign purchases by United States citizens returning from abroad to $50, based on the price actually paid;

"-- limit the exemption to goods which accompany the returning travelers."

Description of U. S. balance-of-payments situation

It is our view that official encouragement of foreign travel is inappropriate at this time for the following reasons.

First, the overall picture: Last year the deficit on the regular international transactions of the United States 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, it does not represent enough progress, or progress that is fast enough.

Second, the effect of foreign travel: 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, <u>the deficit on account of tourism was $1.6 billion in 1964</u>. It is expected to be larger in 1965, even with a reduced tourist exemption.

Although the estimated balance-of-payments savings from the tourist free exemption provisions recommended by the Administration may seem relatively small when compared with the provisions presently in effect -- they would be in the range of $75 to $125 million annually -- 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 which reach a large segment of our economy.

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 should feel the discipline, which are necessary to meet this problem. This is so of small as well as of large affairs.

Balance-of-payment economies by the Government: The Government has been making strenuous efforts which have borne fruit. In a statement issued on June 17, 1965, the President indicated that the net balance-of-payments costs of federal programs through regular transactions abroad declined 23 percent -- $635 million -- from fiscal year 1963 to 1965. He went on to state that, according to present plans, these costs will decline another 13 percent -- $290 million -- by 1967. While this achievement results from efforts in many areas, the most substantial contribution to date has resulted from a reduction in overseas payments of $720 million from 1963 to 1965. Just as an example of what is being done, the statement points out that there were 8,614 fewer civilian federal employees overseas in December 1964 than a year earlier. We are striving to make further savings.

Effects of the voluntary restraint by banks and businesses: 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 also that individual citizens make a significant, even if modest, contribution as part of this program which we are pursuing on many fronts to achieve balance-of-payments savings. The provisions of H. R. 7368, the bill introduced at the request of the Administration, provide for such a contribution by individuals.

Indications thus far are that the President's effort to eliminate our balance-of-payments deficit is now having success. Following substantial deficits in January and February, our overall 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 proposals which I described to you in my introductory statement and which are contained in H. R. 7368. We must be ever mindful that it takes more than a few quarters of equilibrium to demonstrate our ability and decisiveness in this crucial area.

What is called for is firm and consistent evidence that the United States is determined to face up, on all fronts, to the need for putting its balance of payments in equilibrium and keeping it there. I am concerned that Senate approval of the House-approved version of H. R. 8147 will tend to cast doubt on this determination.

Implications of failing to reduce tourist free exemptions adequately

The thought that I found recurring among members of the House when the bill was being considered there was that the balance-of-payments saving was so small that the bill amounted to "nit picking" by the Administration. True, the estimated balance-of-payments saving from the bill we recommended is in the range of $75 - $125 million. Many have overlooked the fact that this is an annual saving. Secondly, saving is saving, and this is how you do it: you save a little here and you save a little there and, if you are persistent about it, it all adds up to a big amount. This is what we are trying to do on every front, with regard to large items and small items.

And, as I have already emphasized, the problem is not simply one of figures and bookkeeping. National will power and determination necessarily become involved.

Let me cite an example of the importance of what I have in mind. One of the major features of the balance-of-payments program outlined by the President last February is the appeal for voluntary action on the part of five or six hundred of the major American corporations which carry on extensive operations abroad. These corporations are being asked to make an important contribution to the U. S. national interest by taking into account the balance-of-payments impact of their corporate decisions and actions. Where, for instance, they require funds to finance operations overseas, they are being asked to borrow abroad for this purpose although this may entail the payment of somewhat higher interest charges.

These corporations are also being asked to take a careful look at and, if possible, defer some of their overseas investment for a period of time. They are also reexamining whether they are doing all that they can to promote their exports.

In all of these situations an element of determination is involved, a willingness to pursue the goal in small and large affairs alike and a willingness to temper business and personal interests in favor of long-term national interests. I am glad to report that we are receiving exemplary cooperation.

I am concerned that approval of the House bill as it now stands would have the effect, however unintended, of undermining that determination which President Johnson has so successfully injected into the national position on this vital problem. If the Congress is unprepared to take the mild action the Administration has recommended to reduce American tourist expenditures, why should American corporations be willing to subordinate their financial interests. Voluntary cooperation can only be asked at all if it is asked _of_ all.

Practice of other countries with respect to tourist free exemptions

There has been a great deal of comment to the effect that enactment of the Administration's tourist exemption proposal would have serious consequences for our trade and trade relations with friendly foreign countries. It is interesting in the light of this contention to examine the practices of some of these countries, particularly those not suffering from balance-of-payments problems. Just to cite a few examples:

Canada allows Canadian tourists returning from the United States to import no more than $25 of merchandise duty free.

Belgium, which is not suffering from a balance-of-payments problem, allows returning Belgian nationals to import only $12 of merchandise duty free.

France, with no balance-of-payments problem, similarly allows only $12.

And West Germany, which certainly has no balance-of-payments problems, allows only $12.50.

The United Kingdom, which for years has been suffering from balance-of-payments difficulties, allows no exemptions whatsoever.

These countries, and others which might be cited, have no legitimate complaint against the measures we propose.

When this bill was being considered, many proposals were advanced. Some felt that the tourist free exemption should be eliminated altogether, at least temporarily. Some felt it should be $10, or $25. Great emphasis was given to the desirability of enacting a provision which, while making a significant contribution to our balance-of-payments problem, would provide a minimum of inconvenience to the American traveler. It was for this reason that we finally decided upon what was considered a very liberal allowance of $50. In other words, the issue of the inconvenience to the American public was fully taken into account. Possibly we should have recommended $25. Certainly a persuasive argument can be advanced in favor of temporarily reducing the tourist free exemption to $25 and establishing an exemption of $100 on a permanent basis to take effect after an equilibrium in our balance of payments has been achieved and sustained for a sufficient period to justify a conclusion that it was not a passing phase.

<u>Availability of tourist free exemption privilege for "articles to follow"</u>

I also hope that the Senate will provide for a discontinuance of the so-called "articles to follow" privilege which the President recommended. 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 covered 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. 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 French perfume 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 perfume free of Canadian taxes and duties. In other words, the "to follow" privilege has been taken advantage of in a way that was never intended.

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-percent 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 required would necessarily slow down the clearance of articles through customs.

Need for urgent Congressional action

If Congress fails to enact legislation 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 twelve 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 whatever figure may be established by the Congress. 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, or whatever other level Congress may legislate, when just a few days earlier a rise from $100 to $500 had been allowed.

Conclusion

The legislation that will be enacted by the Congress in this regard is one of the few things that we can practically do to bring home to the public at large the effect of foreign travel on our balance of payments.

Moreover, officials of foreign governments observe our actions closely to detect any slight weakening in the American resolve to take the necessary corrective measures for redressing our foreign payments imbalance.

I earnestly request that this Committee recommend a bill substantially along the lines of H. R. 7368, notably including:

1. Elimination of the "articles to follow" privilege; and

2. Temporary reduction of the tourist exemption to not more than the $50 figure requested.

In addition I would urge:

3. Retention of the liquor provision added by the House; and

4. Establishment of a permanent tourist exemption at the $100 fair retail level, to become effective when our balance-of-payments difficulties have passed.

the Department of State to the Soviet Embassy in Washington.

The STORIS report said that preliminary attempts by it to make

~~Preliminary attempts to gain~~ radio contact with the KONSTANTIN SUKHANOV were unsuccessful. Late in the afternoon of ~~22~~ 22 June, the KONSTANTIN SUKHANOV picked up all her boats and proceeded into the Bering Sea through Unimak Pass. The STORIS using international signals advised the Soviet vessel that fishing for king crab was only permitted in the eastern Bering Sea. The KONSTANTIN SUKHANOV using international signals replied, "fishing for king crabs proceeding in eastern Bering Sea".

~~**USCG**~~

June 24, 1965

For Immediate Release

Coast Guard Discovers Soviet Violation

of the U.S.-Soviet King Crab Fishing Agreement

The United States Coast disclosed today that one of its vessels on patrol off the Alaskan shore recently discovered Russian fishing vessels taking king crabs in violation of ~~a king crab fishing~~ an agreement signed by the United States and Soviet Russia this year.

The Coast Gurad said that its cutter STORIS on ptarol off Alaska June 21 saw the Russian factory vessel KONSTANTIN SUKHAROV, with seven fishing boats in the water, taking king crab approximately 25 miless south of Unimak Island, Alaska, in 40 fathoms.

This is outside the area agreed upon for Soviet king crab fishing in an accord of February 5, 1965. The agreement provides for Soviet king crab fishing on the continental shelf of the United States in the part of the eastern Bering Sea west of 160 degrees West Longitude.

A protest based upon the report of the STORIS was made today by

# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 24, 1965

FOR IMMEDIATE RELEASE

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 24, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON GALVANIZED WARE
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that galvanized ware imported from Canada, manufactured by General Steel Wares Limited, Canada, is 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 and to Make Determination That No Sales Exist Below Fair Value," was published in the Federal Register on May 12, 1965, stating that termination of sales with respect to galvanized ware imported from Canada, manufactured by General Steel Wares Limited, Canada, and assurances that if resumed they would not be at less than fair value 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.

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

Imports of the involved merchandise received during the period August through December 1964 were worth approximately $24,000. No importations have been reported since December 1964.

TREASURY DEPARTMENT

WASHINGTON, D.C.
June 24, 1965

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Tuesday, June 29, 1965.

June 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 September 30, 1964, and the other series to be dated July 1, 1965, which were offered on June 23, we opened at the Federal Reserve Banks on June 28. Tenders were invited for $1,200,000,0 or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bil The details of the two series are as follows:

| RANGE OF ACCEPTED COMPETITIVE BIDS: | 91-day Treasury bills maturing September 30, 1965 | | 182-day Treasury bills maturing December 30, 1965 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv Annual Rate |
| High | 99.047 | 3.770% | 98.070 a/ | 3.818% |
| Low | 99.039 | 3.802% | 98.061 | 3.835% |
| Average | 99.043 | 3.784% 1/ | 98.067 | 3.824% 1/ |

a/ Excepting 4 tenders totaling $1,695,000
17 percent of the amount of 91-day bills bid for at the low price was accepted
18 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 | $ 21,601,000 | $ 11,601,000 | $ 4,741,000 | $ 4,741,000 |
| New York | 1,476,082,000 | 805,762,000 | 1,465,377,000 | 772,777,000 |
| Philadelphia | 26,251,000 | 14,251,000 | 12,470,000 | 4,470,000 |
| Cleveland | 26,602,000 | 26,602,000 | 26,943,000 | 26,943,000 |
| Richmond | 16,459,000 | 16,459,000 | 3,610,000 | 3,610,000 |
| Atlanta | 33,764,000 | 30,764,000 | 21,460,000 | 21,460,000 |
| Chicago | 269,471,000 | 140,641,000 | 234,344,000 | 83,934,000 |
| St. Louis | 35,731,000 | 30,901,000 | 12,771,000 | 10,271,000 |
| Minneapolis | 20,663,000 | 18,833,000 | 14,289,000 | 12,379,000 |
| Kansas City | 26,284,000 | 26,284,000 | 14,188,000 | 13,688,000 |
| Dallas | 22,926,000 | 18,096,000 | 9,650,000 | 5,830,000 |
| San Francisco | 67,371,000 | 60,051,000 | 63,920,000 | 40,420,000 |
| TOTALS | $2,043,205,000 | $1,200,245,000 b/ | $1,883,763,000 | $1,000,523,000 |

b/ Includes $228,493,000 noncompetitive tenders accepted at the average price of 99.04
c/ Includes $88,982,000 noncompetitive tenders accepted at the average price of 98.067
1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide yields of 3.87% for the 91-day bills, and 3.95% for t 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather tha the amount invested and their length in actual number of days related to a 360-da year. In contrast, yields on certificates, notes, and bonds are computed in term of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannu compounding if more than one coupon period is involved.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

)R RELEASE A. M. NEWSPAPERS,
esday, June 29, 1965.

June 28, 1965

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Excepting 4 tenders totaling $1,695,000
percent of the amount of 91-day bills bid for at the low price was accepted
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| District | Applied For | Accepted | : | Applied For | Accepted |
|---|---|---|---|---|---|
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| Cleveland | 26,602,000 | 26,602,000 | : | 26,943,000 | 26,943,000 |
| Richmond | 16,459,000 | 16,459,000 | : | 3,610,000 | 3,610,000 |
| Atlanta | 33,764,000 | 30,764,000 | : | 21,460,000 | 21,460,000 |
| Chicago | 269,471,000 | 140,641,000 | : | 234,344,000 | 83,934,000 |
| St. Louis | 35,731,000 | 30,901,000 | : | 12,771,000 | 10,271,000 |
| Minneapolis | 20,663,000 | 18,833,000 | : | 14,289,000 | 12,379,000 |
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RATA 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 July 8, ~~(16)~~ 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 8, 1965 ~~(17)~~. Cash

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, June 28, 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 July 8, 1965 ~~(3)~~, in the amount of $ 2,205,181,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued July 8, 1965 ~~(6)~~, in the amount of $ 1,200,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated April 8, 1965 ~~(8)~~, and to mature October 7, 1965 ~~(9)~~, originally issued in the amount of $ 1,001,261,000 ~~(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 July 8, 1965 ~~(13)~~, and to mature January 6, 1966 ~~(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, Friday, July 2, 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.

June 28, 1965

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He is the author of a book, Growth Opportunities in Common Stocks, published in May by Harper & Row.

Mr. Knowlton attended Lawrenceville School, Lawrenceville, New Jersey and the University of Nanking, at Nanking, China before going to Harvard.

For the past three years he has been manager of his firm's research department.

Mr. Knowlton succeeds Mr. Merlyn N. Trued in office. Mr. Trued became Assistant Secretary of the Treasury for International Affairs on April 29, 1965.

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<u>D R A F T</u>

FOR RELEASE AT NOON
MONDAY, JUNE 28, 1965

Winthrop Knowlton Named Deputy
Assistant Secretary of the Treasury
for International Affairs

Secretary of the Treasury Fowler today administered the oath of office to Winthrop Knowlton, of New York City, as Deputy Assistant Secretary of the Treasury, for International Affairs.

Mr. Knowlton was a partner of White, Weld and Company, international investment bankers of New York City, before coming to the Treasury. He has been with that firm since he finished Harvard Business School, where he was graduated with distinction in 1955. He was graduated <u>magna cum laude</u> from Harvard College in 1953.

Mr. Knowlton was born in New York City September 1, 1930. He is married to the former Grace Daniels Farrar, and has

[illegible]
~~four~~ children.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 28, 1965

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FOR INTERNATIONAL AFFAIRS

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F-108

Mr. Frederick L. Deming, Under Secretary of the Treasury for Monetary Affairs; Mr. Merlyn N. Trued, Assistant Secretary of the Treasury for International Affairs, and Mr. Stanley S. Surrey, Assistant Secretary of the Treasury for Tax Policy.

Ackley, Chairman of the President's Council of Economic Advisers, Mr. George Woods, President of the International Bank for Reconstruction and Development (World Bank), and Mr. Frank A. Southard, Jr., Deputy Managing Director of the International Monetary Fund.

In addition to the Chancellor and the Secretary, participants in the Treasury discussion included:

Sir Patrick Dean, British Ambassador to the United States; Sir William Armstrong, Joint Permanent Secretary of the British Treasury; Sir Denis Rickett, Second Secretary of the British Treasury; Mr. M. H. Parsons, Executive Director, Bank of England and Mr. John Stevens, Economic Minister in the British Government; Mr. Joseph W. Barr, Under Secretary of the United States Treasury;

For Immediate Release

337 June 29, 1965

Chancellor of the Exchequer Meets
With U. S. Treasury Secretary Fowler

The British Chancellor of the Exchequer, James Callaghan, met with U. S. Secretary of the Treasury Henry H. Fowler, this morning at the Treasury, to review a variety of subjects of mutual interest, including the business situation in each country and the international payments system.

The meeting began at 10:30 A.M. and concluded at 1:15 PM.

A joint communique concerning the conversations will be issued later.

This is Mr. Callaghan's first visit to Washington as Chancellor of the Exchequer, and he met the American Secretary of the Treasury for the first time today.

While he is in Washington today and tomorrow, Mr. Callaghan also plans to see Secretary of Defense McNamara, Under Secretary of State George W. Ball, Mr. William McChesney Martin, Chairman of the Federal Reserve Board, Mr. Gardner

# TREASURY DEPARTMENT

WASHINGTON, D.C.

June 29, 1965

FOR IMMEDIATE RELEASE

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WITH U. S. TREASURY SECRETARY FOWLER

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TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE
ON H. R. 5916
WEDNESDAY, JUNE 30, 1965

Mr. Chairman and Members of the Committee:

I am appearing before you to urge prompt and favorable action on H. R. 5916, legislation which is intended to reduce tax barriers to foreign investment in the United States. Passage of this bill will serve two important national objectives. First, it constitutes a comprehensive and integrated revision of our present system of taxing foreign individuals and foreign corporations on income derived from the United States, bringing our system of taxing foreigners into line with the rules existing generally in the other developed countries of the world. Second, the bill will make a significant contribution to our balance of payments by serving to eliminate the impediments now existing in our tax laws to foreign investment in the United States.

## Background of Proposals

In his Balance of Payments Message of July 18, 1963, President Kennedy announced he was appointing a task force to review U. S. Government and private activities which adversely affect foreign purchases of the securities of U. S. companies, The group was composed of representatives of finance, business, and government. This task force, of which I had the privilege of serving as chairman, studied various courses of action which could be adopted in both the private and public sectors to encourage foreign ownership of U. S. securities.

In April 1964, the task force issued its report containing 39 recommendations, which call for a broad range of actions by U. S. international business organizations and financial firms, as well as by the Federal Government, to bring about broader foreign ownership of U. S. corporate securities. Among the recommendations directed toward the Government, those dealing with the taxation of foreign individuals and foreign corporations have the most significant and immediate impact.

Issuance of the task force report prompted a broad and intensive review by the Treasury of the rules governing taxation by the United States of foreign individuals and foreign corporations. This review considered these rules not only from the standpoint of the balance of payments but also from the viewpoint of conventional tax policy considerations. As a result of this review, the Treasury Department on March 8, 1965 submitted to the Congress legislation containing not only proposals in all of the tax areas dealt with in the task force report, but also in other areas where it appeared that change was desirable to make the present system more consistent with rational tax treatment of foreign investment.

The Treasury Department agrees with the task force conclusion that many of the existing rules applicable to foreign investors in the United States are outmoded and not only serve to deter foreign investment but are inconsistent with sound tax policy. These rules were enacted many years ago and do not reflect the changes in economic conditions which have occurred over the last fifteen years.

Examples of tax rules which impede foreign investment in this country are many: The present level of our estate tax -- higher on foreigners than on U. S. citizens -- is completely out of line with the rates generally prevailing elsewhere in the world and acts as a significant deterrent to potential foreign investors. Also, the fact that we require tax returns from foreigners merely because they make passive investments here is inconsistent with international tax practice and hinders foreign investment. These and other provisions in the Internal Revenue Code contribute to the widely-held view that investment in U. S. securities poses such serious tax problems for the ordinary foreign investor that it cannot be undertaken without the benefit of expensive tax advice. At the same time, some of these provisions are extremely difficult, if not impossible, to enforce, or are susceptible of relatively easy avoidance by the sophisticated foreign investor. Since they deter many foreign investors and are avoided by the rest, they give rise to almost no tax revenue. Enactment of all of the changes proposed in H. R. 5916 will result in a revenue loss of less than $5 million annually.

However, in proposing these changes, we have kept in mind the importance of not converting the United States into a tax haven nor of diverting funds to the United States from less developed countries. The purpose of this bill is to remove tax barriers which have served to discourage foreigners from making investments in the United States. At the same time we recognize that no purpose will be served if the bill violates international tax standards, thereby setting off a struggle among the developed nations of the world to attract foreign investors through tax devices. To attract foreign investors, the United States must offer not "tax breaks" or "tax gimmicks" -- it must offer a growing and dynamic economy. We believe our record of economic growth over the last five years and our prospects for the future are sufficient to induce a substantial increase in foreign investment if our tax system does not act as a bar.

Impact of H. R. 5916 on the Balance of Payments

There is no way of estimating with any degree of precision the impact of the bill on foreign investment in the U. S. or the resulting benefit to our balance of payments. The factors governing securities investment are many and complex. Even in purely domestic transactions, intangibles such as habit, convenience, and past experience may be as important as yields, price-earnings ratios and other economic indicators.

Although difficult to quantify, there is ample evidence of a sizable potential for attracting foreign investment in U. S. corporate securities, particularly stocks, by residents of the prosperous countries of Continental Europe. After more than a decade of rapidly rising incomes, Europeans have to a large extent fulfilled many of their most pressing consumer needs and are accumulating savings at a high rate. Individuals in Europe are turning increasingly towards securities investment, as shown by the rising activity on European stock exchanges, the large number of new offices opening in Europe by American securities firms, and rising sales of mutual fund shares. Yet, even now, in Europe only 1 person in 30 is a shareowner as compared to 1 in 11 in the United States.

At the end of 1964, foreigners held an estimated $12.8 billion of U. S. corporate stocks valued at market prices. In every year since 1950 except two, foreign purchases of U. S. stocks have exceeded foreign sales. In the six years between 1959 and 1964, net purchases by foreigners averaged $161 million. These net figures are the residual of much larger gross purchases and sales which in recent years have been on the order of $2-1/2 billion to $3-1/2 billion. A small percentage shift in the ratio of purchases to sales, therefore, could have had a substantial effect on the net balance of transactions.

If the amount of additional investment expected to result from H. R. 5916 were merely a function of the amount of tax saved, there would be little improvement in the balance of payments. More important than the small tax savings to foreigners, however, is the substantial effect which will result from the simplification and rationalization of our tax treatment of foreign investors. Our high estate tax on foreigners, for example, is widely considered by experts to be one of the biggest barriers to foreign investment. While the change in the estate tax proposed by H. R. 5916 would eliminate \$3 million out of about \$5 million of tax levied each year, existing estate tax rates almost certainly deter many foreigners from investing here at all. This is particularly so when the exemption is limited to only \$2,000 -- any investment whatsoever will subject the estate to tax and require filing of an estate tax return, with the resulting expenses. It is not surprising under these circumstances that the small foreign investor avoids purchasing U. S. stocks because of the inconvenience of the estate tax; the big investor also avoids such purchasing but because of the size of the tax itself.

Viewed in this light, it is clear that the changes contained in H. R. 5916 should in time materially increase the volume of foreign investment in the U. S. Based on the sizable potential for foreign purchases of U. S. corporate stocks which is known to exist, we expect that the legislation will eventually result in an additional capital inflow on the order of $100 million to $200 million per year, other factors remaining unchanged. Considerable time -- perhaps one to two years or maybe more -- will be required before foreigners can complete the adjustment of their portfolios to take advantage of H. R. 5916, but a substantial impact may be felt in the period just ahead.

Specific Proposals Contained in H. R. 5916

I should like to review at this time the principal substantive changes embodied in H. R. 5916.

Estate Tax.--It is generally felt that our current system of taxing the U. S. estates (involving only the U. S. assets) of foreign decedents is inequitable and constitutes one of the most significant barriers in our tax laws to increasing foreign investment in U. S. corporate securities. Under present law, a foreign decedent is taxable at regular U. S. estate tax rates, ranging up to 77 percent, on U. S. property held at death. Moreover, the U. S. estates of foreign decedents are entitled only to a $2,000 exemption compared with a $60,000 exemption available to U. S. citizen decedents, and are not entitled to the marital deduction available to U. S. citizen decedents. Thus, U. S. estate tax rates applied to nonresidents are in most cases considerably higher than those of other countries and therefore foreigners who invest in the United States suffer an estate tax burden. In addition, a foreign decedent's estate must pay heavier estate taxes on its U. S. assets than would the estate of a U. S. citizen owning the same assets.

H. R. 5916 would increase the exemption for the U. S. estates of foreign decedents from $2,000 to $30,000 and would tax such estates on the basis of a 5-10-15 percent rate schedule. With this significant increase in the exemption and sharp reduction in rates, the effective U. S. estate tax rate on foreign decedents would no longer be considerably higher than most other countries and would be more closely comparable to the rates prevailing elsewhere.

This change should have an important psychological effect on foreigners contemplating investment in U. S. securities. Where the gross U. S. estate would be less than $30,000, there would be no estate tax, and no need to file an estate tax return. In those instances where the estate is larger, the effective rate would be sharply reduced and would be comparable to the effective rate of tax of a U. S. citizen who utilizes the $60,000 exemption and the marital deduction.

Capital Gains.--The present system of taxing capital gains realized by foreigners has contributed to the view that investment in the United States is something which should be approached cautiously because of the possibility of inadvertently becoming subject to tax. The Internal Revenue Code now provides for a general exemption from capital gains tax for nonresident foreigners not doing business in the United States with two exceptions. First, the foreigner's gains are subject to U. S. capital gains tax if he is physically present in the United States when the gain is realized, and second, all gains during the year are taxable if he spends 90 days or more in the United States during that year.

The physical presence restriction can be easily avoided by the experienced foreign investor if he arranges to be outside the country when the gain is realized, but is a potential trap to the foreigner who is not aware of its existence. The bill would eliminate this restriction from the general capital gains exemption.

In addition, the bill would extend the 90-day period which a foreigner may spend here without being subject to capital gains tax to 183 days. This will make the provision more consistent with international standards governing the taxation of foreigners residing in a country for a substantial period. It will also minimize the possibility that a foreigner will be taxed on capital gains realized at the beginning of a taxable year if he later spends a substantial amount of time in the United States during that year.

Graduated Income Tax Rates.--At the present time, foreign individuals not doing business in the United States who derive more than $21,200 of investment income from U. S. sources are subject to regular U. S. income tax graduated rates on that income and are required to file returns.

These requirements have produced little revenue, in part because we have eliminated graduated rate taxation of investment income in almost all of our treaties with the other industrialized countries and in part because of the ease with which this provision is avoided. Moreover, it has been indicated that graduated rate taxation and the accompanying return requirement may represent a substantial deterrent to foreign investment in the United States.

H. R. 5916 eliminates all progressive taxation of nonresident foreigners not doing business here and removes the requirement for filing returns in such cases. The liability of foreign investors deriving U. S. investment income would thus be limited to the tax withheld at the statutory 30 percent rate or a lower applicable treaty rate. The legislation would continue graduated rate taxation for foreigners who are doing business in the United States. These rules are consistent with the practices of most other industrialized countries.

Segregation of Investment and Business Income.--Under present law, if a foreign individual is doing business in the United States he is subject to tax on all of his U. S. income, whether or not connected with his business operations, on the same basis in general as a U. S. citizen. H. R. 5916 would separate the business income of a foreign individual engaged in business here from his nonbusiness income, and would tax the nonbusiness income at the 30 percent statutory withholding rate or at the lower appropriate treaty rate. All business income would remain subject to tax at graduated rates.

With respect to foreign corporations doing business in the United States (so-called resident foreign corporations), which also have stock investments here, H. R. 5916 would likewise separate dividend income from the other income of the foreign corporation. Under the legislation, a resident foreign corporation deriving such dividend income from the United States would thus be taxable on its dividend income at the statutory 30 percent rate or at the lower applicable treaty rate. As a result, the foreign corporation would no longer receive the deduction now afforded under the Internal

Revenue Code to dividends received by one corporation from another corporation.

The elimination of the dividends received deduction as respects resident foreign corporations is in part designed to end an abuse which has developed. Frequently, a foreign corporation with stock investments in the United States engages in trade or business here in some minor way and then claims the dividends received deduction on its stock investments. Such a corporation ends up paying far less than the 30 percent statutory or applicable treaty rate on its U. S. dividends, even though its position is basically the same as a corporation which is not doing business here which derives investment income from the United States. In those cases where the applicable treaty rate is 5 percent (the rate set by certain treaties where subsidiary dividends are involved), the resident foreign corporation will benefit from this proposed change.

Definition of "Engaged in Trade or Business."--H. R. 5916 makes clear that individuals or corporations are not engaged in trade or business in the United States -- and thus subject to tax at regular graduated rates rather than the 30 percent withholding rate or lower treaty rate -- because of investment activities here or because they have granted a discretionary investment power to a U. S. banker, broker or adviser. This provision should have the effect of removing much of the uncertainty which now surrounds the question of what amounts to engaging in trade or business in the United States. Uncertainty of this type is undesirable as a matter of tax policy and has the effect of limiting foreign investment in the United States. Many foreigners are afraid of investing in U. S. stocks if they cannot give a U. S. bank or broker authority to act for them. This change will have relatively limited impact, however, since under the legislation, business income does not include dividends or gains from the sale of stock.

The bill also changes present law by giving foreign individuals and corporations an election to compute their income from real property on a net income basis at regular

U. S. rates rather than at the 30 percent withholding rate or lower treaty rate on gross income. This type of treatment is common in the treaties to which the United States is a party and is designed to deal with the problem which arises from the fact that the expenses of operating real property may be high and cannot be taken into consideration if the income from real property is subject to withholding tax.

Personal Holding Companies and "Second Dividend Tax."-- H. R. 5916 changes the personal holding company provisions of the Internal Revenue Code as applied to the U. S. investment income of foreign corporations and also modifies the application of the so-called "second dividend tax." Under the bill, foreign corporations owned entirely by foreigners would be exempt from the personal holding company tax. This is possible because of the elimination of graduated rates as applied to foreigners which is contained elsewhere in the bill, and which makes the application of the personal holding company provision to corporations wholly-owned by foreigners no longer appropriate.

Under the bill, the "second dividend tax" (which is levied on dividends distributed by a foreign corporation if the corporation derives 50 percent or more of its income from the United States) would be applied only to the dividend distributions of foreign corporations doing business in the United States which have over 80 percent U. S. source income. It is desirable to retain this part of the tax to cover those cases where a resident foreign corporation has the great bulk of its business operations in the U. S. and to treat dividends of such a corporation as being from U. S. sources.

These changes should have the effect of eliminating application of the personal holding company tax and "second dividend tax" in many cases where they now apply, and which may now act as a deterrent to foreign investment.

Expatriate American Citizens.--The provisions of H. R. 5916 which eliminate graduated rates for foreign individuals and substantially reduce the estate tax liability of foreign decedents may create a substantial tax incentive to U. S. citizens who might wish to surrender their citizenship in order to take advantage of these changes in the law. While it is doubtful whether there are many who would be willing to take such a step, still the incentive would be present and might be utilized. H. R. 5916 deals with this problem by providing that an individual who had surrendered his U. S. citizenship for tax reasons within the preceding 10 years shall be subject to U. S. taxation with respect to his U. S. income and assets at the rates applicable to citizens. Such individuals will therefore not receive the benefits of this legislation but will be taxed as nonresident foreigners are at present. As I mentioned, these provisions would not apply if the expatriate American citizen can establish that the avoidance of U. S. taxes was not a principal reason for his surrender of citizenship.

Retaining Treaty Bargaining Position.--The risk is present that by making the changes provided in H. R. 5916, the United States may be placed at a considerable disadvantage in negotiating similar concessions for Americans. In order to protect the bargaining position of the United States in international tax treaty negotiations, H. R. 5916 therefore authorizes the President, where he determines such action to be in the public interest, to reapply present law to the residents of any foreign country which he finds has not acted to provide our citizens substantially the same benefits for investment in that country as those enjoyed by its citizens on their investments in the United States as a result of this legislation. If this authority were invoked, it could be limited to those investment situations as to which U. S. citizens were not being given comparable treatment. We believe that the presence of such a provision will be a material aid in our securing appropriate provisions respecting these matters in our international tax treaties.

## Conclusion

Our current system of taxing foreign investors in the United States contains elements which are inconsistent with generally accepted international tax policy principles and which, at the same time, act to discourage foreign investment in the United States. H. R. 5916 is designed to reshape our present system in order to make it a more rational vehicle for taxing foreign individuals and corporations.

The legislation is an essential element of the President's comprehensive program for dealing with our balance of payments problem. As such, it is one of the aspects of the President's program which is expected to have a longer-term impact on our balance of payments. Foreigners will invest in this country as long as our economy remains prosperous and stable. However, it cannot be expected that the level of foreign investment will reach its full potential so long as provisions exist in our tax laws which serve to discourage foreign investment and which are not in accord with international tax standards. H. R. 5916 will eliminate or modify the provisions of present law which have complicated our system of taxing foreigners but have resulted in little revenue being realized.

Adoption of H. R. 5916 will lead to a simpler and more rational method of taxing foreigners. It will also be an important step in moving toward the elimination of our balance of payments deficit and the strengthening of the international position of the dollar. Because this legislation will contribute to these two vital national objectives, I urge you to support it.

TREASURY DEPARTMENT

WASHINGTON, D.C.

June 30, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON BICYCLES
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that bicycles from Poland 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 and to Make Determination That No Sales Exist Below Fair Value," was published in the Federal Register on May 14, 1965, stating that in view of the Tariff Commission's "no injury" determination in the case concerning Hungarian bicycles involving analogous circumstances with respect to bicycles imported from Poland, it was no longer appropriate to continue the instant investigation.

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.

Imports of the involved merchandise received during the period January through April 1965 were worth approximately $34,000.

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the needs of the developing countries.

The Ministers agreed that the two reserve currencies would continue to play an essential part in the financing of international trade and as a medium in which to hold reserves. They recognised that the resultant common interests of the ~~interests of the~~ two currencies ~~were closely bound up with one another.~~ ~~This identity of interest had already been recognised in the~~ had led to the measures of financial co-operation taken by the two countries, which should be fully maintained. ~~and intensified.~~

In addition to the Chancellor and the Secretary, participa in the Treasury discussion included:

Sir Patrick Dean, British Ambassador to the United States; Sir William Armstrong, Joint Permanent Secretary of the British Treasury; Sir Denis Rickett, Second Secretary of the British Treasury, Mr. Robert Neild, Economic Adviser to the British Treasury, Mr. M.H. Parsons, Executive Director, Bank of England and Mr. John Stevens, Economic Minister in the British Embassy, Washington.

Mr. Joseph W. Barr, Under Secretary of the United States Treasury; Mr. Frederick L. Deming, Under Secretary of the Treasury for Monetary Affairs; Mr. Merlyn N. Trued, Assistant Secretary of the Treasury for International Affairs, and Mr. Stanley S. Surrey, Assistant Secretary of the Treasury for Tax Policy.

Chancellor reiterated earlier assurances that the British authorities would continue to co-operate by managing the portfolio in such a way as to minimize the impact of the operations on the U.S. balance of payments and avoid any significant impact on the US security markets. He added that these operations had now been carried to a point where the portfolio could be used to reinforce the U.K. reserves at short notice.

With respect to the problem of international liquidity, it was felt that a number of countries will require time to consider their attitudes in the light of changing developments in international payments, and with the benefit of technical studies now being completed in the Group of Ten. In this connection, the Chancellor referred to the discussions which he had held with M. Giscard d'Estaing, the French Minister of Finance; and Secretary Fowler indicated that he hoped to have talks with the Finance Ministers of other major countries in the latter part of the year on the subject of international liquidity.

These talks would explore the various possibilities with a view toward any reinforcement that would help to assure a payments system fully responsive to the continued growth of international trade.

The British and American ministers were agreed that any such reinforcement must await the development, out of the present divergent opinions, of an international consensus on of the current year.

The Chancellor of the Exchequer and Secretary Fowler agree that the prospects for an early and sustained equilibrium in the U.S. balance of payments resulting from the efforts of the last four years were good, and that there should be no relaxati in the execution of President Johnson's program of February 10, 1965. The Chancellor said that a substantial improvement had taken place in the British balance of payments during the first quarter of 1965. He expected a big reduction in the deficit on current and long-term capital account for 1965 as a whole. The measures which the British Government had taken in the fields of fiscal policy, credit control, the stimulation of industrial efficiency, incomes policy and economic planning were beginning to work through the economy: and he reiterated his aim of balancing Britain's overseas payments in the second half of 1966.

In discussing the interaction of the balance of payments programs of the two countries, the Chancellor drew attention to the effect on the British position of the measures which the United States had undertaken to correct its balance of payments. In this connection, Secretary Fowler ~~emphasized~~ that the guidelines for the voluntary restraint program take account of the U.K. payments problem. The United States pointed out that the British Government's program described by Chancellor Callaghan to the British Parliament on 12th April, for

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FOR IMMEDIATE RELEASE

STATEMENT ON DISCUSSIONS HELD JUNE 29 BY
CHANCELLOR OF THE EXCHEQUER JAMES CALLAGHAN
OF GREAT BRITAIN
AND
SECRETARY OF THE TREASURY HENRY H. FOWLER
AT THE UNITED STATES TREASURY.

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British Chancellor of the Exchequer James Callaghan and Secretary of the Treasury Henry H. Fowler agreed ~~in their~~ talks at the United States Treasury that in present circumstances the primary contribution of both the United Kingdom and the United States to international financial stability and the improvement in the international monetary system is to achieve and sustain a broad equilibrium in their international balance of payments.

Secretary Fowler noted that the voluntary effort by American bankers and businessmen to reduce their net dollar outlays abroad, undertaken earlier this year at the President's request, is having an encouraging effect. Provisional indications are that this, and the wide range of other efforts being made to end the United States payments deficit, resulted in surpluses during March, April and probably in May. However, the United States plans no relaxation of its efforts. The country is now entering the period of the year when tourist expenditures increase dollar

FOR IMMEDIATE RELEASE                                June 30, 1965

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With respect to the problem of international liquidity, it was felt that a number of countries will require time to consider their attitudes in the light of changing developments in international payments, and with the benefit of technical studies now being completed in the Group of Ten. In this connection, the Chancellor referred to the discussions which he had held with M. Giscard d'Estaing, the French Minister of Finance; and Secretary Fowler indicated that he hoped to have talks with the Finance Ministers of other major countries in the latter part of the year on the subject of international liquidity.

These talks would explore the various possibilities with a view toward any reinforcement that would help to assure a payments system fully responsive to the continued growth of international trade.

The British and American ministers were agreed that any such reinforcement must await the development, out of the present divergent opinions, of an international consensus on this subject; but that constant and persistent efforts should be pressed at the Ministerial level, both during and after the meetings of the World Bank and International Monetary Fund. In this connection the Chancellor stressed the importance of the needs of the developing countries.

The Ministers agreed that the two reserve currencies would continue to play an essential part in the financing of international trade and as a medium in which to hold reserves. They recognized that the interests of the two currencies were closely bound up with one another. This identity of interest had already been recognized in the measures of financial cooperation taken by the two countries, which should be maintained and intensified.

In addition to the Chancellor and the Secretary, participants in the Treasury discussion included:

Sir Patrick Dean, British Ambassador to the United States; Sir William Armstrong, Joint Permanent Secretary of the British Treasury; Sir Denis Rickett, Second Secretary of the British Treasury, Mr. Robert Neild, Economic Adviser to the British Treasury, Mr. M. H. Parsons, Executive Director, Bank of England and Mr. John Stevens, Economic Minister in the British Embassy, Washington.

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STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
ON BUDGET ESTIMATES
AT A PRESS CONFERENCE
ON WEDNESDAY, JUNE 30, 1965, 3:30 P.M., EDT

Since today is the last day of the fiscal year, it seems appropriate to bring you up to date on our latest budget estimates for the year just ending -- although the actual results will not be available for another three weeks.

Improvement in the outlook has continued. The President's efforts to hold down expenditures have made even further progress and revenues are expected to be still higher than previously estimated.

The January Budget Message estimated FY 1965 expenditures at $97.5 billion and receipts at $91.2 billion, leaving an expected deficit of $6.3 billion.

On April 27, the President made public the first revisions of these January estimates. He reported that expenditures were expected to be down to $97.0 billion and revenues up to $91.7 billion, lowering the projected deficit to $5.3 billion.

On May 17, in his Excise Tax Message, the President revealed still higher revenue estimates of $92.6 billion, reducing the deficit still further to $4.4 billion.

On June 17, the President again made public revised budget estimates, listing expenditures at $96.6 billion and receipts at $92.8 billion moving the estimated deficit down to $3.8 billion.

As of today I am pleased to report a continuation of these budgetary improvements. According to Budget Director Schultze, expenditures are expected to be reduced to $96.4 billion. Meanwhile, Treasury estimates of receipts have moved up to $92.9 billion, leaving our current estimated deficit at $3.5 billion.

(OVER)

The $2.8 billion improvement in the deficit from $6.3 billion to $3.5 billion reflects a $1.7 billion increase in revenues and a $1.1 billion reduction in expenditures.

I would like to point out that, with the exception of one year, the deficit is the lowest since 1958.

I would also like to point out that the increase in revenues can be credited in good part to the stimulative effect of the Administration's program of tax reduction -- and the reduction in expenditures can be credited to President Johnson's persistent efforts to hold down spending.

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT NEWS CONFERENCE, WEDNESDAY, JUNE 30, 1965,
3:30 P.M., EDT.

Because there has been some confusion in the press in the last few days about my position on the outlook for the economy over the near term future I would like to make my consistently held view entirely clear.

> It is my view -- and, it is the President's view and the view of others in the Administration -- that the United States economy is in excellent condition, that the near term outlook is for continued healthy economic growth, and that so far as the eye of economic foresight can see ahead, there is no indication of economic difficulty.

This is a view that I have held throughout the past weeks when movements in the stock market have given rise to questions about the condition and continuation of the longest unbroken period of economic growth in the nation's history.

My views have not changed for the simple -- and the very good -- reason that the economic conditions upon which they rest have not changed. Those were, and remain, conditions of sound, stable and sustainable economic health and expansion.

But, looking ahead into the far future in the late sixties, let me add that I am not to be counted among those who think we are in a new era that would guarantee us against economic trouble in the future.

I think we have learned a great deal about the use of government and private economic policy to avoid recessions, and that better public and private policy is one of the crucial and reassuring differences between the present and 1929, or other past periods of economic distress.

(OVER)

But let me repeat again: I do not think the laws of economics have recently been repealed. It is -- as I have been saying repeatedly -- still entirely possible to have a recession sometime in the distant future.

> At the same time, I would emphasize also that I see no such prospect for the excellent reason that our analysis of the economic situation reveals none of those imbalances or excesses that bring about economic downturns.

On the contrary, and this is one of the most important factors in our thinking, the long expansion that we have been having is an uncommonly well balanced one, uncommonly free of excesses. It is in these simple and homely facts -- and not in any "new era" thinking, that our confidence reposes. It is because of the sustainable rate, and the good relation of the various parts of the economy one to the other, that we expect the period of expansion to continue for the remainder of the calendar year 1965, and that we see nothing on the horizon in 1966 that could justify any change in our views.

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STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT NEWS CONFERENCE, WEDNESDAY, JUNE 30, 1965

Since so many of you have expressed interest in our conversations with the British Chancellor of the Exchequer, Mr. James Callaghan, I thought it might be helpful to call this conference.

Before I accept your questions, I have a statement to make.

Since today is the last day of the fiscal year, it seems appropriate to bring you up to date on our latest budget estimates for the year just ending -- although the actual results will not be available for another three weeks.

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I would also like to point out that the increase in revenues can be credited in good part to the stimulative effect of the Administration's program of tax reduction -- and the reduction in expenditures can be credited to President Johnson's persistent efforts to hold down spending.

Because there has been some confusion in the press in the last few days about my position on the outlook for the economy over the near term future, I would like to make my consistently held view entirely clear. It is my view -- and, as you know, it is the President's view and the view of others in the Administration -- that the United States economy is in excellent condition, that the near term outlook is for continued healthy economic growth, and that so far as the eye of economic foresight can see ahead, there is no indication of economic difficulty.

This is a view that I have held throughout the past weeks when movements in the stock market have given rise to questions about the condition and continuation of the longest unbroken period of economic growth in the nation's history.

My views have not changed for the simple -- and the very good -- reason that the economic conditions upon which they rest have not changed. These were, and remain, conditions of sound, stable and sustainable economic health and growth. If I may, I would like to draw your attention to statements I have made in this respect on four occasions in the recent past. They represent my present views accurately:

On June 8, in answer to questions put to me by members of the Senate Finance Committee in the course of a hearing on the Excise Tax reduction that has since been enacted, I said:

"I see no reason to question the earlier judgements of economists in Government, and I think in business as well, that we see and expect a continued orderly growth as far ahead as one can see with reasonable clarity.

"The dissimilarities between (1929 and the present) so far outweigh the similarities that I am not at all fearful of the repetition of the 1929-33 experience.

"I believe it is the duty and responsibility of those of us who are concerned to realize that it is the balanced character of this particular expansion which has given it its durability and its sustained effect over a long period of time ... It is perfectly natural when the economy is catching its breath, following very large increases in sales and production during the first quarter, that as we return to a more normal growth pattern we recognize this is something which has been fully anticipated."

But let me add that, looking ahead into the far future in the late Sixties, I said -- and I have repeated it since when asked about the longer term outlook -- that I am not to be counted among those who think we are in a new era that guarantees us against economic trouble in the future.

I will repeat again that I do not think the laws of economics have recently been repealed. It is -- as I have been saying with an eye to the distant future -- still entirely possible to have a recession. But I see no such prospect ahead of us. I see no such prospect for the excellent reason that our analysis of the economic situation reveals none of those imbalances or excesses that bring about economic downturns.

On the contrary, and this is one of the most important factors in our thinking, the long expansion that we have been having is an uncommonly well balanced one, uncommonly free of excesses. It is in these simple and homely facts -- and not in any "new era" thinking -- that our confidence reposes, and it is because of the sustainable rate and the good relation of the various parts of the economy one to the other that we expect the period of expansion to continue the rest of this year and so far as we can see into 1966.

Now let me resume:

On June 10 I was a member of a meeting convened by the President to review the economic situation. Others present besides the President included William McChesney Martin, Chairman of the Federal Reserve Board, and Gardner Ackley, Chairman of the President's Council of Economic Advisers.

Following this meeting, the President expressed the sense of our conclusions, as follows, and I quote:

> "The economy is good, employment is high, revenues are exceeding our expectations, expenditures are far below our expectations, stability of the currency is good and our exports are working well."

The President said there was no cause for "gloom or doom" and that he expected a "good steady second half" of the year.

On that occasion I referred to my earlier statements to the Senate Finance Committee, from which I have just now quoted, and I added:

> "I feel that the outlook as far as I can see ahead is very promising. If anything has happened since the first of the year it seems to me our sights have been a little bit raised insofar as the outlook for continued growth is concerned. Certainly the official forecast of $660 billion of Gross National Product for calendar 1965 seems solid and may be a trifle low."

On June 15, I was before the Senate Finance Committee in connection with the ceiling on the Federal debt. In answer to questions about the condition of the economy, I referred to conclusi reached at the White House meeting of June 10 as follows:

> "I think we all recognized that it is too much to expect that the economy will maintain the tremendous pace it had in the first quarter, when the Gross National Product increased about $14.2 billion due to some non-recurring factors -- the carryover of automobile demand from the fourth quarter when there had been some

interruptions due to strike and the steel inventory buildup in anticipation, or in fear of, a steel strike at the time of the May closing of the contract. I think we all expected the second quarter to continue to show a healthy rate of increase but not nearly at the pace that the first quarter had shown. We expect the third and fourth quarters of this calendar year to continue to show a healthy and appreciable expansion.

"We were all of the opinion that there is nothing on the horizon in the way of data or trends about the economic situation that indicate any substantial difficulties in 1966."

Now, for my final reference, I said in an interview on the television program Issues and Answers on June 20:

"(The) facts and circumstances justify a conservative view that the outlook for the economy is for a continued expansion as far as one can reasonably foresee.

"I think we can see fairly and soundly and solidly a continuing expansion for the remainder of the calendar year 1965, and we see nothing on the horizon in 1966 that would justify any change in the view ...

"I believe that a calm and conservative appraisal of all the factors that are at work today is one that ought to give the American people, both consumers, investors, managers of industry, leaders of labor, all those that are involved, an attitude of confidence for the future."

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United States Savings Bonds Issued and Redeemed Through June 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 |
|---|---|---|---|---|
| ED | | | | |
| ies A-1935 - D-1941 | 5,003 | 4,993 | 10 | .20 |
| ies F & G-1941 - 1952 | 29,521 | 29,433 | 87 | .29 |
| ies J and K - 1952 | 400 | 388 | 12 | 3.00 |
| TURED | | | | |
| ies E: 3/ | | | | |
| 1941 | 1,846 | 1,584 | 262 | 14.19 |
| 1942 | 8,150 | 7,021 | 1,129 | 13.85 |
| 1943 | 13,119 | 11,331 | 1,788 | 13.63 |
| 1944 | 15,290 | 13,080 | 2,210 | 14.45 |
| 1945 | 11,989 | 10,012 | 1,977 | 16.49 |
| 1946 | 5,396 | 4,296 | 1,100 | 20.39 |
| 1947 | 5,092 | 3,885 | 1,206 | 23.68 |
| 1948 | 5,253 | 3,908 | 1,344 | 25.59 |
| 1949 | 5,174 | 3,768 | 1,406 | 27.17 |
| 1950 | 4,517 | 3,219 | 1,297 | 28.71 |
| 1951 | 3,911 | 2,783 | 1,128 | 28.84 |
| 1952 | 4,093 | 2,872 | 1,221 | 29.83 |
| 1953 | 4,666 | 3,149 | 1,518 | 32.53 |
| 1954 | 4,746 | 3,079 | 1,666 | 35.10 |
| 1955 | 4,944 | 3,038 | 1,906 | 38.55 |
| 1956 | 4,713 | 2,878 | 1,835 | 38.93 |
| 1957 | 4,431 | 2,643 | 1,787 | 40.33 |
| 1958 | 4,290 | 2,425 | 1,865 | 43.47 |
| 1959 | 4,015 | 2,236 | 1,779 | 44.31 |
| 1960 | 4,004 | 2,100 | 1,904 | 47.55 |
| 1961 | 4,020 | 1,947 | 2,073 | 51.57 |
| 1962 | 3,870 | 1,770 | 2,100 | 54.26 |
| 1963 | 4,288 | 1,689 | 2,599 | 60.61 |
| 1964 | 4,191 | 1,353 | 2,838 | 67.72 |
| 1965 | 1,378 | 165 | 1,213 | 88.03 |
| nclassified | 367 | 441 | -74 | - |
| otal Series E | 137,753 | 96,675 | 41,078 | 29.82 |
| ies H (1952 - Jan. 1957) 3/ | 3,670 | 1,745 | 1,925 | 52.45 |
| H (Feb. 1957 - 1965) | 6,823 | 1,031 | 5,791 | 84.87 |
| otal Series H | 10,493 | 2,776 | 7,716 | 73.53 |
| otal Series E and H | 148,246 | 105,003 | 48,794 | 32.91 |
| ies J and K (1953 - 1957) | 3,329 | 2,081 | 4/ 1,248 | 37.49 |
| Series: Total matured | 34,654 | 34,814 | 109 | .31 |
| Series: Total unmatured | 151,575 | 107,084 | 50,042 | 33.01 |
| Series: Grand Total | 186,229 | 141,898 | 50,151 | 26.93 |

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

reserve asset in the form of virtually automatic "gold tranche" drawing rights on the Fund. No expenditures under the letter of credit will be required for the foreseeable future. Accordingly, the quota increase payment will have no effect upon the United States international reserve position, or upon its balance of payments position.

The increase in the United States quota is part of a general expansion of all members' quotas by 25 percent, plus larger increases for 16 countries. Secy Fowler said that the action ~~The United States government~~ ~~its~~ ~~views the action as~~ ~~as~~ ~~demonstrating the importance it places on~~ ~~which it is~~ a ensuring that adequate resources shall be available to the Fund so that it can continue to play a vital role in the international monetary system.

of the U.S. Government demonstrates the importance which it ~~it~~ places on

Proposed
Press Release

U. S. CONSENTS TO IMF QUOTA INCREASE

Secretary of the Treasury Henry H. Fowler, as U. S. Governor of the International Monetary Fund, has informed the Fund of United States consent to an increase of $1,035 million in the United States quota.

Secretary Fowler's action followed President Johnson's signing yesterday of appropriations legislation which implemented earlier Congressional authorization for the increase.

The increase in United States quota will be paid 25 percent or $258.75 million in gold, and 75 percent or $776.25 million through a letter of credit. The action is in accordance with the Resolution of the International Monetary Fund Board of Governors providing for the increase in members' quotas. In return for its gold payment the United States will receive an equally valuable

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 1, 1965

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Secretary of the Treasury Henry H. Fowler, as U. S. Governor of the International Monetary Fund, has informed the Fund of United States consent to an increase of $1,035 million in the United States quota.

Secretary Fowler's action followed President Johnson's signing yesterday of appropriations legislation which implemented earlier Congressional authorization for the increase.

The increase in United States quota will be paid 25 percent or $258.75 million in gold, and 75 percent or $776.25 million through a letter of credit. The action is in accordance with the Resolution of the International Monetary Fund Board of Governors providing for the increase in members' quotas. In return for its gold payment the United States will receive an equally valuable reserve asset in the form of virtually automatic "gold tranche" drawing rights on the Fund. No expenditures under the letter of credit will be required for the foreseeable future. Accordingly, the quota increase payment will have no effect upon the United States international reserve position, or upon its balance of payments position.

The increase in the United States quota is part of a general expansion of all members' quotas by 25 percent, plus larger increases for 16 countries. Secretary Fowler said that the action of the U. S. Government demonstrates the importance which it places on ensuring that adequate resources shall be available to the Fund so that it can continue to play a vital role in the international monetary system.

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F-111

# TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Saturday, July 3, 1965.

July 2, 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 April 8, 1965, and the other series to be dated July 8, 1965, which were offered on June 28, were opened at the Federal Reserve Banks on July 2. 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 October 7, 1965 | | : | 182-day Treasury bills maturing January 6, 1966 | |
|---|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | : | Price | Approx. Equiv. Annual Rate |
| High | 99.030 | 3.837% | : | 98.038 a/ | 3.881% |
| Low | 99.022 | 3.869% | : | 98.029 | 3.899% |
| Average | 99.026 | 3.853% 1/ | : | 98.033 | 3.890% 1/ |

a/ Excepting one tender of $150,000
38 percent of the amount of 91-day bills bid for at the low price was accepted
25 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 | $ 40,371,000 | $ 30,371,000 | : | $ 5,297,000 | $ 5,297,00 |
| New York | 1,337,359,000 | 780,959,000 | : | 1,471,381,000 | 872,006,00 |
| Philadelphia | 23,832,000 | 11,656,000 | : | 10,363,000 | 2,363,00 |
| Cleveland | 24,838,000 | 24,838,000 | : | 8,578,000 | 6,578,00 |
| Richmond | 15,024,000 | 15,024,000 | : | 2,485,000 | 2,185,0C |
| Atlanta | 32,162,000 | 31,192,000 | : | 12,605,000 | 9,605,00 |
| Chicago | 261,205,000 | 132,585,000 | : | 210,990,000 | 60,240,0C |
| St. Louis | 36,432,000 | 29,650,000 | : | 11,494,000 | 8,744,0C |
| Minneapolis | 18,527,000 | 16,287,000 | : | 7,794,000 | 5,419,0C |
| Kansas City | 25,005,000 | 23,005,000 | : | 8,653,000 | 7,633,0C |
| Dallas | 21,962,000 | 16,342,000 | : | 10,149,000 | 5,549,0C |
| San Francisco | 94,858,000 | 88,208,000 | : | 64,190,000 | 15,190,0C |
| TOTALS | $1,931,575,000 | $1,200,117,000 | b/ | $1,823,979,000 | $1,000,809,0C |

b/ Includes $223,928,000 noncompetitive tenders accepted at the average price of 99.
c/ Includes $72,881,000 noncompetitive tenders accepted at the average price of 98.C
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 3.94%, for the 91-day bills, and 4.02%, for t 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather tha the amount invested and their length in actual number of days related to a 360-da year. In contrast, yields on certificates, notes, and bonds are computed in term of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannu compounding if more than one coupon period is involved.

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WASHINGTON. D.C.

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ıturday, July 3, 1965.

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| Average | 99.026 | 3.853% 1/ | : | 98.033 | 3.890% 1/ |

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38 percent of the amount of 91-day bills bid for at the low price was accepted
25 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 | $ 40,371,000 | $ 30,371,000 | : | $ 5,297,000 | $ 5,297,000 |
| New York | 1,337,359,000 | 780,959,000 | : | 1,471,381,000 | 872,006,000 |
| Philadelphia | 23,832,000 | 11,656,000 | : | 10,363,000 | 2,363,000 |
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agreement, this fact, together with a summary of the opposing views, should be reported by the Committee Chairman to the Secretary of the Treasury.

This proposal in its broad outlines conforms closely to a recommendation of the President's Committee on Financial Institutions. It should provide an effective instrument for the exchange of views among the banking agencies, and for such accommodation of differences as is feasible considering the divergent scope of authority and responsibility of the participating agencies.

In asking your assent to this new procedure, let me assure you that I am conscious of and will fully respect the sentence in the President's letter which reads:

> "To the extent that each of these agencies has been granted authority directly by Congress, each enjoys considerable independence of action in this field."

Sincerely yours,

~~(Signed) "Joe"~~

Henry H. Fowler

~~The Honorable~~
William McChesney Martin, Jr.
Chairman, Board of Governors
Federal Reserve System
Washington, D. C.

~~Identical letter sent to:~~ ~~Comptroller Saxon~~
Chairman Randall
Chairman Horne

~~Orig.~~ with letter d 3/2/64

~~cc:~~ Barr
~~Deming~~
Volcker
Smith

~~For Immediate Release~~

June 24, 1965

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

The Honorable James J. Saxon
Comptroller of the Currency

The Honorable Kenneth A. Randall,
Chairman of the Federal Deposit Insurance Corporation

~~Dear Bill:~~ The Honorable John E. Horne
Chairman of the Federal Home Loan Bank Board

On March 3, 1964, in response to a direction of the President of March 2, 1964, Secretary Dillon established a procedure for the exchange of information among the bank regulatory agencies. This exchange was to apply to any rule, regulation or policy of any one agency which might conflict with an existing rule, regulation or policy of any of the other agencies. Ten working days was to be allowed for comment before any change was instituted, and while there was no requirement that these comments should be accepted, the arrangement worked out by Secretary Dillon indicated that comments received should be "carefully considered and accommodated as practicable."

I should like now to have your assent to a further elaboration of the earlier arrangement, and the extension of the new plan to cover the Federal Home Loan Bank Board.

The one weakness in the earlier procedure was the lack of direct discussions among the affected agencies. My proposal is that there should be established a Coordinating Committee on Bank Regulation to be composed of the Chairman of the Board of Governors of the Federal Reserve System or a designated Governor thereof, the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and the Chairman of the Federal Home Loan Bank Board. The Chairmanship of the Committee should rotate quarterly among the members, and the members should meet at least quarterly and additionally at the call of any member.

For each meeting of the Coordinating Committee, there should be a formal agenda comprising those matters requested for discussion by the individual members. The Secretary of the Treasury should have the authority to designate an observer or observers to attend these meetings. Where, with respect to any matter, the Committee is unable to reach an

Secretary Fowler said that the new Committee corresponds to recommendations made by the President's Committee on Financial Institutions, of April, 1963.

The Secretary recalled in his letter to the heads of the four bank regulatory bodies that in suggesting coordination of bank regulation actions the President had noted that ~~to~~ th~~e extent~~t the agencies had been granted authority directly by Congress, and that they enjoy "considerable independence of action." Secretary Fowler stated that he would "fully respect" this observation.

Secretary Fowler's letter proposing the Coordinating Committee on Bank Regulation is attached.

In a letter to the heads of the four agencies on June 24, Secretary Fowler said he wanted to add to this, provision for direct discussion [illegible] among the agencies of ~~regulatory moves.~~

He suggested, and they accepted, the establishment of a Coordinating Committee on Bank Regulation to meet at least quarterly. Chairmanship of the coordinating group will rotate among the members. Each meeting will have an agenda comprising matters for discussion requested in advance by the members.

The Secretary of the Treasury will send an observer to the meetings.

If the committee cannot reach agreement this is to be reported by the Chairman of the Coordinating Committee to the Secretary of the Treasury.

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The Coordinating Committee adds to arrangements made in March, 1964, at the suggestion of President Johnson, for exchange of information among bank regulatory agencies.

This exchange was to apply to any rule, regulation or policy of any one of the bank regulating agencies which might conflict with an existing rule, regulation or policy of any of the others. The arrangements for exchange of information provided for 10 working days for comment before any change was instituted. There was no requirement that these comments should be accepted, but the arrangement worked out by former Treasury Secretary Douglas Dillon indicated that comments received should be "carefully considered and accommodated as practicable."

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FOR IMMEDIATE RELEASE

COORDINATING COMMITTEE ON BANK REGULATION

Treasury Secretary Henry H. Fowler today announced the establishment of a Coordinating Committee on Bank Regulation.

Secretary Fowler ~~named to the~~ announced that the committee ~~representatives~~ who comprise the representatives ~~of~~ the four ~~Federal~~ agencies with responsibility for regulation of banks: William McChesney Martin, Jr., Chairman of the Federal Reserve Board, or, a designated Federal Reserve Board Governor; James J. Saxon, Comptroller of the Currency; Kenneth A. Randall, Chairman of the Federal Deposit Insurance Corporation and John E. Horne, Chairman of the Federal Home Loan Bank Board.

The Secretary said he expected the Coordinating Committee to provide "an effective instrument for the exchange of views among the banking agencies, and for such accomodation of

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 6, 1965

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June 24, 1965

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Chairman, Board of Governors of the
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Comptroller of the Currency

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This proposal in its broad outlines conforms closely to a recommendation of the President's Committee on Financial Institutions. It should provide an effective instrument for the exchange of views among the banking agencies, and for such accommodation of differences as is feasible considering the divergent scope of authority and responsibility of the participating agencies.

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> "To the extent that each of these agencies has been granted authority directly by Congress, each enjoys considerable independence of action in this field."

Sincerely yours,

Henry H. Fowler

~~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 sa 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 subje 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 interes 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 suc bills, whether on original issue or on subsequent purchase, and the amount actual received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418 (current revision) and this notice, pre scribe 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 July 15, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 15, 1965. Cash

~~EXHIBIT 2~~

~~BETA MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

July 7, 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 July 15, 1965 , in the amount of $2,201,735,000 , as follows:

91 -day bills (to maturity date) to be issued July 15, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated April 15, 1965 , and to mature October 14, 1965 , originally issued in the amount of $1,000,699,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 1,000,000,000 , or thereabouts, to be dated July 15, 1965 , and to mature January 13, 1966 .

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, July 12, 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.

July 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 July 15, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 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

STATEMENT OF MERLYN N. TRUED
ASSISTANT SECRETARY OF THE TREASURY
Before the
HOUSE BANKING AND CURRENCY COMMITTEE
July 8, 1965

Mr. Chairman and Members of the Committee:

I am happy to appear before you in support of H.R. 8816, a bill containing three separate proposals relating to the International Bank for Reconstruction and Development and its affiliate, the International Finance Corporation. I have with me Mr. Ralph Hirschtritt, Deputy to the Assistant Secretary of the Treasury.

Mr. Chairman, the proposals embodied in this legislation have been fully endorsed by the National Advisory Council on International Monetary and Financial Problems, and a copy of its Special Report is before you. The Senate passed a companion bill, S. 1742, by a voice vote on June 30. I shall briefly cover some of the main points.

IBRD Lending to IFC

The first proposal would amend the Articles of Agreement of the IBRD and the IFC to permit the Bank to lend to the IFC. This authority will contribute greatly to the continued success of these institutions in encouraging, each in its own way, private investment in the less developed countries

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of the free world. I need hardly stress the importance of the role of private enterprise in the economic development of the less developed areas.

I am sure that the Committee is quite familiar with the two institutions. The World Bank, established immediately after World War II, is now engaged primarily in lending to the less developed countries. It makes long-term loans directly to member governments, public entities or private enterprises. All loans must be guaranteed by the member in whose territories the project is located. Projects financed and assisted by the Bank are generally basic to the economic structure of the recipient country and typically have been in the fields of transportation, power, and industrial and agricultural development.

The Bank has been highly successful, and it enjoys the reputation of being a sound financial institution. As I have indicated, except in the case of loans made directly to member governments, the borrower is required to obtain a guarantee from the government of the country in which the project is to be located. Often, however, private investors have been reluctant to seek, and in some cases it is difficult for host governments to give, such guarantees.

To complement the Bank's operations in promoting assistance to the private sector in the less developed countries, the Bank sponsored the IFC, which was established in 1956 with the full support of the United States. The IFC invests only in private enterprise projects and does not require host government guarantees of repayment of its investments. The result is that IFC can and does make loans to private enterprise that the Bank cannot make. The proposed legislation would provide additional resources through the IFC for the future stimulation of economic growth through private enterprise.

In its decade of operations, the IFC has promoted the growth of private enterprise activity in the less developed countries and brought new venture capital where it is needed. By providing financing in conjunction with other investment both local and foreign, and often with only limited use of its own funds, the IFC has facilitated the investment of a much greater aggregate volume of private capital.

The IFC offers a variety of forms of assistance. Its operations fall into three major categories: (1) loan or equity investments in operating companies; (2) investments in industrial finance companies that relend to local industry; and (3) participation in underwriting and stand-by transactions for private firms raising capital. Individual IFC investments have been relatively small, generally under $5 million, and they have been made to a variety of types of manufacturing industries. While it still has funds to invest, the pace of IFC's operations is increasing and it is timely and important to make provision for the future.

To this end, the Executive Directors of each institution in August 1964 recommended to the Governors that Bank resources be made available to the private sector through the IFC. This would be accomplished by permitting the Bank to make loans to the IFC.

The total amount of loans outstanding by the Bank to IFC could not, under the arrangement, exceed four times the unimpaired subscribed capital and surplus of IFC. This limit is about $400 million based on the IFC's present balance sheet. Bank lending to the IFC would take place only over time and in accordance with IFC's operational requirements.

At their Annual Meeting in Tokyo last September, the Governors of the Bank and the IFC approved the report of the Executive Directors recommending this proposal. Draft resolutions containing the necessary amendments to the Articles of Agreement are presently before the respective

Boards of Governors to be voted on by each Governor after obtaining the necessary authority prescribed by domestic law. The Bretton Woods Agreements Act, authorizing U.S. membership in the Bank, requires Congressional authorization for the U.S. Governor to vote for an amendment of the Articles. The International Finance Corporation Act contains a similar provision with respect to amendment of the IFC Articles.

The proposal does not, of course, involve any appropriation or expenditure of funds by the United States. It is fully consistent with the objectives of the United States in promoting private enterprise in less developed countries and should have our full support. A number of countries have already acted and U.S. action will enable it to become effective.

IBRD Capital Increases not Involving the U.S.

The proposed legislation would also permit the U.S. Governor to vote for an increase in the authorized capital stock of the International Bank for Reconstruction and Development. This increase would not involve an increase in the U.S. subscription, nor any expenditure of funds by the United States. The present authorized capital of the Bank is $22 billion. This amount is almost fully subscribed, but it is now apparent that it is not adequate to accommodate the immediate and foreseeable subscriptions of new members and the special increases in the subscriptions of existing members.

As of March 31, 1965, $21,629 million had been subscribed. An additional $165 million in new subscriptions and subscription increases have been authorized by the Board of Governors and these are now merely awaiting the completion of formalities. Total subscriptions will then amount to $21,794 million. Thus, the limit is now very nearly reached at a time when further subscriptions of about $900 million may be expected. This further amount will come about as the 16 countries undertaking special increases in their quotas in the International Monetary Fund also increase their Bank subscriptions, in accordance with normal practice. Other subscriptions may also be expected.

Because the resulting increases could not be made under the Bank's existing authorized capital, there is now pending before the Board of Governors a resolution to increase the authorized capital stock of the Bank by $2 billion. Congressional approval is required for the U.S. Governor to vote in favor of this resolution which, I wish to re-emphasize, does not involve any change in the U.S. subscription. In 1963 the

Congress approved a similar increase of $1 billion in the Bank's authorized capital.

The bill before the Committee will authorize the U.S. Governor to vote for the present resolution by granting him continuing authority to vote for any such increases in the authorized capital of the Bank when an increase in the U.S. subscription is not involved and hence no U.S. payments or increased obligations result. If an increase in the U.S. subscription is involved, then, of course, Congressional authorization would continue to be required.

Reports of the NAC

The third change which would be made by H.R. 8816 would be to permit reports of the National Advisory Council on International Monetary and Financial Problems to be made on an annual basis instead of semi-annually and biennially as presently required. This proposal stems from a request by the President that Executive agencies review the reports which they are required by statute to submit to Congress for the purpose of determining whether such reports could be eliminated or reduced in number. It is anticipated that the proposed annual reports will contain all the information now contained in the presently required reports, while at the same time the number of such reports would be reduced from five to two over each two-year period.

In connection with this last proposal, it should be noted that Reorganization Plan No. 4 of 1965, submitted by the President on May 27, 1965, would abolish the National Advisory Council as a statutory body and transfer its functions to the President. The President stated, however, that prompt action would be taken to create a successor committee along the general lines of the body now provided by law.

I urge the enactment of H.R. 8816.

for U. S. industry and finance.

4. Measures for reviewing and correcting abuses in the use of private foundations.

2 Sidney J. Weinberg, Senior Partner, Goldman, Sachs & Co., New York;

1 Roger M. Blough, Chairman, United States Steel Corporation, New York.

Treasury officials attending, in addition to the Secretary, included Under Secretary Joseph W. Barr, Assistant Secretary Stanley Surrey, ASSISTANT SECRETARY MERLYN TRUED, Assistant Secretary Robert A. Wallace, and Deputy Under Secretary Paul Volcker.

The agenda for the meeting included the following items:

1. Policies for maintaining the economic advance.

2. The balance of payments position of the United States, international liquidity, and the viability of the international monetary system.

3. Liberalization of the tax treatment of foreign investment in the United States, and its significance

The Chairman of the Liaison Committee is Mr. Harold Boeschenstein, Chairman of the Owens-Corning Fiberglas Corporation, Toledo, Ohio. Other members attending today were:

Henry C. Alexander, New York, formerly Chairman, Morgan Guaranty Trust Co.;

G. Keith Funston, President, New York Stock Exchange, New York;

David Packard, Chairman, Hewlett-Packard Company, Palo Alto, California;

Henry S. Wingate, Chairman, The International Nickel Company, Inc., New York;

Frederic G. Donner, Chairman, General Motors Corporation, New York;

Paul L. Davies, Chairman, FMC Corporation, San Jose, California;

Eugene N. Beesley, President, Eli Lilly and Company, Indianapolis, Indiana;

Frank R. Milliken, President, Kennecott Copper Corporation, New York;

W.B. Murphy, Chairman of the Business Council and President, Campbell Soup Company, Camden, New Jersey.

Members not attending today were:

FOR IMMEDIATE RELEASE

TREASURY OFFICIALS HOLD FIRST MEETING
WITH NEW BUSINESS COUNCIL
CONSULTATIVE COMMITTEE

Secretary Henry H. Fowler and other Treasury officials met today with members of the newly organized Treasury Consultative Committee of the Business Council.

The committee was proposed at a Business Council meeting in Hot Springs, Virginia, last May 8, by Secretary Fowler, who said that "the principal function of our consultation should be to keep up a two-way exchange and dialogue on areas of mutual concern to the Treasury and to the business community."

Today's meeting, held in the Treasury, began at 11:00 A.M., extended through luncheon, and ended at ______________.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 8, 1965

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will see that democracy is the system that gives the youth of each generation the widest chance to meet the challenges it senses.

And in saying <u>this</u> I am not making an effort to be either brief or modest, as I always am when speaking of the operations of the Treasury.

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generation. I am one of those who believe that my generation dealt with its main problems -- world war, and chronic economic instability -- rather well. And I am one of those who believe your generation will do at least as well with its problems. In coming to work in your Federal Government this summer you are gaining an invaluable insight into the day-by-day realities of the challenge of democracy to youth, and indeed to all of us. I think that what you see of American government in operation will strengthen the belief you imbibed in your homes and schools that our system, however much it may need to be improved -- and you will have your day for making improvements in it -- is the best, the most human and humane, the most orderly and the most beneficial system that mankind has yet invented for keeping the peace and making progress. If you look around, you before his fellow men and before his government, the equal rights of all before the law and in our daily lives, the worth of honest work, love for our fellow men, respect for the ideas of others, and willingness to accept the responsibilities as well as the privileges of freedom.

Now, it seems to me that we could say that these values add up to a belief that is democracy itself, a belief that decent people, trying with respect for one another regardless of race or creed, to understand and do something about their problems, generate a collective wisdom that is superior to any centrally planned direction of human activities.

I may not be entirely sure on all occasions what you young people mean by some of your words, such, for instance, as "square." But I am sure that young people today are in no real way different than the young people of my own great before, because we find ourselves now in a time of such rapid and deep going change -- scientific, social, technological, political, and cultural change -- that you young people are called upon to take in and digest almost universal breaks with the past, and yet to remember and treasure the old values of democracy.

In this welter of change that is all about us, it is easy to lose sight of old values.

But it is a good idea to try to keep them in mind, for they are the things that do not change, and they are the yardsticks that we can use to judge, and to accept or reject, proposals for change in other things.

These old values are the foundation stones of any free society and must underpin the Great Society. They are such simple but essential matters as the dignity of the individual central meetings, attended by students working in all government branches. The program is itself a demonstration of the President's conviction that if the Great Society he is trying to help into being in the United States is to become a reality, our young people must have a good understanding of the role of government in a free society -- what it can do and cannot or should not do, and how in fact, your Federal Government actually goes about its work.

Second, about the challenge of democracy to youth. This is probably greater today than it has been in generations, perhaps since the very earliest days of the Republic. It is true we have been through many trials in the past 189 years, in which our youth has been instrumental each time in saving and preserving American democracy. But the challenge of democracy to youth may never have been so bureaus and major offices.

I think that you will get from the speakers who are following me an appraisal of the link between citizen and government -- and don't forget that government is operated by citizens -- that will give you something to ponder on with respect to the challenge that democracy offers to youth these days. But I would like to add just a word or two of general observations.

First, about the nature of this meeting. This is a meeting of the more than 375 young people employed for the summer by the Treasury Department in the Washington area, including over 160 employed under the President's Youth Opportunity Campaign. The meeting is part of President Johnson's White House Seminar Program, aimed at providing you, together with your work experience in the government, with a better understanding of the function of government in our democratic society, as part of your educational career. Later there will be mainly -- sees to the safety of ports and shipping. In this last respect the Treasury even operates lighthouses, and its computors, besides such humdrum tasks as preparing checks, also keep watch on the movements of merchant ships in the Atlantic.

Besides all that, the Mint, which is part of the Treasury, makes all the nation's coins, and, we hope, will soon now be turning out a new, modern coinage, and the Bureau of Engraving and Printing makes all of the nation's paper money.

Well, that leaves out a good deal, but since I was strictly enjoined not to trumpet the Treasury's virtues -- on the theory, as I suppose, that they are self evident -- I must leave this subject, except to say that we do all this with only 88,000 people employed by the Treasury's 13 catching counterfeiters, halting smuggling and gun running, and protecting the lives of the President and the Vice President and their families. If you ask how the Treasury got into all of this, it is because, in its long history, the Customs Service, the Secret Service, and the Narcotics Bureau became lodged in the Treasury, and are still there. Some of you in this room, I predict, will one day be part of these Treasury law enforcement agencies.

But that's not a full picture, by any means, of the variety of careers available in the Treasury. The Treasury runs a navy, and, of course, there is an air arm attached to it. This is the Coast Guard, something else that got attached to the Treasury in the long course of its history. The Coast Guard, operating by sea and by air, patrols our shores, takes on duty even as far away as Vietnam, and --

As for my other points -- and I am sure that I will not be regarded as blowing the Treasury's horn here, but merely as reciting a few facts -- what other agency could match this line up:

The Treasury collects over 100 billion dollars a year in taxes through its Internal Revenue Service, and pays it out again in more than 300 million checks ~~and savings bonds~~ a year. Some 13,000 accountants, law graduates and other tax technicians work in the Internal Revenue Service, and there are other thousands operating computers that prepare checks and savings bonds, and who man the Treasury's management, personnel and general administrative services.

Over 5,000 Treasury enforcement agents are busy, around the world, fighting the illicit trade in narcotics, we collect, and disburse. There are a number of other respects in which the Treasury's superiority could be demonstrated, but in the interests both of brevity and modesty I will leave what I have said unadorned. Besides, the Treasury speakers who follow me will prove it, both by the wisdom of what they say and the obvious excellence of the background of their bureaus, out of which they speak.

I will only add that the Treasury can have few, if any, peers in government service for glamour, excitement, variety -- and sheer hard work. As regards the last point, I don't want to be understood as saying that we don't have our slack periods. We do. There was a time last week, I believe it went on for 20 minutes, when things were dull at the Treasury. But we try to avoid such moments, and, for the most part, we succeed.

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I have careful instructions on what I am to do here today. I won't tell you what I <u>am</u> to do for fear that I might not do it to your satisfaction. But I am going to tell you what I am instructed <u>not</u> to do. I am not to blow the Treasury horn too loudly or too long, because this is to be a general orientation meeting in keeping with the theme of "Democracy's Challenge to Youth."

So, where the Treasury is concerned, I will be both modest and brief. I will just say that although the Treasury is only the second oldest Department of the Federal Government it is undoubtedly the best and the most important. In fact, the Government could not operate at all without the money

D R A F T

REMARKS OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE TREASURY SESSION OF THE WHITE HOUSE SEMINAR PROGRAM
FOR SUMMER STUDENTS AND YOUTH OPPORTUNITY CAMPAIGN EMPLOYEES,
ON CHALLENGES TO TODAY'S YOUTH
AT THE DEPARTMENT OF COMMERCE AUDITORIUM
FRIDAY, JULY 9, 1965, 2 P.M., EDT

My role here today is the light and agreeable one of greeting you. I am glad of that for it means that I will not be getting into your bad graces by speaking very long. And it also means that I can leave to others the weightier matters that -- as I am given to understand the language you speak -- might be considered "square."

Heaven forbid that a Secretary of the Treasury, among his other burdens, should also be thought to be "square." It is easy to see how inappropriate that would be. As any Secretary of the Treasury would tell you, he spends most of his time in tight corners, and, clearly, a round shape is

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particular policy was going to work.

Today, we see the results of this down-to-earth, practical, moderate approach in an economy which daily breaks new records and gives every promise of strong, healthy, and continued growth in the future.

This intelligent examination of all possible aspects of a single question is what I call "the LBJ way". There is no better way, in my opinion, to run our government. I recommend it to you as an essential tool in your own thinking to help you become a more informed and more effective citizen.

I would like to urge each of you in discussing this subject to do as we have done in recent years in the government, to set aside doctrinaire views, rigid theories, and harsh judgments, and to replace these "knee-jerk reactions" with an intelligent, responsible, and moderate attitude of inquiry. You may have heard talk of what is called "the new economics" of this Administration. Let me assure you there is no "new economics." All we have done is to replace the "old orthodoxy" with a "new pragmatism." What this means is that we have evaluated economic decisions and every economic policy not on the basis of old beliefs or old theories, but on the basis of the latest and most up-to-date information we could get on how this particular program or that any responsible person expected, and at the same time funds have been found to create and expand such vital programs as the war on poverty, aid to education, medical help for the aged, the fight against chronic disease, increased and improved federal housing, and all the other programs that are moving us toward the Great Society.

I would like to give you one piece of advice to keep in mind in considering and discussing economic policy. You will soon be discussing economic policy if you aren't already, because more and more economic policy is becoming a subject of discussion among ordinary citizens, as more and more the people of our country are becoming aware of how important it is to both their national and their personal welfare.

vast and our growing nation may well require increases in expenditures.

If these increases are made for sound and necessary reasons, and if they represent money that is well and wisely spent for the benefit of all the people, there is no reason to oppose these increases simply because the Federal Government is spending more money.

I can assure you from firsthand experience that President Johnson is not going to let a dollar of the federal budget go out without knowing just where that dollar is going. There is no more zealous guardian of the federal revenues in the Executive Branch, in the Congress, or in the public than the President himself. Thanks to his personal efforts,

federal expenditures have been held far below the levels which banks loan to their customers.

Fiscal policy concerns the operations of the government on the economy. It concerns both expenditure policy -- how much the government spends and on what programs it chooses to spend -- and tax policy -- how much the government collects in taxes and how it collects it.

In recent years, we have maintained a very flexible monetary policy and we have chosen to provide economic stimulus and the basis for future growth largely through the use of tax policy.

That doesn't mean that from now on all economic policy of the United States Government is going to be centralized around tax policy.

I happen to believe that there will be future tax cuts, but at the same time I'm well aware that the needs of our

Monetary policy concerns the amount of money and credit which is available in the economy. It is controlled, in part, by the government as it markets government securities in order to finance the public debt. It is also controlled by the Federal Reserve Board, an independent agency of the government -- actually our national bank -- which controls the size of bank reserves and has the power to control credit in a number of ways.

For instance, the Federal Reserve Board can set the margin level on stock exchanges and thus control the degree to which stocks can be purchased on credit. And the Federal Reserve Board also sets the rediscount rate, which is the interest rate charged to banks borrowing money from the federal reserve system. This, in turn, affects the rate and the availability of money

In case any of you are worried that we may be so generous with tax cuts that we may be left without any money to run the government, let me point out that by the start of next year, our tax reduction measures will have lightened the federal tax burden by about $18 billion. Yet our estimates show that in the 5 years, fiscal 1961 through fiscal 1966 -- the period which covers all of our various tax cuts -- federal revenues increased by $17.8 billion. That is about 70 percent more than the increase of federal revenues for the previous 5 years during which there were no tax cuts.

I don't want to leave you with the impression that tax cuts are the only way to strengthen our economy. Economic policy can be separated into two broad fields, monetary policy and fiscal policy.

But an economy does not exist in a vacuum. Economic decisions affect people and we were concerned with this aspect. That is why we cut taxes for poor people more than for rich people. The over-all tax cut averaged 20 percent for individuals -- but people at the bottom of the income scale got a tax cut of approximately 40 percent.

Furthermore, as President Johnson recently indicated, any future tax reduction will pay particular attention to the needs of low-income people.

President Johnson has just signed into law a sweeping reduction in federal excise taxes. This tax reduction removes so-called nuisance taxes on thousands of items and further helps to increase consumer purchasing power by stretching the dollar.

American business, it provided individuals with greatly increased purchasing power and helped to fuel our continued economic expansion.

It is no exaggeration to say that a million people are working today who would not be working without that tax cut.

I don't want you to think, however, that we cut taxes simply to feed more fuel into the economic engine. We had another reason which is a little more sophisticated. The other reason was the need to reduce the high wartime tax rates which had been pulling too much money out of our economy and holding us back. These high tax rates had acted like an emergency brake on our economic growth. By removing them, we modernized our tax policy so that it can make a maximum contribution to our future growth.

One of the major reasons for this prosperity is tax policy. We cut business taxes twice in 1962, in order to give business money to invest in new and expanded production. We did this because we knew that in order to maintain prosperity once it was achieved, business would have to have money to invest. This investment is absolutely essential to create more jobs. As we create more jobs and better jobs, incomes go up, purchasing power goes up, business can sell more goods and this in turn encourages more investment.

But we did not stop there. Last year, President Johnson signed into law the biggest corporate and individual tax cut in history. This year alone that tax cut was worth $14 billion.

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A little over four years ago the United States was in the midst of the fourth recession since World War II. A recession, as you know, is a business slump, but it affects not only business but the entire nation and many people in it.

In May of 1961, the unemployment rate actually rose above 7 percent. That means that 7 out of every 100 people willing and able to work in this country couldn't find a job.

Today, I'm happy to say that situation is much improved. Instead of the boom and bust cycles which characterized the first 15 years of the postwar period, we have created and sustained the longest peacetime economic expansion in our history. The unemployment rate has been brought below 5 percent and our country is enjoying the strongest and healthiest period of prosperity we have ever seen.

D R A F T

REMARKS OF THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
AT THE TREASURY SESSION OF THE WHITE HOUSE SEMINAR PROGRAM
FOR SUMMER STUDENTS AND YOUTH OPPORTUNITY CAMPAIGN EMPLOYEES,
ON TREASURY ROLLS IN THE WASHINGTON, D.C., AREA
AT THE DEPARTMENT OF COMMERCE AUDITORIUM
FRIDAY, JULY 9, 1965, 2:15 P.M., EDT

## FEDERAL TAX POLICY AND THE NATIONAL ECONOMY

Tax policy is one of the most, if not the most, important considerations of the United States Treasury.

For tax policy means much more than just how much you and the other people in the United States will pay in taxes this year, next year, and the years to come.

Because tax policy affects directly or indirectly almost every economic decision, private or public, made in our nation, it is vitally important in determining how many people have jobs, what kind of jobs they have, how much they get paid, how they spend their income, and what types of goods and service and how much goods and services we as a nation produce.

TREASURY DEPARTMENT
Washington

FOR RELEASE UPON DELIVERY

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One of the major reasons for this prosperity is tax policy. We cut business taxes twice in 1962, in order to give business money to invest in new and expanded production. We did this because we knew that in order to maintain prosperity once it was achieved, business would have to have money to invest. This investment is absolutely essential to create more jobs. As we create more jobs and better jobs, incomes go up, purchasing power goes up, business can sell more goods and this in turn encourages more investment.

But we did not stop there. Last year, President Johnson signed into law the biggest corporate and individual tax cut in history. This year alone that tax cut was worth $14 billion.

This not only strengthened the investment potential of American business, it provided individuals with greatly increased purchasing power and helped to fuel our continued economic expansion.

It is no exaggeration to say that a million people are working today who would not be working without that tax cut.

I don't want you to think, however, that we cut taxes simply to feed more fuel into the economic engine. We had another reason which is a little more sophisticated. The other reason was the need to reduce the high wartime tax rates which had been pulling too much money out of our economy and holding us back. These high tax rates had acted like an emergency brake on our economic growth. By removing them, we modernized our tax policy so that it can make a maximum contribution to our future growth.

But an economy does not exist in a vacuum. Economic decisions affect people and we were concerned with this aspect. That is why we cut taxes for poor people more than for rich people. The over-all tax cut averaged 20 percent for individuals -- but people at the bottom of the income scale got a tax cut of approximately 40 percent.

Furthermore, as President Johnson recently indicated, any future tax reduction will pay particular attention to the needs of low-income people.

President Johnson has just signed into law a sweeping reduction in federal excise taxes. This tax reduction removes so-called nuisance taxes on thousands of items and further helps to increase consumer purchasing power by stretching the dollar.

In case any of you are worried that we may be so generous with tax cuts that we may be left without any money to run the government, let me point out that by the start of next year, our tax reduction measures will have lightened the federal tax burden by about $18 billion. Yet our estimates show that in the 5 years, fiscal 1961 through fiscal 1966 -- the period which covers all of our various tax cuts -- federal revenues increased by $17.8 billion. That is about 70 percent more than the increase of federal revenues for the previous 5 years during which there were no tax cuts.

I don't want to leave you with the impression that tax cuts are the only way to strengthen our economy. Economic policy can be separated into two broad fields, monetary policy and fiscal policy.

Monetary policy concerns the amount of money and credit which is available in the economy. It is controlled, in part, by the government as it markets government securities in order to finance the public debt. It is also controlled by the Federal Reserve Board, an independent agency of the government -- actually our national bank -- which controls the size of bank reserves and has the power to control credit in a number of ways.

For instance, the Federal Reserve Board can set the margin level on stock exchanges and thus control the degree to which stocks can be purchased on credit. And the Federal Reserve Board also sets the rediscount rate, which is the interest rate charged to banks borrowing money from the federal reserve system. This, in turn, affects the rate and the availability of money which banks loan to their customers.

Fiscal policy concerns the operations of the government on the economy. It concerns both expenditure policy -- how much the government spends and on what programs it chooses to spend -- and tax policy -- how much the government collects in taxes and how it collects it.

In recent years, we have maintained a very flexible monetary policy and we have chosen to provide economic stimulus and the basis for future growth largely through the use of tax policy.

That doesn't mean that from now on all economic policy of the United States Government is going to be centralized around tax policy.

I happen to believe that there will be future tax cuts, but at the same time I'm well aware that the needs of our vast and our growing nation may well require increases in expenditures.

If these increases are made for sound and necessary reasons, and if they represent money that is well and wisely spent for the benefit of all the people, there is no reason to oppose these increases simply because the Federal Government is spending more money.

I can assure you from firsthand experience that President Johnson is not going to let a dollar of the federal budget go out without knowing just where that dollar is going. There is no more zealous guardian of the federal revenues in the Executive Branch, in the Congress, or in the public than the President himself. Thanks to his personal efforts, federal expenditures have been held far below the levels that any responsible person expected, and at the same time funds have been found to create and expand such vital programs as the war on poverty, aid to education, medical help for the aged, the fight against chronic disease, increased and improved federal housing, and all the other programs that are moving us toward the Great Society.

I would like to give you one piece of advice to keep in mind in considering and discussion economic policy. You will soon be discussing economic policy if you aren't already, because more and more economic policy is becoming a subject of discussion among ordinary citizens, as more and more the people of our country are becoming aware of how important it is to both their national and their personal welfare.

I would like to urge each of you in discussing this subject to do as we have done in recent years in the government, to set aside doctrinaire views, rigid theories, and harsh judgments, and to replace these "knee-jerk reactions" with an intelligent, responsible, and moderate attitude of inquiry. You may have heard talk of what is called "the new economics" of this Administration. Let me assure you there is no "new economics." All we have done is to replace the "old orthodoxy" with a "new pragmatism." What this means is that we have evaluated economic decisions and every economic policy not on the basis of old beliefs or old theories, but on the basis of the latest and most up-to-date information we could get on how this particular program or particular policy was going to work.

Today, we see the results of this down-to-earth, practical, moderate approach in an economy which daily breaks new records and gives every promise of strong, healthy, and continued growth in the future.

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TREASURY DEPARTMENT
WASHINGTON

Statement of

Joseph W. Barr

Under Secretary of the Treasury

before the

Committee on Ways and Means

of the

U. S. House of Representatives

on

Proposals Relating to Firearms Control

July 12, 1965

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Mr. Chairman, I welcome the opportunity to appear in support of the enactment of the Administration's bills introduced by Mr. Murphy and Mr. Multer, which I deem to be of great importance to the welfare of this country and its citizens. Mr. Sheldon S. Cohen, the Commissioner of Internal Revenue is here with me. He will discuss in more detail aspects of the Administration's proposals which I will cover in a general way.

The bill which would amend the Federal Firearms Act regulating interstate and foreign commerce in firearms is designed to implement the recommendations which the President 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 in 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." H.R. 6628, introduced by Mr. Murphy, and H.R. 6783, introduced by Mr. Multer, reflect the legislation amending the Federal Firearms Act, to which the President referred.

I should like now briefly to state my understanding of what the Administration bill to amend the Federal Firearms Act 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; the purpose of this is to control the distribution of firearms interstate so that states may more effectively control the traffic intrastate.

(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.

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. Mr. Cohen, whose organization is responsible for the administration of the Federal Firearms Act will discuss this aspect in more detail.

One misconception about the Administration's bill to amend the Federal Firearms Act which has been widely publicized is that it will make it possible for the Treasury Department to exercise, through the regulatory authority expressed in the bill, such arbitrary power as to be virtually dictatorial, and so potentially restrictive as to permit the elimination of private ownership of guns at the whim of the Secretary. This misunderstanding has been fostered by certain National gun, and wildlife conservation, organizations whose representatives, in testifying at Senate hearings on a companion bill, have pointed with alarm to "seven places" in the bill where regulatory authority is granted to the Secretary of the Treasury.

You and I know that it is customary for the Congress to vest discretionary powers in a Government officer to implement legislation through the issuance of regulations. Such regulations are necessary to provide flexibility and to take care of problems which may be unforeseen by the law makers. This flexibility, within the guidelines of standards and policies laid down by the Congress, inures to the benefit of the citizen affected as well as to Government. Moreover, a grant of regulatory authority is not, and cannot in any sense be, a dictatorial fiat. Surely no rational, intelligent individual can seriously maintain that the Secretary of the Treasury would issue regulations under this proposed legislation so arbitrary or capricious or so complicated or impracticable or so burdensome that they would make impossible the private ownership of guns. There is nothing in the bill that would authorize this and if any attempt were made to do so there is abundant opportunity for appeal to the courts, the top administrative machinery, or to the Congress.

Any allegation of this nature, which attempts to obscure the merits of the bill by raising imaginary fears of possible maladministration, ignores completely the Treasury Department's past administrative record as well as the statutory and Constitutional limitations on executive authority. The Secretary of the Treasury has for 27 years exercised regulatory authority under the Federal Firearms Act in many of the "seven" areas pointed to by critics of the bill where details or procedures are to be prescribed by regulations. In fact, section 907 of the present law provides "the Secretary of the Treasury may prescribe such rules and regulations as he deems necessary to carry out the provisions of this chapter". The term, "this chapter", incidentally, includes the entire Federal Firearms Act. During these years there has been no regulatory abuse which can be cited. I do not believe that there is a single provision of existing regulations (26 CFR Part 177) which can be said to be unreasonable or beyond the intent of Congress, and in the 27-year history of this Act no regulation issued under it has been held invalid by the courts.

Irresponsible allegations to the contrary, the bill does not, and regulations under it can not, seriously interfere with the acquisition, ownership or use of firearms for sporting purposes, or any other legitimate use. 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 bring 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 to another State and purchase a pistol or concealable weapon, and they will not be able to obtain a mail-order shipment from another State of any type of firearm. On this latter point, the inconvenience is more apparent than real because the large mail-order houses have retail outlets and the bill will permit intrastate mail-order shipments to individual citizens from these outlets.

Such minor inconveniences cannot be avoided if the legislation is to make it possible for the States to regulate effectively the acquisition and possession of firearms. Obviously, State authorities cannot control the acquisition and possession of firearms if they have no way of knowing or ascertaining what firearms are coming in to their States through the mails or, in the case of concealable weapons, by personally being carried across State lines.

Mr. Chairman, there are many other points which could be made with respect to the Administration's bill to amend the Federal Firearms Act. For example, I think it is self-evident that minors should not have access to pistols, other concealable firearms and weapons of vast destructive power, and that minors under the age of 18 should not have access to rifles 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.

The ease with which any person can acquire firearms (including criminals, juveniles without the knowledge or consent of their parents or guardians, narcotic addicts, mental defectives, armed groups who would supplant duly constituted public authorities, and others whose possession of firearms is similarly contrary to the public interest) is a matter of serious national concern.

The existing Federal controls over interstate and foreign commerce are not sufficient to enable the States to effectively cope with the firearms traffic within their own borders through the exercise of their police power. Only through adequate Federal control over interstate and foreign commerce in firearms, and over all persons engaging in the business of importing, manufacturing, or dealing in firearms, can this problem be dealt with, and effective State and local regulation of the firearms traffic be made possible.

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 drafting the Administration's bill 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.

As to the Administration's bill which would amend the National Firearms Act, H.R. 6629 introduced by Mr. Murphy and H.R. 6782 introduced by Mr. Multer, there seems to be a general recognition of its need and no serious opposition to its objectives.

The National Firearms Act now provides for Federal controls, under the taxing power, with respect to gangster-type weapons such as machine guns and sawed-off shotguns. It has long been felt that similar controls are needed for highly destructive weapons such as grenades, rockets, missiles, and large bore military-type ordnance in the nature of antitank guns, mortars and grenade launchers. Although it is difficult to conceive of any valid reason for their private ownership, such devices are frequently available for purchase at stores specializing in military surplus and there is presently no Federal law effectively regulating their sale or ownership. They have found their way into the hands of lawless and irresponsible elements such as armed groups who would supplant duly constituted public authorities and those who recently fired on the United Nations building. The Administration's bill to amend the National Firearms Act is designed to regulate, by taxing, the dealing in and transfer of these highly destructive devices.

There appears to be no doubt that Federal controls are needed in this area. The Secretary of the Army stressed the need for effective controls over these weapons in expressing, to the Director of the Budget, the position of the Department of Defense on proposed firearms legislation. The National Rifle Association in an April 3, 1965 release declared, "That it would support properly drawn legislation to outlaw dangerous devices such as bazookas, bombs, antitank guns and other military-type weapons which have found their way into trade channels across America." A trade association of firearms manufacturers, Small Arms Manufacturers Institute, has also indicated approval of such controls, in testimony by its representative, Dr. Hadley, before the Senate Subcommittee Hearings on S. 1591 (the companion bill to H.R. 6629 and 6782). The only opposition to controls over these destructive devices seems to stem from that irresponsible faction which opposes, on principle, controls of any nature with respect to firearms or self-appointed "defenders of America" who have formed para-military organizations.

The bill would also increase to twice the present rate all of the rates of tax in the National Firearms Act. The principal rates have not been changed since the original enactment of the Act in 1934. Therefore, it is necessary to increase the rates in order to carry out the regulatory purposes of the Act.

It is recognized that some perfecting changes within the intent and purpose of the bill to amend the National Act may be desirable. Commissioner Cohen, whose testimony follows mine, will discuss specific proposals to effect changes in both this bill and the Administration's bill to amend the Federal Firearms Act.

Enactment of the Administration's bills to amend the Federal Firearms Act and the National Firearms Act is needed now to augment existing controls to keep firearms out of the wrong hands. These bills are an essential and integral part of the President's program to combat crime. Therefore, I strongly urge that this Committee report these bills to the House of Representatives at an early date.

need to protect the existing international payments system by maintaining a strong, sound and stable dollar. First things must come first. We ~~must bring~~ our own payments into equilibium ~~and keep it there~~. By resolutely shouldering that responsibilit we will preserve the foundation upon which must rest all efforts to assure free world growth in the years ahead -- the monetary system that has served the free world so well in the past.

international monetary system. We can expect no overnight solution -- but only patient exploration of the alternatives with our trading partners in a spirit of mutual cooperation. This is the course we are now pursuing.

As we move ahead, we will do well to remember that the existing international financial system has successfully financed an unparalleled expansion in world trade and payments. We have also done much in recent years to strengthen that system. The ned now is not to start all over again, to move in a completely new direction. Rather, we must move once more to strengthen and improve the existing ~~system~~, -- not in precipitate.

And while we proceed solidly and surely toward internationa agreement on the problems of world liquidity, we in this country must keep ever before us the present and pressing

I shall be exchanging views with



sometime ... of the annual ...

to any rigid timetable. ~~Indeed, I intend myself over the~~

March, as I mentioned earlier, ... I will

~~next several weeks to consult with~~ my colleagues in Europe and elsewhere, as well as with the senior officials of the International Monetary Fund, on how best to proceed. The point I wish to emphasize here is that the United States is determined to move ahead -- carefully, deliberately -- but without delay. ~~We are conscious of the risks involved in any such undertaking, but believe that the time calls for and, indeed, requires, a beginning.~~ Not to act ~~acting~~ when the time is ripe can be as unwise as to act too soon or too hastily ~~risky as action taken in haste~~.

We are, therefore, moving ahead -- and we are making progress. But we must be aware that the issues involved are complex, and they raise basic questions of national interest. It is not, therefore, easy to arrive at the degree of internation consensus we must have for any workable reform of the creative resolution of the free world's monetary problems, it must be preceded by careful preparation and international consultation.

To meet and not succeed would be worse than not meeting at all. Before any conference takes place, there should be a reasonable certainty of measurable progress through prior agreement on basic points.

Our ~~own tentative~~ suggestion would ~~be~~ that the work of preparation be undertaken by a Preparatory Committee, ~~under the auspices of the International Monetary Fund. Such a preparatory committee~~ could be given its terms of reference at the time ~~during the course~~ of the annual meeting of the International Monetary Fund. ~~scheduled in Washington during the week of~~ September 27.

The United States is not wedded to this procedure nor of Congressman Henry Reuss to obtain ~~through that channel~~ various private and organizational points of view. These hearings and the reports of the Committee will be of great value, together with those ~~which have been recently conducted~~ [redacted] the Joint Economic Committee of Congress and the International Finance Subcommittee of the Senate Banking and Currency Committee under the Chairmanship of Senator Edmund Muskie.

I am privileged to tell you this evening that the President has authorized me to announce that the United States now stands prepared to attend and participate in an international monetary conference that would consider what steps we might jointly take to secure substantial improvements in international monetary arrangements. Needless to say, if such a conference is to lead to a fruitful and

Institute of Technology.

With their help and that of many others who will be consulted including, particularly, many well informed members of the appropriate committees of Congress, we shall constantly seek a comprehensive U. S. position and negotiating strategy designed to achieve substantial improvement in international monetary arrangements thoroughly compatible with our national interests. In the various proposals which have and will be made we must determine those which will be acceptable to the United States, those which are entirely unacceptable, and those which may well be appropriate for negotiation.

There will be an initial meeting of the Advisory Committee on International Arrangements on July 16. Hearings are planned before the International Finance Subcommittee of the House Banking and Currency Committee under the Chairmanship lateral negotiations that should follow. In addition, so that the government may have the benefit of some of the expertise and experience outside the government in this highly technical area, President Johnson has accepted my recommendation and announced creation of an Advisory Committee on International Monetary Arrangements which includes as its Chairman the former Secretary of the Treasury, Douglas Dillon, and a distinguished group of experts including Robert Roosa, former Under Secretary of the Treasury for Monetary Affairs; Kermit Gordon, former Director of the Bureau of the Budget; Edward Bernstein, economic consultant specializing in international monetary policy; Andre Meyer, of the investment banking firm of Lazard Freres; David Rockefeller, President of the Chase Manhattan Bank, and Charles Kindleberger, Professor of Economics at Massachusetts

~~industrial~~ countries, ~~beginning in early August,~~ to ascertain firsthand their views on the most practical and promising ways of furthering progress toward improved international monetary arrangements. We must ~~not only~~ be prepared not only to advance ~~with~~ our own proposals, but to carefully consider and fairly ~~be in a position to~~ weigh the merits of other proposals. As Congressman Robert Ellsworth of Kansas in discussing this subject recently remarked:

> "We must appreciate that if we wish a strong Europe it must be a Europe strong enough to look upon an American proposal as merely one among many possible solutions -- all of which will be reviewed together. If we wish their partnership, we must treat them as partners."

Already your government is engaged in an intensive internal preparation for these bilateral meetings and multi-

~~a payments system fully responsive to the continued growth of international trade. While we agreed any such reinforcement must await the development, out of the present divergent opinions, of an international consensus on this subject, we concluded that constant and persistent efforts should be pressed at the ministerial level both during and after the meetings of the International Monetary Fund and World Bank scheduled in late September.~~

Next week I hope to have the pleasure of informal discussions with the Japanese Minister of Finance, Takeo Fukuda, in connection with the Joint Cabinet sessions of the U. S. - Japan Committee on Trade and Economic Affairs.

Both before and after the scheduled meeting of the International Monetary Fund and World Bank in late September, I expect to visit [illegible] ~~Finance Ministers~~ of other Group of Ten ~~developed~~

monetary difficulties will exercise a stubborn and increasingly frustrating drag on our policies for prosperity and progress at home and throughout the world."

In taking office, I described this as "the major task facing our Treasury and the financial authorities of the rest of the Free World in the next few years."

In recent weeks we have moved beyond the plane of hope and technical studies toward the prospect of more conclusive negotiations from which alone solution can emerge. I met last week with the British Chancellor of the Exchequer James Callaghan ~~and we agreed~~ ~~that each of us should have~~ ~~to early talks with Finance Ministers of other major countries~~ and we exchanged preliminary and tentative views on the subject of international liquidity. ~~We agreed to explore the various possibilities with a view toward any reinforcement that would help to insure~~

and should be substantially improved, building on the basis of the International Monetary Fund and the network of more informal international monetary cooperation that has marked recent years.

(3) The completion of technical studies necessary to give a thorough understanding of the problem and various alternative approaches to solution on the part of those at the highest levels of government who must ultimately take these decisions.

We have now reached the moment which President Johnson had in mind when in speaking of new international monetary steps he said:

"We must press forward with our studies and beyond, to action -- involving arrangements which will continue to meet the needs of a fast growing world economy. Unless we can make timely progress, international

Group of Ten on June 1 of this year, which exhaustively examines, with all their promises and pitfalls, the possible paths to the creation of reserve assets.

Now for the first time in four years we are confronted by the happy concurrence of three crucial facts:

(1) The U. S. balance of payments is approaching an equilibrium and the Executive Branch, the Congress and the private sector, including industry, banking and labor, have mounted a program that makes unmistakably manifest our ~~will and~~ determination to keep it that way.

(2) Evidence is accumulating of a rising tide of opinion in many knowledgeable and influential quarters in the Free World, private and public, that our international monetary arrangements can

Meanwhile, the Group of Ten and the ~~IMF itself have been~~ ~~staff of the~~ International Monetary Fund have been continuing their studies of the future course of world liquidity. Deputies of the Group submitted a comprehensive report on the problems involved last August. In their Ministerial Statement last August, the Group of Ten stated that while supplies of gold and reserve currencies are fully adequate for the present and are likely to be for the immediate future, the continuing growth of world trade and payments is likely to require larger international liquidity. While they said that this need might be met by an expansion of credit facilities, they added that it may possibly call for some new form of reserve asset.

A Study Group was set up "to examine various proposals regarding the creation of reserve assets either through the IMF or otherwise." The efforts of that Group have culminated in the so-called Osaola report, submitted to the Deputies of the

As long ago as 1961 the ten major industrial nations, negotiated with the International Monetary Fund a so-called General Arrangements to borrow whereby the ten nations agreed to lend to the IMF up to $6 billion should this be necessary "to forestall or cope with an impairment of the international monetary system." That arrangement was activated last December in order to provide a part of a $1 billion drawings from the IMF on the part of the United Kingdom.

On the credit side, also, the members of the International Monetary Fund have now agreed to support a 25% general increase in IMF quotas. This 25% increase, plus special increases for some sixteen countries, will raise total aggregate quotas from $15 billion to around $21 billion. The Congress last month approved a $1,035 million increase in the U. S. quota.

This, in a nutshell, is what the issue of world monetary reform is all about. It is to assure ample world liquidity for the years ahead that the United States, in cooperation with other leading financial powers, is seeking workable ways of strengthening and improving international financial arragnements

For several years now the essential laying of the technical groundwork has been underway as 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. An early conclusion was that there are two elements in international liquidity: on the one hand the more conventional reserves of gold and reserve currencies and on the other hand the ready availability of credit facilities for countries in need of temporary assistance.

Dollars would return to our shores as cliams on our gold, thus deplating instead of supplementing world ~~liquidity.~~ To prevent such a contraction in world liquidity and the widening circles of deflation and restriction that would surely follow, we must reach and ~~sustain~~ equilibrium in our payments as a matter of ~~first~~ national priority.

The paradox is, therefore, that the very increase in official foreign dollar holdings that has fueled so much of the growth in world liquidity in the past -- and has thus helped support the growth in world trade -- can no longer be allowed to continue if current international liquidity is to be protected. Yet ~~by depriving the world of~~ the reserve dollars that our deficits have so long supplied, ~~we leave it~~ ~~with no substitute~~ ~~source of new an~~d growing liquidity to support ~~new and growin~~g world trade and investment.

SERVE TO SUPPORT GROWING WORLD TRADE AND INVESTMENT

Those dollars are widely used to finance international transactions, and other countries hold them alongside gold in their official reserves.

-- SOME $27 billion --

Today, those dollars account for a major share of the international liquidity that sustains the growing ~~fee~~ free world economy.

SOME $12 BILLION OF THESE DOLLARS ARE IN [illegible] WHILE THE REMAINDER [illegible]

Thus, it is essential to the viability of the international monetary system as it exists today that the usefulness and value of those dollars remain unquestioned throughout the world. And, whatever changes might be introduced into that system, the dollar will have to continue to caryy a heavy burden as a reserve currency.

If we allowed our deficits to continue, or if we lapsed back into ~~substantial~~ prolonged deficit after a brief period of surplus, we would undermine world confidence in the dollar and impair its usefulness as a world reserve and leading currency.

But the big job -- the job that remains -- is for us to demonstr[ate] that we can sustain equilibrium through these measures as well as the longer term measures inaugurated since 1961. We must, maintain those [illegible] measures in full force until rising returns from past private investment abroad, The improved climate ~~greater returns on the~~ [illegible] domestic employment of capital, and growth in our trade balance... ~~exports~~ -- which requires that we maintain our excellent record of price stability -- place our accounts securely in equilibrium, [illegible] ~~balance.~~

It is imperative not simply to reach balance in our payment for a quarter or two, or even for a year, but to sustain equilibrium over time. The reasons are clear. Our fourteen years of deficits have resulted in a large outflow of dollars to the rest of the world. Because there is worldwide confidence in the stability of those dollars and becuase they are convertible into gold at the fixed price of $35 an ounce, and banks -- the call to join voluntarily in a national effort to curb the outflow of dollars abroad.

That call has been heard -- and heeded. After a bad start in January, our balance of payments improved in February following the President's Message and showed a surplus in March, in April and in May.

Thus we are off to a good beginning, but -- let there be no mistake -- it is no more than a beginning. Let no one think that three months of apparent surplus -- a surplus purchased only through extraordinary and temporary measures -- can suffice.

The likelihood of a surplus in the second quarter of this year does tell us that we are moving in the right direction -- that our current measures can turn our deficit into a surplus.

friends to expand and improve their markets. But their progress in that endeavor had simply not been large and rapid enough, and we had passed the point where we could sustain the huge drain of capital which that disparity entailed.

We had to act. We had not only to intensify the efforts already underway in other sectors of our balance of payments, but to extend those efforts to include comprehensive curbs upon private capital outflows. It had become abundantly clear that to restore balance to our payments once more we had to attack our deficit on all major fronts simultaneously. President Johnson launched such an attack with his February 10 Message to Congress on the balance of payments. The heart of that Message was the call to arms of America's businesses in the one major area of our balance of payments which our programs had not yet effectively reached -- the area of private foreign investment outflows.

In 1964, the outflow of private capital abroad reached the $6½ billion mark -- more than twice the size of the deficit and up over $2 billion from 1963 and over $2½ billion from 1960. That outflow reflected a variety of causes -- including the drive by Ame business to stake out acclaim in the rapidly growing and seemingly highly profitable European markets. But, to a very large degree, the accelerating outflow had its source in the marked disparity that had long existed between European capital markets and our own -- a disparity in size and scope and facilities that led borrowers in other countries to tap our market for a large share of their capital requirements. The United States had often enough called attention to this disparity and urged its European

-- a $400 million cut in the dollar outflow as a result of foreign aid;

-- a cut of nearly $700 million in net military dollar outlays despite rising costs abroad;

-- a $1.6 billion rise in our earnings from past private foreign investments.

Simply as a matter of arithmetic, those gains were enough -- all else being equal -- to have given us virtual balance in our payments last year. But all other things were not equal. Instead of approaching the vanishing point, with the $3.9 billion deficit of 1960 being absorbed by th ese in particular sectors of our payments, our deficit in 1964, was in fact reduced by a net total of only $800 million to $3.1 billion.

We incurred that deficit -- despite four years of real and lasting progress -- primarily because of a drastic deterioration than the total volume of dollars held by all foreigners.

Yet over the next three years -- 1958-59-60 - our balance of payments deficits averaged almost $4 billion a year. Other countries found their dollar holdings growing more rapidly than they wished, and our gold began flowing abroad in much greater volume -- roughly $5 billion in three years.

That was the situation that confronted us in early 1961, when we launched a strong and sustained effort to move our international payments into balance once more.

Over a period of four years -- 1961-64 -- ~~that effort brought~~ we achieved substantial improvements in many separate accounts ~~us more than $3.5 billion of balance of payments improvement,~~ contributing to our balance of payments, including:

-- a $900 million gain in our commercial trade surplus -- those not financed by government -- making it a record $3.7 billion in 1964;

But this progress was accompanied by other developments that led to U. S. balance of payments deficits far larger than Europe required and than we could live with indefinitely. Rising prices in this country had weakened our competitive position at a time when Europe and Japan had once again become a formidable competitive force in world markets. At the same time, the strength of Europe's economic resurgence and its new-won financial stability began ~~[illegible]~~ to attract ~~attracted~~ growing amounts of American capital abroad.

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Under the Marshall Plan and other programs, we furnished some thirty billions of dollars in grants and loans to help put the economies of Europe back on their feet again. With the recovery of Europe, we turned more and more of our dollars toward aiding the underdeveloped countries of the world. We also sent dollars abroad to support large military forces and furnish military aid essential for the defense of the free world.

These measures were eminently successful. By the mid-fifties the economies of Europe and Japan were strong and growing, controls and restrictions on trade and payments were being progressively dismantled, and in 1958 external convertibility of the leading European currencies was restored.

The solution of our balance of payments difficulties and the strengthening of the international monetary system are thus far more than merely arid economic exercises. They are crucial matters which must deeply concern -- for, in a broad but very real sense, they deeply affect -- not just bankers and businessmen and economists, but every American in every walk of life.

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Insert B - p.3 -
Reading copy

By balance of payments, as you know, we mean simply the annual balance -- either net surplus or net deficit -- between the payments and receipts, both public and private, between the United States and the remainder of the world.

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 must never forget that our lives can be vitally affected, not only by the events in Saigon or Santo Domingo, but by such apparently far removed occurences as the outflow of American gold and dollars abroad.

For the role of the dollar as the most widely used international currency is part and parcel of America's leading role in the free world -- politically, economically, militarily. More than any other single factor, it is the strength and the soundness and the stability of the American dollar that serves as the essential underpinning of the entire free world monetary system through which the interdependent nations of the free world have fashioned

Carter Glass. ~~who,~~ His services both in the Congress and as Secretary of the Treasury, ~~made notable contributions over several decades~~ ~~and~~ is particularly remembered throughout the world of financial affairs. ~~for his contributions~~ He contributed in a major way to the creation and development of the Federal Reserve System which served to correct many of the outstanding defects of the preexisting national financial ~~situation which find~~ arrangements which in many ways find their counterpart in the international financial world of today.

It is to these international financial problems that I would direct your attention this evening.

Virginians who bear heavy national responsibilities in the fields of finance, taxation, money, credit and banking, holding two of the most important posts in the U. S. Congress in these areas. I refer to Senator Harry Byrd and Senator Willis Robertson, who serve the Commonwealth and the nation with distinction and dedication as Chairmen of the United States Senate Finance Committee and the Senate Banking and Currency Committee respectively. No ~~State composed of~~ the state is represented by two Senators ~~whose influence and prestige~~ whose influence and prestige exceeds their senority by so great a margin. As Chairmen of the two Committees with which the Treasury, acting for the Executive Branch, has most of its dealings with the Senate, I am indebted to them for their constant courtesy and their impeccable fairness.

They carry on the tradition of an earlier national statesman from Virginia in the field of public finance in this century, namely,

[redacted]

For a Virginian, the honor of sharing in this 75th annual meeting of the Association is exceeded only by the pleasure of seeing so many old friends of my native Roanoke and my adopted home of Alexandria.

For an erstwhile lawyer, the privilege of speaking to this distinguished bar, including most notably the fourteen life members, is surpassed only by the temerity of choosing international monetary problems as a subject for discussion. But Virginians have always been heavily concerned with and leaders in providing for the United States an appropriate role in international affairs. And Virginians have in this century made notable contributions to and set high standards for the conduct of public financial affairs.

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REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE VIRGINIA STATE BAR ASSOCIATION
AT THE HOMESTEAD, HOT SPRINGS, VIRGINIA
SATURDAY, JULY 10, 1965, 6:00 P.M., EDT

~~(Introduction inserted here).~~

We have all heard or read a great deal in recent months about the problem this nation faces in its balance of payments and about the need for the nations of the free world to move toward agreement on ways of assuring ~~ample financial resources for the free world~~ ~~ample world liquidity in the years ahead.~~ the financial services needed to support increasing international trade and development.

Indeed, world financial questions have never occupied a more prominent place in public discussion than they do today. But to most Americans, ~~of us,~~ I suspect, these problems still seem rather remote from ~~our~~ their daily lives and labors -- rather unrelated, even, to the other national and international events that engage so much of our interest and our concern. Nor is it unnatural that they should pale beside events such as those in Saigon or in Santo Domingo.

But we must never forget that America's ability to succeed

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS
SUNDAY, JULY 11, 1965

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They carry on the tradition of an earlier national statesman from Virginia in the field of public finance in this century, namely, Carter Glass. His service, both in the Congress and as Secretary of the Treasury, is particularly remembered throughout the world of financial affairs. He contributed in a major way to the creation and development of the Federal Reserve System which served to correct many of the outstanding defects of the preexisting national financial arrangements which in many ways find their counterpart in the international financial world of today.

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But we must never 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.

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The solution of our balance of payments difficulties and the strengthening of the international monetary system are thus far more than merely arid economic exercises. They are crucial matters which must deeply concern -- for, in a broad but very real sense, they deeply affect -- not just bankers and businessmen and economists, but every American in every walk of life.

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That was the situation that confronted us in early 1961, when we launched a strong and sustained effort to move our international payments into balance once more.

Over a period of four years -- 1961-64 -- we achieved substantial improvements in many separate accounts entering into our balance of payments, including:

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Simply as a matter of arithmetic, those gains were enough -- all else being equal -- to have given us virtual balance in our payments last year. But all other things were not equal. Instead of approaching the vanishing point, with the $3.9 billion deficit of 1960 being absorbed by these gains in particular sectors of our payments totalling $3.6 billion, our deficit in 1964 was in fact reduced by a net total of only $800 million to $3.1 billion.

We incurred that deficit -- despite four years of real and lasting progress -- primarily because of a drastic deterioration in the one major area of our balance of payments which our programs had not yet effectively reached in a comprehensive way -- the area of private foreign investment outflows.

In 1964, the outflow of private capital abroad reached the $6½ billion mark -- more than twice the size of the deficit and up over $2 billion from 1963 and over $2½ billion from 1960. That outflow reflected a variety of causes -- including the drive by American business to stake out a claim in the rapidly growing and seemingly highly profitable European markets. But, to a very large degree, the accelerating outflow had its source in the marked disparity that had long existed between European capital markets and our own -- a disparity in size and scope and facilities that led borrowers in other countries to tap our market for a large share of their capital requirements. The United States had often enough called attention to this disparity and urged its European friends to expand and improve their markets. But their progress in that endeavor had simply not been large and rapid enough, and we had passed the point where we could sustain the huge drain of capital which that disparity entailed.

We had to act. We had not only to intensify the efforts already underway in other sectors of our balance of payments, but to extend those efforts to include comprehensive curbs upon private capital outflows. It had become abundantly clear that to restore balance to our payments once more we had to attack our deficit on all major fronts simultaneously. President Johnson launched such an attack with his February 10 Message to Congress on the balance of payments. The heart of that Message was the call to arms of America's businesses and banks -- the call to join voluntarily in a national effort to curb the outflow of dollars abroad, while preexisting programs were intensified.

That call has been heard -- and heeded. After a bad start in January, our balance of payments improved in February following the President's Message and showed a surplus in March, in April and in May.

Thus we are off to a good beginning, but -- let there be no mistake -- it is no more than a beginning. Let no one think that a few months of apparent surplus -- a surplus purchased only through extraordinary and temporary measures -- can suffice.

The likelihood of a surplus in the second quarter of this year does tell us that we are moving in the right direction -- that our current measures can turn our deficit into a surplus. But the big job -- the job that remains -- is for us to demonstrate that we can sustain equilibrium through these measures as well as the longer term measures inaugurated since 1961. We must maintain those extraordinary measures in full force until rising returns from past private investment abroad, our improved climate for domestic employment of capital, enlarged availability of capital in markets abroad and growth in our trade balance -- which requires that we maintain our excellent record of price stability -- place our accounts securely in equilibrium.

It is imperative not simply to reach balance in our payments for a quarter or two, or even for a year, but to sustain equilibrium over time. The reasons are clear. Our fourteen years of deficits have resulted in a large outflow of dollars to the rest of the world. Because there is worldwide confidence in the stability of those dollars and because they are convertible into gold at the fixed price of $35 an ounce, those dollars are widely used to finance international transactions, and other countries hold them alongside gold in their official reserves.

Today, those dollars -- some $27 billion -- account for a major share of the international liquidity that sustains the growing free world economy. Some $12 billion of those dollars are in official reserves, while the remainder serve to support growing world trade and investment. Thus, it is essential to the viability of the international monetary system as it exists today that the usefulness and value of those dollars remain unquestioned throughout the world. And, whatever changes might be introduced into that system, the dollar will have to continue to carry a heavy burden as a reserve currency.

If we allowed our deficits to continue, or if we lapsed back into prolonged deficit after a brief period of surplus, we would undermine world confidence in the dollar and impair its usefulness as a world reserve and leading currency. Dollars would return to our shores as claims on our gold, thus depleting instead of supplementing world financial resources. To prevent such a contraction in world liquidity and the widening circles of deflation and restriction that would surely follow, we must reach and maintain equilibrium in our payments as a matter of the highest national priority, along with sustaining the economic advance that has marked the last fifty-three months.

The paradox is, therefore, that the very increase in official foreign dollar holdings that has fueled so much of the growth in world liquidity in the past -- and has thus helped support the growth in world trade -- can no longer be allowed to continue if current international liquidity is to be protected. Yet without additions to the reserve dollars that our deficits have so long supplied, the world will need a new and assured source of growing liquidity to support increasing world trade and investment.

This, in a nutshell, is what the issue of world monetary reform is all about. It is to assure ample world liquidity for the years ahead that the United States, in cooperation with other leading financial powers, is seeking workable ways of strengthening and improving international financial arrangements.

For several years now the essential laying of the technical groundwork has been underway as 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. An early conclusion was that there are two elements in international liquidity; on the one hand the more conventional reserves of gold and reserve currencies and on the other hand the ready availability of credit facilities for countries in need of temporary assistance.

As long ago as 1961 the ten major industrial nations, now known as the Group of Ten, negotiated with the International Monetary Fund a so-called General Arrangements to borrow whereby the ten nations agreed to lend to the IMF up to $6 billion should this be necessary "to forestall or cope with an impairment of the international monetary system." That arrangement was activated last December and again this May in order to provide a part of a $2.4 billion drawings from the IMF on the part of the United Kingdom.

On the credit side, also, the members of the International Monetary Fund have now agreed to support a 25% general increase in IMF quotas. This 25% increase, plus special increases for some sixteen countries, will raise total aggregate quotas from $15 billion to around $21 billion. The Congress last month approved a $1,035 million increase in the U. S. quota.

Meanwhile, the Group of Ten and the International Monetary Fund have been continuing their studies of the future course of world liquidity. Deputies of the Group submitted a comprehensive report on the problems involved last August. In their Ministerial Statement last August, the Group of Ten stated that while supplies of gold and reserve currencies are fully adequate for the present and are likely to be for the immediate future, the continuing growth of world trade and payments is likely to require larger international liquidity. While they said that this need might be met by an expansion of credit facilities, they added that it may possibly call for some new form of reserve asset.

A Study Group was set up "to examine various proposals regarding the creation of reserve assets either through the IMF or otherwise." The efforts of that Group have culminated in the so-called Ossola report, submitted to the Deputies of the Group of Ten on June 1 of this year, which exhaustively examines, with all their promises and pitfalls, the possible paths to the creation of reserve assets.

Now for the first time in four years we are confronted by the happy concurrence of three crucial facts:

(1) The U. S. balance of payments is approaching an equilibrium and the Executive Branch, the Congress and the private sector, including industry, banking and labor, have mounted a program that makes unmistakably manifest our determination to keep it that way.

(2) Evidence is accumulating of a rising tide of opinion in many knowledgeable and influential quarters in the Free World, private and public, that our international monetary arrangements can and should be substantially improved, building on the basis of the International Monetary Fund and the network of more informal international monetary cooperation that has marked recent years.

(3) The completion of technical studies necessary to give a thorough understanding of the problem and various alternative approaches to solution on the part of those at the highest levels of government who must ultimately make these decisions.

We have now reached the moment which President

Johnson had in mind when in speaking of new international monetary steps he said:

> "We must press forward with our studies and beyond, to action -- evolving arrangements which will continue to meet the needs of a fast growing world economy. Unless we can make timely progress, international monetary difficulties will exercise a stubborn and increasingly frustrating drag on our policies for prosperity and progress at home and throughout the world."

In taking office, I described this as "the major task facing our Treasury and the financial authorities of the rest of the Free World in the next few years."

In recent weeks we have moved beyond the plane of hope and technical studies toward the prospect of more conclusive negotiations from which alone solution can emerge. I met last week with the British Chancellor of the Exchequer James Callaghan and we exchanged preliminary and tentative views on the subject of international liquidity.

Next week I hope to have the pleasure of informal discussions with the Japanese Minister of Finance, Takeo Fukuda, in connection with the Joint Cabinet sessions of the U. S. - Japan Committee on Trade and Economic Affairs.

Both before and after the scheduled meeting of the International Monetary Fund and World Bank in late September, I expect to visit ranking financial officials of other Group of Ten countries, to ascertain firsthand their views on the most practical and promising ways of furthering progress toward improved international monetary arrangements. We must not only be prepared to advance our own proposals, but to carefully consider and fairly weigh the merits of other proposals. As Congressman Robert Ellsworth of Kansas in discussing this subject recently remarked:

> "We must appreciate that if we wish a strong Europe it must be a Europe strong enough to look upon an American proposal as merely one among many possible solutions -- all of which will be reviewed together. If we wish their partnership, we must treat them as partners."

Already your government is engaged in an intensive internal preparation for these bilateral meetings and multi-lateral negotiations that should follow. In addition, so that the government may have the benefit of some of the expertise and experience outside the government in this highly technical area, President Johnson has accepted my recommendation and announced creation of an Advisory Committee on International Monetary Arrangements which includes as its Chairman the former Secretary of the Treasury, Douglas Dillon, and a distinguished group of experts including Robert Roosa, former Under Secretary of the Treasury for Monetary Affairs; Kermit Gordon, former Director of the Bureau of the Budget; Edward Bernstein, economic consultant specializing in international monetary policy; Andre Meyer, of the investment banking firm of Lazard Freres; David Rockefeller, President of the Chase Manhattan Bank, and Charles Kindleberger, Professor of Economics at Massachusetts Institute of Technology.

With their help and that of many others who will be consulted including, particularly, many well informed members of the appropriate committees of Congress, we shall constantly seek a comprehensive U. S. position and negotiating strategy designed to achieve substantial improvement in international monetary arrangements thoroughly compatible with our national interests. In the various proposals which have and will be made we must determine those which will be acceptable to the United States, those which are entirely unacceptable, and those which may well be appropriate for negotiation.

There will be an initial meeting of the Advisory Committee on International Arrangements on July 16. Hearings are planned before the International Finance Subcommittee of the House Banking and Currency Committee under the Chairmanship of Congressman Henry Reuss of Wisconsin to obtain various private and organizational points of view. These hearings and the reports of the Committee will be of great value, together with those of the Joint Economic Committee of Congress and the International Finance Subcommittee of the Senate Banking and Currency Committee under the Chairmanship of Senator Edmund Muskie of Maine.

I am privileged to tell you this evening that the President has authorized me to announce that the United States now stands prepared to attend and participate in an international monetary conference that would consider what steps we might jointly take to secure substantial improvements in international monetary arrangements. Needless to say, if such a conference is to lead to a fruitful and creative resolution of some of the free world's monetary problems, it must be preceded by careful preparation and international consultation.

To meet and not succeed would be worse than not meeting at all. Before any conference takes place, there should be a reasonable certainty of measurable progress through prior agreement on basic points.

Our suggestion is that the work of preparation be undertaken by a Preparatory Committee which could be given its terms of reference at the time of the annual meeting of the International Monetary Fund this September.

The United States is not wedded to this procedure nor to any rigid timetable. I shall exchange views with my colleagues in Europe and elsewhere, as well as with the senior officials of the International Monetary Fund, on how best to proceed. The point I wish to emphasize here is that the United States is determined to move ahead -- carefully, deliberately -- but without delay. Not to act when the time is ripe can be as unwise as to act too soon or too hastily.

We are, therefore, moving ahead -- and we are making progress. But we must be aware that the issues involved are complex, and they raise basic questions of national interest. It is not, therefore, easy to arrive at the degree of international consensus we must have for any workable reform of the international monetary system. We can expect no overnight solution -- but only patient exploration of the alternatives with our trading partners in a spirit of mutual cooperation. This is the course we are now pursuing.

As we move ahead, we will do well to remember that the existing international financial system has successfully financed an unparalleled expansion in world trade and payments. We have also done much in recent years to strengthen that system. The need now is not to start all over again, to move in a completely new direction. Rather, we must move once more to strengthen and improve the existing arrangements.

And while we proceed solidly and surely toward international agreement on the problems of world liquidity, we in this country must keep ever before us the present and pressing need to protect the existing international payments system by maintaining a strong, sound and stable dollar. First things must come first. We are bringing our own payments into equilibrium and we must keep them in equilibrium. By resolutely shouldering that responsibility we will preserve the foundation upon which must rest all efforts to assure free world growth in the years ahead--the monetary system that has served the free world so well in the past.

# TREASURY DEPARTMENT

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

WASHINGTON, D.C.
July 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 April 15, 1965, and the other series to be dated July 15, 1965, which were offered on July 7, were opened at the Federal Reserve Banks on July 12. Tenders were invited for $1,200,000,00 or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bill The details of the two series are as follows:

| RANGE OF ACCEPTED COMPETITIVE BIDS: | 91-day Treasury bills maturing October 14, 1965 | | 182-day Treasury bills maturing January 13, 1966 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.026 | 3.853% | 98.019 a/ | 3.918% |
| Low | 99.017 | 3.889% | 98.008 | 3.940% |
| Average | 99.018 | 3.883% 1/ | 98.012 | 3.933% 1/ |

a/ Excepting 2 tenders totaling $755,000
63 percent of the amount of 91-day bills bid for at the low price was accepted
45 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 36,382,000 | $ 22,682,000 | $ 16,887,000 | $ 16,887,000 |
| New York | 1,422,000,000 | 734,050,000 | 1,176,014,000 | 728,189,000 |
| Philadelphia | 31,318,000 | 18,981,000 | 13,891,000 | 5,891,000 |
| Cleveland | 38,853,000 | 38,853,000 | 38,189,000 | 38,189,000 |
| Richmond | 19,153,000 | 17,611,000 | 8,642,000 | 8,642,000 |
| Atlanta | 72,547,000 | 60,691,000 | 23,100,000 | 22,790,000 |
| Chicago | 284,900,000 | 143,863,000 | 234,912,000 | 102,062,000 |
| St. Louis | 45,532,000 | 37,621,000 | 12,931,000 | 10,794,000 |
| Minneapolis | 22,173,000 | 16,618,000 | 11,811,000 | 10,811,000 |
| Kansas City | 48,226,000 | 40,507,000 | 12,367,000 | 12,367,00 |
| Dallas | 27,391,000 | 18,021,000 | 11,256,000 | 6,706,00 |
| San Francisco | 98,541,000 | 52,031,000 | 67,323,000 | 36,873,00 |
| TOTALS | $2,147,016,000 | $1,201,529,000 b/ | $1,627,323,000 | $1,000,201,00 |

b/ Includes $313,726,000 noncompetitive tenders accepted at the average price of 99.01
c/ Includes $110,883,000 noncompetitive tenders accepted at the average price of 98.012
1/ On a coupon issue of the same length and for the same amount invested, the return o these bills would provide yields of 3.98%, for the 91-day bills, and 4.07% 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.

July 12, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN JUNE

During June 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 $69,714,500.00.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 12, 1965

FOR IMMEDIATE RELEASE

# TREASURY MARKET TRANSACTIONS IN JUNE

During June 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 $69,714,500.00.

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Excise Tax Reduction Act. Prior to his work on the Staff of the Joint Committee, he served in the Office of Chief Counsel of the Internal Revenue Service where he worked on the foreign provisions of the Revenue Act of 1962. Before that, from 1955 to 1961, he held a number of positions with Chrysler Corporation.

Born in 1928 in New York City, Mr. Moody is a graduate of Washington and Lee University and Indiana University Law School, and holds a Master of Laws degree from Wayne State University.

FOR IMMEDIATE RELEASE

## NEW TREASURY OFFICIAL NAMED

Treasury Secretary Henry H. Fowler today announced the appointment of Robert J. Moody as a Special Assistant to the Secretary; Mr. Moody will serve as director of the Executive Secretariat -- the ~~office which supervises the flow of~~ central coordinating staff of the ~~communications to and from~~ Department serving the Secretary and Under Secretary. He will succeed Donald I. Lamont, who has accepted a position of tax attorney for the American Telephone and Telegraph Company.

At the time of his Treasury appointment, Mr. Moody, an attorney, was on the Staff of the Joint Committee on Internal Revenue Taxation. Among the tax measures he worked on are the Revenue Act of 1964, the Interest Equalization Tax Act, and the

TREASURY DEPARTMENT

WASHINGTON, D.C.

July 13, 1965

FOR IMMEDIATE RELEASE

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Born in 1928 in New York City, Mr. Moody is a graduate of Washington and Lee University and Indiana University Law School, and holds a Master of Laws degree from Wayne State University.

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TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
WEDNESDAY, JULY 14, 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 - July 1, 1965 - September 30, 1965

IMPORTS - July 1, 1965 - July 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 | Imports | Quarterly Quota Dutiable lead | Imports | Quarterly Quota Zinc Content | Imports | Quarterly Quota By Weight | Imports |
| | (Pounds) | | (Pounds) | | (Pounds) | | (Pounds) | |
| Australia | 11,220,000 | 11,220,000 | 22,540,000 | - | - | - | - | - |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | ***551,150 |
| Bolivia | 5,040,000 | - | - | - | - | - | - | - |
| Canada | 13,440,000 | ***10,995,469 | 15,920,000 | 664,946 | 66,480,000 | 66,480,000 | 37,840,000 | 13,806,892 |
| Italy | - | - | - | - | - | - | 3,600,000 | ***1,102,300 |
| Mexico | - | - | 36,880,000 | 457,167 | 70,480,000 | 2,034,650 | 6,320,000 | - |
| Peru | 16,160,000 | ***8,716,578 | 12,880,000 | - | 35,120,000 | 972,192 | 3,760,000 | - |
| Republic of the Congo (formerly Belgian Congo) | - | - | - | - | - | - | 5,440,000 | - |
| **Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | ***2,375 | - | - | - | - |
| All other countries (total) | 6,560,000 | ***2,036,260 | 6,080,000 | ***1,676,019 | 17,840,000 | 17,840,000 | 6,080,000 | 6,080,000 |

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

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
WEDNESDAY, JULY 14, 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 - July 1, 1965 - September 30, 1965

IMPORTS - July 1, 1965 - July 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 | - | - | - | - | - |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | ***551,150 |
| Bolivia | 5,040,000 | - | - | - | - | - | - | - |
| Canada | 13,440,000 | ***10,995,469 | 15,920,000 | 664,946 | 66,480,000 | 66,480,000 | 37,840,000 | 13,806,892 |
| Italy | - | - | - | - | - | - | 3,600,000 | ***1,102,300 |
| Mexico | - | - | 36,880,000 | 457,167 | 70,480,000 | 2,034,650 | 6,320,000 | - |
| Peru | 16,160,000 | ***8,716,578 | 12,880,000 | - | 35,120,000 | 972,192 | 3,760,000 | - |
| Republic of the Congo (formerly Belgian Congo) | - | - | - | - | - | - | 5,440,000 | - |
| **Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | ***2,375 | - | - | - | - |
| All other countries (total) | 6,560,000 | ***2,036,260 | 6,080,000 | ***1,676,019 | 17,840,000 | 17,840,000 | 6,080,000 | 6,080,000 |

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

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

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IMMEDIATE RELEASE
WEDNESDAY, JULY 14, 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 - June 30, 1965

| Country of Production | ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds) | Imports | ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds) | Imports | ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds) | Imports | ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: Quarterly Quota By Weight (Pounds) | Imports |
|---|---|---|---|---|---|---|---|---|
| Australia | 11,220,000 | 11,220,000 | 22,540,000 | 22,540,000 | - | - | - | - |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | 4,254,332 |
| Bolivia | 5,040,000 | 2,283,681 | - | - | - | - | - | - |
| 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 | 1,432,990 |
| Mexico | - | - | 36,880,000 | 36,825,323 | 70,480,000 | 60,022,157 | 6,320,000 | 6,319,948 |
| Peru | 16,160,000 | 16,160,000 | 12,880,000 | 12,879,499 | 35,120,000 | 35,120,000 | 3,760,000 | 3,759,178 |
| Republic of the Congo (formerly Belgian Congo) | - | - | - | - | - | - | 5,440,000 | 5,438,847 |
| **Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | 15,760,000 | - | - | - | - |
| All other countries (total) | 6,560,000 | 6,560,000 | 6,080,000 | 1,526,103 | 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
WEDNESDAY, JULY 14, 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 - June 30, 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 | Imports | Quarterly Quota Dutiable lead | Imports | Quarterly Quota Zinc Content | Imports | Quarterly Quota By Weight | Imports |
| | (Pounds) | | (Pounds) | | (Pounds) | | (Pounds) | |
| Australia | 11,220,000 | 11,220,000 | 22,540,000 | 22,540,000 | - | - | - | - |
| Belgium and Luxemburg (total) | - | - | - | - | - | - | 7,520,000 | 4,254,332 |
| Bolivia | 5,040,000 | 2,283,681 | - | - | - | - | - | - |
| 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 | 1,432,990 |
| Mexico | - | - | 36,880,000 | 36,825,323 | 70,480,000 | 60,022,157 | 6,320,000 | 6,319,948 |
| Peru | 16,160,000 | 16,160,000 | 12,880,000 | 12,879,499 | 35,120,000 | 35,120,000 | 3,760,000 | 3,759,178 |
| Republic of the Congo (formerly Belgian Congo) | - | - | - | - | - | - | 5,440,000 | 5,438,847 |
| **Un. So. Africa | 14,880,000 | 14,880,000 | - | - | - | - | - | - |
| Yugoslavia | - | - | 15,760,000 | 15,760,000 | - | - | - | - |
| All other countries (total) | 6,560,000 | 6,560,000 | 6,080,000 | 1,526,103 | 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

IMMEDIATE RELEASE

WEDNESDAY, JULY 14, 1965

F-124

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to July 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 July 3, 1965 |
|---|---|---|---|
| Buttons ....... | 510,000 | Gross | 223,574 |
| Cigars ........ | 120,000,000 | Number | 4,434,097 |
| Coconut oil ... | 268,800,000 | Pound | Quota filled* |
| Cordage ....... | 6,000,000 | Pound | 4,172,762 |
| Tobacco ....... | 3,900,000 | Pound | 3,006,912 |

*Approximately 276,327,530 pounds entered through July 2, 1965.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

WEDNESDAY, JULY 14, 1965

F-124

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to July 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 July 3, 1965 |
|---|---|---|---|
| Buttons ....... | 510,000 | Gross | 223,574 |
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| Coconut oil ... | 268,800,000 | Pound | Quota filled* |
| Cordage ....... | 6,000,000 | Pound | 4,172,762 |
| Tobacco ....... | 3,900,000 | Pound | 3,006,912 |

*Approximately 276,327,530 pounds entered through July 2, 1965.

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 July 12, 1965 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1964, to July 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.

MEDIATE RELEASE
EDNESDAY, JULY 14, 1965

F-125

Preliminary data on imports for consumption of cotton and cotton waste chargeable to the quotas established by residential Proclamation No. 2351 of September 5, 1939, as amended, and as modified by the Tariff Schedules of the nited 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 nited 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 - July 12, 1965

| ountry of Origin | Established Quota | Imports | Country of Origin | Established Quota | Imports |
|---|---|---|---|---|---|
| gypt and Sudan | 783,816 | - | Honduras | 752 | - |
| eru | 247,952 | 68,899 | Paraguay | 871 | - |
| ndia and Pakistan | 2,003,483 | - | Colombia | 124 | - |
| hina | 1,370,791 | - | Iraq | 195 | - |
| exico | 8,883,259 | 2,701,763 | British East Africa | 2,240 | - |
| rasil | 618,723 | - | Indonesia and Netherlands New Guinea | 71,388 | - |
| nion of Soviet Socialist Republics | 475,124 | - | 1/ British W. Indies | 21,321 | - |
| rgentina | 5,203 | - | Nigeria | 5,377 | - |
| aiti | 237 | - | 2/ British W. Africa | 16,004 | - |
| cuador | 9,333 | - | Other, including the U.S. | - | |

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

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

Imports August 1, 1964 - July 12, 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 | 51,468 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 2,662,245 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE

WEDNESDAY, JULY 14, 1965

F-125

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 - July 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 | 2,701,763 |
| 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 - July 12, 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 | 51,468 |
| 1-1/8" or more and under 1-3/8" | 4,565,642 | 2,662,245 |

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 July 12, 1965 | Established 33-1/3% of Total Quota | Imports 1/ Sept. 20, 1964, to July 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-125

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JULY 14, 1965

F-126

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, 1965, as follows:

| Country of Origin | Wheat | | Milled wheat products | |
|---|---|---|---|---|
| | Established Quota | Imports May 29, 1965, to July 12, 1965 | Established Quota | Imports May 29, 1965, to July 12, 1965 |
| | (Bushels) | (Bushels) | (Pounds) | (Pounds) |
| Canada | 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 | - |
| Australia | - | - | 1,000 | - |
| Germany | 100 | - | 5,000 | - |
| Syria | 100 | - | 5,000 | - |
| New Zealand | - | - | 1,000 | - |
| Chile | - | - | 1,000 | - |
| Netherlands | 100 | - | 1,000 | - |
| Argentina | 2,000 | - | 14,000 | - |
| Italy | 100 | - | 2,000 | - |
| Cuba | - | - | 12,000 | - |
| France | 1,000 | - | 1,000 | - |
| Greece | - | - | 1,000 | - |
| Mexico | 100 | - | 1,000 | - |
| Panama | - | - | 1,000 | - |
| Uruguay | - | - | 1,000 | - |
| Poland and Danzig | - | - | 1,000 | - |
| Sweden | - | - | 1,000 | - |
| Yugoslavia | - | - | 1,000 | - |
| Norway | - | - | 1,000 | - |
| Canary Islands | - | - | 1,000 | - |
| Rumania | 1,000 | - | - | - |
| Guatemala | 100 | - | - | - |
| Brazil | 100 | - | - | - |
| Union of Soviet Socialist Republics | 100 | - | - | - |
| Belgium | 100 | - | - | - |
| Other foreign countries or areas | - | - | - | - |
| | 800,000 | - | 4,000,000 | 3,815,000 |

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, JULY 14, 1965

F-126

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, 1965, as follows:

| Country of Origin | Wheat | | Milled wheat products | |
|---|---|---|---|---|
| | Established Quota | Imports May 29, 1965, to July 12, 1965 | Established Quota | Imports May 29, 1965, to July 12, 1965 |
| | (Bushels) | (Bushels) | (Pounds) | (Pounds) |
| Canada | 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 | - |
| Australia | - | - | 1,000 | - |
| Germany | 100 | - | 5,000 | - |
| Syria | 100 | - | 5,000 | - |
| New Zealand | - | - | 1,000 | - |
| Chile | - | - | 1,000 | - |
| Netherlands | 100 | - | 1,000 | - |
| Argentina | 2,000 | - | 14,000 | - |
| Italy | 100 | - | 2,000 | - |
| Cuba | - | - | 12,000 | - |
| France | 1,000 | - | 1,000 | - |
| Greece | - | - | 1,000 | - |
| Mexico | 100 | - | 1,000 | - |
| Panama | - | - | 1,000 | - |
| Uruguay | - | - | 1,000 | - |
| Poland and Danzig | - | - | 1,000 | - |
| Sweden | - | - | 1,000 | - |
| Yugoslavia | - | - | 1,000 | - |
| Norway | - | - | 1,000 | - |
| Canary Islands | - | - | 1,000 | - |
| Rumania | 1,000 | - | - | - |
| Guatemala | 100 | - | - | - |
| Brazil | 100 | - | - | - |
| Union of Soviet Socialist Republics | 100 | - | - | - |
| Belgium | 100 | - | - | - |
| Other foreign countries or areas | - | - | - | - |
| | 800,000 | - | 4,000,000 | 3,815,000 |

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of July 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
WEDNESDAY, JULY 14, 1965 F-127

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 July 3, 1965:

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of July 3, 1965 |
|---|---|---|---|---|
| Tariff-Rate Quotas: | | | | |
| Cream, fresh or sour ........ | Calendar year | 1,500,000 | Gallon | 639,114 |
| Whole Milk, fresh or sour .. | Calendar year | 3,000,000 | Gallon | 32 |
| Cattle, 700 lbs. or more each (other than dairy cows) ... | Apr. 1, 1965 - June 30, 1965 | 120,000 | Head | 28,206 |
| | July 1, 1965 - Sept. 30, 1965 | 120,000 | Head | 1,264 |
| Cattle, less than 200 lbs. each ...................... | 12 mos. from April 1, 1965 | 200,000 | Head | 50,777 |
| Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish .................. | Calendar year | 24,383,589 | Pound | 13,832,989 1/ |
| Tuna Fish ................... | Calendar year | 66,059,400 | Pound | 19,159,835 |
| 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 18,287,691 pounds during the first 9 months of the calendar year.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
**WEDNESDAY, JULY 14, 1965** F-127

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 July 3, 1965:

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|---|---|---|---|---|
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| 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 18,287,691 pounds during the first 9 months of the calendar year.

| Commodity | Period and Quantity | | Unit of Quantity | Imports as of July 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 |

~~RETA MODIFIED~~

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 Stat 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 sol 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 here under are sold is not considered to accrue until such bills are sold, redeemed or othe wise 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 amou 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, prescrit 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.

~~RETA MODIFIED~~

printed forms and forwarded in the special envelopes which will be supplied by Feder 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 bi 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 Reser Banks and Branches, following which public anouncement 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 Treasu 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 Feder Reserve Bank on July 22, 1965 ~~(16)~~, in cash or other immediately available fu or in a like face amount of Treasury bills maturing July 22, 1965 ~~(17)~~. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made f differences between the par value of maturing bills accepted in exchange and the is price of the new bills.

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

~~Exhibit 3-A~~

~~BETA -- MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, July 14, 1965

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~
~~(1)~~

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 July 22, 1965 ~~(3)~~, in the amount of $2,202,615,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued July 22, 1965 ~~(6)~~, in the amount of $1,200,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated April 22, 1965 ~~(8)~~, and to mature October 21, 1965 ~~(9)~~, originally issued in the amount of $1,001,522,000 ~~(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 July 22, 1965 ~~(13)~~, and to mature January 20, 1966 ~~(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 amoun 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 closin hour, one-thirty p.m., Eastern Daylight Saving ~~XXXXXXXX~~ time, Monday, July 19, 1965 ~~(15)~~. Tende 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

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 14, 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 July 22,1965, in the amount of $2,202,615,000, as follows:

91-day bills (to maturity date) to be issued July 22, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated April 22,1965, and to mature October 21,1965, originally issued in the amount of $1,001,522,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated July 22,1965, and to mature January 20, 1966.

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, July 19, 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 July 22, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 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.

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

STATEMENT OF THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE SUBCOMMITTEE ON ANTITRUST AND MONOPOLY
LEGISLATION OF THE SENATE JUDICIARY COMMITTEE
ON S. 1240
THURSDAY, JULY 15, 1965, 9:30 a.m., EDT

I appear before you today in support of S. 1240, to provide for exemptions from the antitrust laws to assist in safeguarding the balance-of-payments position of the United States.

The purpose of the bill before you today is to help to maintain the effectiveness of one of the most important measures in the President's program for correcting our balance of payments--the voluntary program by banks and nonbank financial institutions for limiting loans and other credits to foreigners. In connection with this part of the program, in his special balance-of-payments message to the Congress on February 10, 1965, the President stated:

> "I request the Congress to grant a statutory exemption from the antitrust laws to make possible the cooperation of American banks in support of our balance of payments objectives. I request, also, that the legislation require that this exemption be administered in ways which will not violate the principles of free competition."

F-129

The urgency of restoring balance in our international payments is known to all of you. Continued gold losses remind us that even despite improvement in our balance of payments since the President's new program was announced on February 10, foreign official holders of dollars remain unconvinced of our ability to maintain our international accounts in order.

Last year, after a period of improvement in some of our major international accounts -- our exports had been rising and our Government expenditures abroad had been falling -- we were confronted with huge foreign demands for U. S. private capital. These resulted in an outflow of $6.5 billion.

No outflow on this scale had occurred before in our history -- even in the first half of 1963, when new foreign security issues alone were running at an annual rate of almost $2 billion. There was every indication that the excessive outflow would continue.

It was to be expected, therefore, that the President's new program would put strong emphasis on restraining it. One of the means chosen was the voluntary program involving the cooperation of U. S. commercial banks and nonbank financial institutions.

Bank claims on foreigners rose almost $2.5 billion last year as compared with $1.5 billion in 1963 and about $0.5 billion in 1962. Much of this increase reflected foreign demand for working capital which could not be obtained as cheaply or in such large amounts abroad, often because of restrictive credit policies in the countries of the borrowers.

This country obviously could not continue to become an increasing source of working capital funds for foreigners who should appropriately look to their own domestic credit markets for such funds. Borrowers in Western Europe who did not even want dollars as such were borrowing them from U. S. banks then using the dollars to buy their own local currencies to meet their working capital requirements. In the process the dollars passed into the hands of foreign central banks where they became potential claims on our gold supply.

To curb this outflow of funds, the Federal Reserve has established guidelines designed to restrict substantially the outflow of bank funds to foreign borrowers. Indications are that these guidelines have been working. Long-term bank commitments to borrowers in other developed countries averaged less than $40 million a month during March, April, and May, as compared with almost $300 million a month in January and February. Net disbursements under long-term bank loans to foreigners, which exceeded $450 million in the first quarter, shifted to net repayments of over $130 million in April and May. For the entire year we anticipate a reduction in the total outflow of bank funds to foreigners of roughly $1-1/2 billion from the 1964 outflow.

Nonbank financial institutions have been asked to observe the guideline of not more than a 5 per cent increase in their short- and medium-term investments abroad during this year and to exercise substantial restraint in increasing their long-term investments abroad. We do not yet have complete data on the performance of these institutions under the guideline, but partial information suggests that they are cooperating.

This bill should be regarded as a piece of insurance in attaining our objectives.

At the present time, the Federal Reserve guidelines are of quite a general type. The situation could arise, however, where more specific guidelines seem desirable and where some explicit agreement among banks to observe them also appears desirable. Such an agreement in the absence of the requested exemption would put the banks in jeopardy of violating the law.

The banks and other nonbank financial institutions have had considerable experience with the operation of the antitrust laws particularly in connection with mergers. They are quite sensitive to the risk of violating the law, even inadvertently. Therefore, their full cooperation in the voluntary program could be blunted in situations which they think might expose them to charges of antitrust violation.

A foreign applicant for a loan facing a series of refusals from a number of banks in the same community might charge them with a violation of the antitrust laws. Banks naturally do not want to expend time and money in having to defend themselves against such suits. Hence, while their inclination might be to refuse the loan within the spirit of the voluntary cooperation program, they might hesitate to take such action if it might possibly be construed as the result of an inter-bank understanding.

We believe that the likelihood of conflict with the antitrust laws is extremely limited; but, as I mentioned before, the important thing in a voluntary program is the attitude of the participating banks. As long as they see the possibility of an antitrust prosecution or litigation for actions taken within the spirit of the voluntary program, it is important to have this exemption as a means of insuring their full cooperation.

Comparable protection was afforded by a provision in the Defense Production Act of 1950. It extended, among others, to lending institutions cooperating in restraining credit expansion under the program inaugurated in March, 1951, at the time when the Korean War was generating inflationary pressures in the U. S. economy. Similar antitrust protection was afforded in the Small Business Mobilization Act of 1942 and the Small Business Act of 1958. As far as we know, these exemptions did not result in any significant compromise of our principles of free enterprise and competition. We are asking no more in this bill than was requested in earlier measures of the same type, and we are asking it in connection with our effort to solve one of our urgent national problems -- our balance-of-payments disequilibrium and its associated gold losses.

I therefore recommend that this Committee take favorable action on S. 1240. It is identical with H.R. 5280, as introduced. The House made some minor amendments which we find acceptable; and we would be happy to support action by this Committee recommending corresponding amendments to S. 1240.

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new dimes, quarters and half dollars. Mint plans call for the manufacture of 3½ billions of the new coins in the first year after approval, and 7 billion pieces in the second year.

The Mint's plans call for continued production of the present silver coins while the new coinage is made ready. Approximately 1 billion new pieces of the current silver coinage will be added to the extimated 12 billion pieces now in circulation before production is halted.

that always arise, despite the best forward planning, when a new product is being made. He will consult with me and will counsel with Assistant Secretary of the Treasury Robert A. Wallace, Mint Director Eva Adams and others with responsibility for the operations of the Mint."

Mr. Decker is 64. He has lived at Corning since 1930. He was graduated from Pennsylvania State University in 1922 with a degree in Industrial Chemistry. In 1927 he received a graduate degree in Business Administration from Harvard Business School. He began at Corning Glass in 1930, became President in 1946, Chairman of the Board in 1961 and Chairman, Executive Committee, in 1964.

Pending approval of the proposed new coinage Mr. Decker is serving as a part time consultant to the Secretary of the Treasury in connection with advance planning for the production dimes and quarters, and a 40 percent silver half dollar, together with related measures, in a message on June 3. Production of the new coinage cannot begin until the Senate and the House agree upon identical legislation and the bill has been signed by the President.

"I have asked Mr. Decker to advise with us upon the procurement and production aspects of the proposed new coinage to the end that we should be ready to get into quantity production at the earliest possible time after approval by the Congress and the President," Secretary Fowler said.

"Mr. Decker's advice is insurance for the swift and abundant production of the proposed new coinage worked out in advance by the Mint. He gives us added ~~capacity~~ ability during the crucial initial phases to identify and overcome the problems

Immediate release 7-15-65

~~DRAFT~~

**TREASURY SECRETARY FOWLER ANNOUNCES THE APPOINTMENT OF A SPECIAL CONSULTANT ON PRODUCTION OF THE PROPOSED NEW COINAGE**

Treasury Secretary Fowler today announced the appointment of William ~~Conway~~ C. Decker, of Corning, New York, as a Special Consultant to the Secretary of the Treasury in connection with production of the proposed new dimes, quarters and half dollars.

Mr. Decker is a production and supply expert who is former President and Chairman of the Executive Committee of Corning Glass Works. ~~He~~ Agreed to resign ~~[illegible]~~ his executive post ~~upon~~ accepting ~~He is on leave from his firm while serving as consultant to~~ government service ~~the Secretary of the Treasury.~~

Secretary Fowler's announcement followed passage yesterday, by the House, of the Coinage Act of 1965. The bill was passed by the Senate, with some differences, on June 24. The President urged prompt Congressional authorization of non-silver

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 15, 1965

FOR IMMEDIATE RELEASE

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"Mr. Decker's advice is insurance for the swift and abundant production of the proposed new coinage worked out in advance by the Mint. He gives us added ability during the crucial initial phases to identify and overcome the problems that always arise, despite the best forward planning, when a new product is being made. He will consult with me and will counsel with Assistant Secretary of the Treasury Robert A. Wallace, Mint Director Eva Adams and others with responsibility for the operations of the Mint."

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Mr. Decker is 64. He has lived at Corning since 1930. He was graduated from Pennsylvania State University in 1922 with a degree in Industrial Chemistry. In 1927 he received a graduate degree in Business Administration from Harvard Business School. He began at Corning Glass in 1930, became President in 1946, Chairman of the Board in 1961 and Chairman, Executive Committee, in 1964.

Pending approval of the proposed new coinage Mr. Decker has been serving as a part time consultant to the Secretary of the Treasury in connection with advance planning for the production of new dimes, quarters and half dollars. Mint plans call for the manufacture of 3-1/2 billions of the new coins in the first year after approval, and 7 billion pieces in the second year.

The Mint's plans call for continued production of the present silver coins while the new coinage is made ready. Approximately 1 billion new pieces of the current silver coinage will be added to the estimated 12 billion pieces now in circulation before production is halted.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 15, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON FERROCHROMIUM
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed the investigation with respect to the possible dumping of ferrochromium, not containing over 3 percent by weight of carbon, from Sweden. A notice of a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act will be published in an early issue of the Federal Register.

Appraisement of the above-described merchandise from Sweden is not being withheld at this time.

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 June 29, 1964. The complaint was submitted by Vanadium Corporation of America, New York, New York.

Imports of the involved merchandise received during the period June 1964 through March 1965 were worth approximately $430,000.

# TREASURY DEPARTMENT

WASHINGTON, D.C.
July 15, 1965


FOR IMMEDIATE RELEASE

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 16, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED WIRE MESH
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that welded wire mesh for concrete reinforcement from Belgium is not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. A "Notice of Tentative Determination," was published in the Federal Register on May 28, 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.

Imports of the involved merchandise received during the period January through April 1965 were worth approximately $187,000.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 16, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON WELDED WIRE MESH
UNDER THE ANTIDUMPING ACT

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Imports of the involved merchandise received during the period January through April 1965 were worth approximately $187,000.

# TREASURY DEPARTMENT

WASHINGTON, D.C.


July 19, 1965

FOR RELEASE A.M. NEWSPAPERS
TUESDAY, JULY 20, 1965

## U.S. AND U.K. AGREE ON TEMPORARY CHANGE IN WITHHOLDING TAX RATES ON DIVIDENDS

The Treasury today announced that the new system of taxation being introduced in the United Kingdom will require modification of the double taxation convention between the two countries. The convention is an agreement governing the taxation of transactions between residents in both countries.

Negotiations are now under way on revision of the convention and both governments are confident of a satisfactory outcome at an early date.

It is clear that Article VI of the convention -- which deals with the taxation of dividends -- will require modification. For that reason the United States and the United Kingdom have agreed to termination of Article VI, effective January 1, 1966, for the United States and April 6, 1966, for the United Kingdom.

Consequently, and in accordance with terms of the Article, the United States has given notice of termination. This does not affect any other Articles of the treaty.

Article VI limits the rate of United States withholding tax on dividends paid to United Kingdom recipients by United States companies.

Article VI also prohibits the United Kingdom from imposing any additional tax on dividends received by individuals resident in the United States from United Kingdom companies -- apart from the tax imposed at the company level.

The United States withholding tax is now limited by Article VI to 5 percent on dividends paid by United States companies to United Kingdom parent companies and to 15 percent to other United Kingdom shareholders.

Unless a new agreement is concluded and ratified before January 1, 1966, the statutory withholding rate of 30 percent imposed under the Internal Revenue Code will apply from that date to all dividends paid to United Kingdom shareholders. If an agreement is ratified after January 1, it is contemplated that the reduced rates in the agreement will be made retroactive to that date.

Modification of the existing agreement is required by the fact that the new British system will impose -- effective April 6, 1966 -- a new corporation tax on company profits and in addition, a withholding tax of 41-1/4 percent on all dividends paid by United Kingdom companies, including those paid to residents abroad as well as to residents in the United Kingdom.

If notice to terminate the dividend article were not given, the United States withholding tax rate next year would continue to be frozen at the rates of 5 and 15 percent, but the United Kingdom would be free to impose the 41-1/4 percent withholding tax.

Termination of the existing dividend article allows both countries the necessary flexibility to arrive at mutually acceptable withholding tax rates.

It is anticipated that whatever agreement on withholding tax rates is reached in the negotiations now underway, the rates will apply retroactively from January 1, 1966, in the case of the United States, and from April 6, 1966, in the case of the United Kingdom. If withholding takes place at the statutory rates prior to these dates, appropriate refunds will be made.

The notification for termination of the dividend article which the United States has given to the United Kingdom is therefore not with the intent of eliminating reduced rates of withholding tax but rather to facilitate a transition from the existing treaty provisions on dividends to whatever new rates may be arrived at in the current negotiations.

The text of a memorandum of understanding between the two countries on this subject is attached.

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# MEMORANDUM OF UNDERSTANDING

A delegation from the United Kingdom Government headed by Sir Alexander Johnston, Chairman of the Board of Inland Revenue, and a delegation from the United States Government headed by Stanley S. Surrey, Assistant Secretary of the United States Treasury, met in London on June 25, 1965, to consider, in the light of the prospective changes in the United Kingdom taxation system, revision of the Convention between the United States and the United Kingdom for the avoidance of double taxation on income.

Both parties are confident that agreement can be reached at an early date on the revision of the Convention. While discussions on such revisions proceed, it is agreed that:

(1) In order to remove the restraints presently in Article VI upon withholding tax on dividends, and without prejudice to the reductions in the rates of tax which may ultimately be agreed upon, the United States Government will present to the United Kingdom Government on or before June 30, 1965, and the United Kingdom Government will accept, a notice of termination of Article VI.

(2) If revision of the Convention is not completed before December 31, 1965, for such interim period as may exist until a new agreement becomes effective, the United States, beginning January 1, 1966, and the United Kingdom, beginning April 6, 1966, will impose withholding tax on dividends transferred to residents of the other country at statutory rates. It is anticipated that the withholding rates agreed upon will be retroactive to the above respective dates and that such refunds will be made as may be required to reduce the tax to the level ultimately agreedupon in the revised Convention.

(3) Decisions on changes in the Article XIII dealing with the credit for underlying tax on corporate profits will take effect on a date to be agreed, such date to be the same for both countries, and both parties will endeavor to arrange that the date will be April 6, 1966.

June 30, 1965

# TREASURY DEPARTMENT

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

WASHINGTON, D.C.

July 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 April 22, 1965, and the other series to be dated July 22, 1965, which were offered on July 14, were opened at the Federal Reserve Banks on July 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 October 21, 1965 | | 182-day Treasury bills maturing January 20, 1966 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.034 a/ | 3.822% | 98.024 b/ | 3.909% |
| Low | 99.030 | 3.837% | 98.021 | 3.915% |
| Average | 99.031 | 3.833% 1/ | 98.022 | 3.913% 1/ |

a/ Excepting one tender of $5,000; b/ Excepting 1 tender of $800,000
73 percent of the amount of 91-day bills bid for at the low price was accepted
97 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

| District | Applied For | Accepted | Applied For | Accepted |
|---|---|---|---|---|
| Boston | $ 47,007,000 | $ 33,218,000 | $ 32,860,000 | $ 11,560,000 |
| New York | 1,427,623,000 | 774,143,000 | 1,620,427,000 | 809,328,000 |
| Philadelphia | 30,196,000 | 18,196,000 | 13,746,000 | 4,921,000 |
| Cleveland | 30,412,000 | 29,552,000 | 28,089,000 | 15,531,000 |
| Richmond | 16,273,000 | 14,322,000 | 5,667,000 | 3,617,000 |
| Atlanta | 35,116,000 | 24,025,000 | 22,160,000 | 8,760,000 |
| Chicago | 291,942,000 | 152,812,000 | 279,935,000 | 97,050,000 |
| St. Louis | 42,563,000 | 35,612,000 | 15,614,000 | 10,214,000 |
| Minneapolis | 22,581,000 | 17,256,000 | 9,730,000 | 6,200,000 |
| Kansas City | 27,928,000 | 26,748,000 | 9,532,000 | 8,317,000 |
| Dallas | 27,525,000 | 17,147,000 | 11,397,000 | 6,397,000 |
| San Francisco | 129,829,000 | 58,662,000 | 143,884,000 | 22,699,000 |
| TOTALS | $2,128,995,000 | $1,201,693,000 c/ | $2,193,041,000 | $1,004,594,000 d/ |

Includes $269,612,000 noncompetitive tenders accepted at the average price of 99.031
Includes $91,299,000 noncompetitive tenders accepted at the average price of 98.022
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.92%, for the 91-day bills, and 4.05%, 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.

July 20, 1965

FOR RELEASE P.M. NEWSPAPERS
TUESDAY, JULY 20, 1965

## FOWLER APPOINTS NEW COMMISSIONER OF CUSTOMS

Secretary of the Treasury Henry H. Fowler today announced the appointment of Lester D. Johnson as Commissioner of Customs.

Mr. Johnson has been Acting Commissioner of Customs since October, 1964. He has served in the Department's Bureau of Customs since 1935. He succeeds Philip Nichols, Jr., who resigned to accept appointment as a Judge in the U. S. Customs Court.

Beginning as a Clerk and Examiner in the Bureau's San Francisco office, Mr. Johnson later served as Appraiser of Merchandise, Treasury Attache in Japan, Assistant Deputy Commissioner, Regional Customs Representative in Italy, Deputy Commissioner and Assistant Commissioner.

Mr. Johnson was a member of the Advisory Committee to the Survey Group appointed by the Secretary of the Treasury to evaluate the missions, organization and management of the Bureau of Customs. The President's Reorganization Plan No. 1, adopted May 24 of this year, enabled the major recommendations of that Committee to be put into effect. One of Mr. Johnson's major achievements was the reorganization in 1963 of the Customs Agency Service, the enforcement arm of the Bureau of Customs.

Born in San Jose, California, on May 15, 1907, Mr. Johnson earned his A.B. degree in Economics from San Jose State College in 1929 and his Masters degree in Public Finance from Stanford University in 1933. After graduation from that University, he instructed in Economics at the Polytechnic College in Oakland, California, for two years before joining the Treasury Department.

Mr. Johnson is married to the former Faye Lucas, and resides at 2306 Windsor Road, Alexandria, Virginia. He is a member of the American Club of Rome, the Foreign Correspondents Club of Tokyo, and the National Press Club.

As Commissioner of Customs he will direct the activities of 9,300 Customs employees throughout the United States and abroad. The Customs Service processes 180 million persons arriving at the U. S. Ports of Entry each year and collects more than $2 billion annually in Customs duties and is engaged in the prevention of smuggling of contraband into the United States.

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| Description | 1964 Actual | 1965 January budget | 1965 Actual | 1965 Change from budget |
|---|---|---|---|---|
| Expenditures by major agency - Continued | | | | |
| General Services Administration.......... | $592 | $616 | $632 | $+16 |
| Housing and Home Finance Agency.......... | 328 | 176 | 244 | +68 |
| National Aeronautics and Space Administration.......................... | 4,171 | 4,900 | 5,094 | +194 |
| Veterans Administration.................. | 5,478 | 5,376 | 5,488 | +112 |
| Other independent agencies............... | 861 | 1,013 | 1,073 | +60 |
| District of Columbia..................... | 57 | 76 | 61 | -15 |
| Allowances, undistributed................ | --- | 103 | --- | -103 |
| Subtotal........................... | 98,348 | 98,314 | 97,388 | -926 |
| Deduct interfund transactions............ | 664 | 833 | 869 | 36 |
| Total expenditures.................. | 97,684 | 97,481 | 96,518 | -963 |
| Administrative budget surplus (+) or deficit (-)............................. | -8,226 | -6,281 | -3,474 | +2,807 |

FEDERAL RECEIPTS FROM AND PAYMENTS TO THE PUBLIC
(Fiscal years. In millions)

| | | | | |
|---|---|---|---|---|
| Federal receipts from the public: | | | | |
| Administrative budget receipts (net)... | $89,459 | $91,200 | $93,044 | $+1,844 |
| Trust and other receipts (net)......... | 30,331 | 30,515 | 31,055 | +540 |
| Deduct intragovernmental and other non-cash transactions...................... | 4,259 | 4,331 | 4,415 | +84 |
| Total Federal receipts from the public............................ | 115,530 | 117,384 | 119,685 | +2,301 |
| Federal payments to the public: | | | | |
| Administrative budget expenditures (net) | 97,684 | 97,481 | 96,518 | -963 |
| Trust fund and other expenditures (net) | 28,885 | 29,045 | 29,627 | +582 |
| Deduct intragovernmental and other non-cash transactions...................... | 6,237 | 5,134 | 3,776 | -1,358 |
| Total Federal payments to the public | 120,332 | 121,393 | 122,369 | +976 |
| Excess of cash receipts from or payments to (-) the public...................... | -4,802 | -4,009 | -2,684 | +1,325 |

NOTE.--Figures are rounded to nearest million and will not necessarily add to totals.

ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES
(Fiscal years. In millions)

| Description | 1964 Actual | 1965 January budget | 1965 Actual | 1965 Change from budget |
|---|---|---|---|---|
| **Receipts by source** | | | | |
| Individual income taxes.................. | $48,697 | $47,000 | $48,792 | +$1,792 |
| Corporation income taxes................. | 23,493 | 25,600 | 25,452 | -148 |
| Excise taxes............................. | 10,211 | 10,733 | 10,918 | +185 |
| Miscellaneous receipts................... | 4,076 | 4,485 | 4,596 | +111 |
| All other receipts....................... | 3,646 | 4,215 | 4,154 | -61 |
| Subtotal.......................... | 90,123 | 92,033 | 93,913 | +1,880 |
| Deduct interfund transactions............ | 664 | 833 | 869 | 36 |
| Net receipts....................... | 89,459 | 91,200 | 93,044 | +1,844 |
| **Expenditures by major agency** | | | | |
| Legislative Branch and the Judiciary..... | 217 | 255 | 239 | -16 |
| Executive Office of the President........ | 23 | 26 | 24 | -2 |
| Funds Appropriated to the President: | | | | |
| International financial institutions... | 112 | 319 | 320 | +1 |
| Office of Economic Opportunity......... | --- | 347 | 210 | -137 |
| Public works acceleration.............. | 332 | 300 | 322 | +22 |
| Foreign assistance - economic.......... | 1,997 | 2,050 | 2,036 | -14 |
| Foreign assistance - military.......... | 1,485 | 1,200 | 1,204 | +4 |
| Other.................................. | 193 | 215 | 184 | -31 |
| Agriculture: | | | | |
| Commodity Credit Corporation........... | 5,100 | 4,105 | 4,442 | +337 |
| Other.................................. | 2,797 | 2,753 | 2,888 | +135 |
| Commerce................................. | 686 | 764 | 757 | -7 |
| Defense: | | | | |
| Military............................... | 49,760 | 48,100 | 46,178 | -1,922 |
| Civil.................................. | 1,153 | 1,269 | 1,234 | -35 |
| Health, Education, and Welfare........... | 5,498 | 5,770 | 5,739 | -31 |
| Interior................................. | 1,124 | 1,225 | 1,205 | -20 |
| Justice.................................. | 328 | 367 | 357 | -10 |
| Labor.................................... | 370 | 495 | 480 | -15 |
| Post Office.............................. | 578 | 718 | 800 | +82 |
| State.................................... | 347 | 388 | 380 | -8 |
| Treasury: | | | | |
| Interest on the public debt............ | 10,666 | 11,200 | 11,354 | +154 |
| Other.................................. | 1,281 | 1,351 | 1,383 | +32 |
| Atomic Energy Commission................. | 2,765 | 2,700 | 2,624 | -76 |
| Export-Import Bank of Washington......... | -702 | -645 | -357 | +288 |
| Federal Aviation Agency.................. | 751 | 781 | 795 | +14 |

Consolidated cash statement -- The reduction in the cash deficit from the January estimate is $1.5 billion less than the decline in the administrative budget deficit. This difference is accounted for by: (1) an increase of about $0.1 billion in the excess of trust fund expenditures over recipts, reflecting $0.6 billion higher trust fund expenditures (mainly Government-sponsored enterprises) and $0.5 billion higher trust fund receipts than anticipated, and (2) a decrease of $1.4 billion from the January estimate for the noncash items (e.g., interest accruals, transactions in non-interest bearing notes with the International Monetary Fund, and the clearing accounts) which are deducted to arrive at total payments to the public.

About $0.9 billion of the increase in trust fund expenditures over the January estimate is for the Federal home loan banks, primarily because repayments on advances to member savings and loan associations were less than estimated in January. Greater than anticipated loan activity by the Federal land banks and the banks for cooperatives accounted for an additional increase of nearly $370 million over the earlier estimate. These increases in net expenditures of Government-sponsored enterprises were only partly offset by reductions in the expenditures of the unemployment trust fund (down $206 million), the military assistance trust fund (down $62 million), the highway trust fund (down $74 million), and in deposit funds (down $185 million).

In addition to higher administrative budget receipts, most trust fund receipts were greater than anticipated last January. The largest increases occurred in the social security (up $255 million) and unemployment (up $119 million) trust funds, also reflecting higher levels of employment and earnings. Other sizable increases were in the military assistance trust funds, used mainly to account for military assistance sales transactions, (up $133 million) and the railroad retirement trust fund (up $53 million).

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By far the largest decrease in budget expenditures was for the military functions of the Department of Defense. These expenditures were more than $1.9 billion below the January estimate, reflecting primarily a slower rate of equipment procurement than had been anticipated earlier.

Among the other sizable reductions below the January estimate were: $137 million for the Office of Economic Opportunity, primarily because the present level of program expenditures was not reached as quickly as had been anticipated, and $76 million for the Atomic Energy Commission, reflecting operating economies and some delays in construction and procurement schedules.

These and other decreases are partly offset by several increases over the January estimates, including: $288 million, net, for the Export-Import Bank, reflecting lower sales of loans but also a decline in loan outlays; $472 million for the Department of Agriculture (primarily the Commodity Credit Corporation), mainly because of greater than anticipated redemptions of CCC loans held by banks and because of non-enactment of proposed legislation to permit the Rural Electrification Administration to use loan repayments for credit to its loan account rather than depositing these funds in miscellaneous receipts; $194 million for National Aeronautics and Space Administration programs, reflecting the fact that research and development expenditures increased more rapidly than had been expected; $154 million for interest on the public debt, primarily because of higher interest rates; $112 million for the Veterans Administration and $68 million for the Housing and Home Finance Agency, primarily reflecting lower mortgage sales than anticipated earlier; $109 million for the Federal Home Loan Bank Board because of unanticipated acquisitions of assets of insured savings and loan institutions; and $82 million for the Post Office, reflecting a liquidation of obligations at a faster rate than anticipated last January.

All other changes, both upward and downward, combined, amount to a decrease of $307 million.

Administrative budget receipts were $1.8 billion higher than the January estimate of $91.2 billion. Individual income tax collections were $1.8 billion above the earlier estimates, reflecting mainly a higher level of taxable income in calendar 1964 than had been assumed in making the January estimate. Corporation income tax collections were about $150 million below the January estimate. Miscellaneous receipts and excise tax collections exceeded the January estimates but were partly offset by lower than anticipated estate and gift taxes.

In terms of the national income accounts -- including only transactions which directly affect current production and incomes, and measuring receipts and expenditures on an accrual, rather than a cash basis -- preliminary estimates indicate expenditures of somewhat more than $120 billion, receipts of somewhat more than $119 billion, and a fiscal year 1965 deficit of about $1 billion. This compares with an estimated deficit of $5 billion last January. (These rough, preliminary estimates are subject to revision when the official Department of Commerce figures are available.)

The following table shows the actual results for 1964 and the results for fiscal year 1965 as compared with the estimates in the January 1964 and January 1965 budget documents.

FEDERAL FINANCES
(Fiscal Years. In Billions)

| Description | 1964 actual | 1965 Jan.1964 estimate | 1965 Jan.1965 estimate | 1965 Actual | 1965 Change from Jan. 1965 estimate |
|---|---|---|---|---|---|
| Administrative Budget: | | | | | |
| Expenditures........ | $ 97.7 | $97.9 | $ 97.5 | $ 96.5 | -$ 1.0 |
| Receipts............ | 89.5 | 93.0 | 91.2 | 93.0 | + 1.8 |
| Deficit........... | -8.2 | -4.9 | -6.3 | -3.5 | - 2.8 |
| Consolidated Cash Statement: | | | | | |
| Payments to the public........... | 120.3 | 122.7 | 121.4 | 122.4 | +1.0 |
| Receipts from the public........... | 115.5 | 119.7 | 117.4 | 119.7 | +2.3 |
| Excess of payments...... | -4.8 | -2.9 | -4.0 | -2.7 | -1.3 |

## Comparison of Budget Results With January 1965 Estimate

Administrative budget -- The reduction of $1.0 billion in budget expenditures below the January estimates reflects the net result of various decreases and increases.

FOR RELEASE 2:00 P.M., EDT,
WEDNESDAY, JULY 21, 1965

July 21, 1965

JOINT STATEMENT OF HENRY H. FOWLER, SECRETARY OF THE TREASURY, AND CHARLES L. SCHULTZE, DIRECTOR OF THE BUREAU OF THE BUDGET, ON BUDGET RESULTS FOR FISCAL YEAR 1965

The Treasury preliminary monthly statement of receipts and expenditures for the fiscal year 1965, released today, shows Federal administrative budget expenditures for the fiscal year were $96.5 billion. Administrative budget receipts were $93.0 billion, resulting in a budget deficit of $3.5 billion. Both budget receipts and expenditures show a substantial improvement over the estimates of last January. Receipts were $1.8 billion higher and expenditures $1.0 billion lower, reducing the administrative budget deficit by $2.8 billion, or nearly half the amount of the earlier estimate. The 1965 deficit of $3.5 billion was reduced nearly three-fifths from 1964 and was the smallest administrative budget deficit in five years.

Significantly, 1965 administrative budget expenditures were over $1 billion less than in fiscal year 1964, the first such year to year reduction of expenditures in five years. In large part, this result reflects the continuing efforts of the heads of the various government agencies, at the President's insistence, to seek increased economies in operations wherever possible and to promote more efficient use of manpower. In addition, tax collections were higher than in 1964 in spite of last year's income tax reduction -- the largest and most comprehensive ever enacted. The increased collections resulted largely from the substantial increase in economic activity. However, the economy in the past year did not operate at its full potential, and this has had a direct impact on the budget results. Had the economy reached a full prosperity level in calendar 1964, the fiscal year 1965 budget would have shown a surplus.

On a consolidated cash basis -- including the transactions of Federal trust funds -- the fiscal year 1965 deficit was $2.7 billion, $1.3 billion below the amount estimated last January and $2.1 billion less than the 1964 deficit. This was the lowest cash deficit in four years. Total cash payments to the public in 1965 were $122.4 billion, $1.0 billion above the January estimate. Receipts from the public totaled $119.7 billion, $2.3 billion higher than estimated in January.

FOR RELEASE 2:00 P.M., EDT,
WEDNESDAY, JULY 21, 1965

July 21, 1965

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On a consolidated cash basis -- including the transactions of Federal trust funds -- the fiscal year 1965 deficit was $2.7 billion, $1.3 billion below the amount estimated last January and $2.1 billion less than the 1964 deficit. This was the lowest cash deficit in four years. Total cash payments to the public in 1965 were $122.4 billion, $1.0 billion above the January estimate. Receipts from the public totaled $119.7 billion, $2.3 billion higher than estimated in January.

In terms of the national income accounts -- including only transactions which directly affect current production and incomes, and measuring receipts and expenditures on an accrual, rather than a cash basis -- preliminary estimates indicate expenditures of somewhat more than $120 billion, receipts of somewhat more than $119 billion, and a fiscal year 1965 deficit of about $1 billion. This compares with an estimated deficit of $5 billion last January. (These rough, preliminary estimates are subject to revision when the official Department of Commerce figures are available.)

The following table shows the actual results for 1964 and the results for fiscal year 1965 as compared with the estimates in the January 1964 and January 1965 budget documents.

FEDERAL FINANCES
(Fiscal Years. In Billions)

| Description | 1964 actual | 1965 Jan.1964 estimate | 1965 Jan.1965 estimate | 1965 Actual | 1965 Change from Jan. 1965 estimate |
|---|---|---|---|---|---|
| Administrative Budget: | | | | | |
| Expenditures........ | $ 97.7 | $97.9 | $ 97.5 | $ 96.5 | -$ 1.0 |
| Receipts............ | 89.5 | 93.0 | 91.2 | 93.0 | + 1.8 |
| Deficit........... | -8.2 | -4.9 | -6.3 | -3.5 | - 2.8 |
| Consolidated Cash Statement: | | | | | |
| Payments to the public........... | 120.3 | 122.7 | 121.4 | 122.4 | +1.0 |
| Receipts from the public........... | 115.5 | 119.7 | 117.4 | 119.7 | +2.3 |
| Excess of payments...... | -4.8 | -2.9 | -4.0 | -2.7 | -1.3 |

Comparison of Budget Results With January 1965 Estimate

<u>Administrative budget</u> -- The reduction of $1.0 billion in budget expenditures below the January estimates reflects the net result of various decreases and increases.

By far the largest decrease in budget expenditures was for the military functions of the Department of Defense. These expenditures were more than $1.9 billion below the January estimate, reflecting primarily a slower rate of equipment procurement than had been anticipated earlier.

Among the other sizable reductions below the January estimate were: $137 million for the Office of Economic Opportunity, primarily because the present level of program expenditures was not reached as quickly as had been anticipated, and $76 million for the Atomic Energy Commission, reflecting operating economies and some delays in construction and procurement schedules.

These and other decreases are partly offset by several increases over the January estimates, including: $288 million, net, for the Export-Import Bank, reflecting lower sales of loans but also a decline in loan outlays; $472 million for the Department of Agriculture (primarily the Commodity Credit Corporation), mainly because of greater than anticipated redemptions of CCC loans held by banks and because of non-enactment of proposed legislation to permit the Rural Electrification Administration to use loan repayments for credit to its loan account rather than depositing these funds in miscellaneous receipts; $194 million for National Aeronautics and Space Administration programs, reflecting the fact that research and development expenditures increased more rapidly than had been expected; $154 million for interest on the public debt, primarily because of higher interest rates; $112 million for the Veterans Administration and $68 million for the Housing and Home Finance Agency, primarily reflecting lower mortgage sales than anticipated earlier; $109 million for the Federal Home Loan Bank Board because of unanticipated acquisitions of assets of insured savings and loan institutions; and $82 million for the Post Office, reflecting a liquidation of obligations at a faster rate than anticipated last January.

All other changes, both upward and downward, combined, amount to a decrease of $307 million.

Administrative budget receipts were $1.8 billion higher than the January estimate of $91.2 billion. Individual income tax collections were $1.8 billion above the earlier estimates, reflecting mainly a higher level of taxable income in calendar 1964 than had been assumed in making the January estimate. Corporation income tax collections were about $150 million below the January estimate. Miscellaneous receipts and excise tax collections exceeded the January estimates but were partly offset by lower than anticipated estate and gift taxes.

Consolidated cash statement -- The reduction in the cash deficit from the January estimate is $1.5 billion less than the decline in the administrative budget deficit. This difference is accounted for by: (1) an increase of about $0.1 billion in the excess of trust fund expenditures over recipts, reflecting $0.6 billion higher trust fund expenditures (mainly Government-sponsored enterprises) and $0.5 billion higher trust fund receipts than anticipated, and (2) a decrease of $1.4 billion from the January estimate for the noncash items (e.g., interest accruals, transactions in non-interest bearing notes with the International Monetary Fund, and the clearing accounts) which are deducted to arrive at total payments to the public.

About $0.9 billion of the increase in trust fund expenditures over the January estimate is for the Federal home loan banks, primarily because repayments on advances to member savings and loan associations were less than estimated in January. Greater than anticipated loan activity by the Federal land banks and the banks for cooperatives accounted for an additional increase of nearly $370 million over the earlier estimate. These increases in net expenditures of Government-sponsored enterprises were only partly offset by reductions in the expenditures of the unemployment trust fund (down $206 million), the military assistance trust fund (down $62 million), the highway trust fund (down $74 million), and in deposit funds (down $185 million).

In addition to higher administrative budget receipts, most trust fund receipts were greater than anticipated last January. The largest increases occurred in the social security (up $255 million) and unemployment (up $119 million) trust funds, also reflecting higher levels of employment and earnings. Other sizable increases were in the military assistance trust funds, used mainly to account for military assistance sales transactions, (up $133 million) and the railroad retirement trust fund (up $53 million).

oOo

ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES
(Fiscal years. In millions)

| Description | 1964 Actual | 1965 January budget | 1965 Actual | 1965 Change from budget |
|---|---|---|---|---|
| **Receipts by source** | | | | |
| Individual income taxes | $48,697 | $47,000 | $48,792 | +$1,792 |
| Corporation income taxes | 23,493 | 25,600 | 25,452 | -148 |
| Excise taxes | 10,211 | 10,733 | 10,918 | +185 |
| Miscellaneous receipts | 4,076 | 4,485 | 4,596 | +111 |
| All other receipts | 3,646 | 4,215 | 4,154 | -61 |
| Subtotal | 90,123 | 92,033 | 93,913 | +1,880 |
| Deduct interfund transactions | 664 | 833 | 869 | 36 |
| Net receipts | 89,459 | 91,200 | 93,044 | +1,844 |
| **Expenditures by major agency** | | | | |
| Legislative Branch and the Judiciary | 217 | 255 | 239 | -16 |
| Executive Office of the President | 23 | 26 | 24 | -2 |
| Funds Appropriated to the President: | | | | |
| International financial institutions | 112 | 319 | 320 | +1 |
| Office of Economic Opportunity | --- | 347 | 210 | -137 |
| Public works acceleration | 332 | 300 | 322 | +22 |
| Foreign assistance - economic | 1,997 | 2,050 | 2,036 | -14 |
| Foreign assistance - military | 1,485 | 1,200 | 1,204 | +4 |
| Other | 193 | 215 | 184 | -31 |
| Agriculture: | | | | |
| Commodity Credit Corporation | 5,100 | 4,105 | 4,442 | +337 |
| Other | 2,797 | 2,753 | 2,888 | +135 |
| Commerce | 686 | 764 | 757 | -7 |
| Defense: | | | | |
| Military | 49,760 | 48,100 | 46,178 | -1,922 |
| Civil | 1,153 | 1,269 | 1,234 | -35 |
| Health, Education, and Welfare | 5,498 | 5,770 | 5,739 | -31 |
| Interior | 1,124 | 1,225 | 1,205 | -20 |
| Justice | 328 | 367 | 357 | -10 |
| Labor | 370 | 495 | 480 | -15 |
| Post Office | 578 | 718 | 800 | +82 |
| State | 347 | 388 | 380 | -8 |
| Treasury: | | | | |
| Interest on the public debt | 10,666 | 11,200 | 11,354 | +154 |
| Other | 1,281 | 1,351 | 1,383 | +32 |
| Atomic Energy Commission | 2,765 | 2,700 | 2,624 | -76 |
| Export-Import Bank of Washington | -702 | -645 | -357 | +288 |
| Federal Aviation Agency | 751 | 781 | 795 | +14 |

| Description | 1964 Actual | 1965 January budget | 1965 Actual | 1965 Change from budget |
|---|---|---|---|---|
| **Expenditures by major agency** - Continued | | | | |
| General Services Administration.......... | $592 | $616 | $632 | $+16 |
| Housing and Home Finance Agency.......... | 328 | 176 | 244 | +68 |
| National Aeronautics and Space Administration.......................... | 4,171 | 4,900 | 5,094 | +194 |
| Veterans Administration.................. | 5,478 | 5,376 | 5,488 | +112 |
| Other independent agencies............... | 861 | 1,013 | 1,073 | +60 |
| District of Columbia..................... | 57 | 76 | 61 | -15 |
| Allowances, undistributed................ | --- | 103 | --- | -103 |
| Subtotal.......................... | 98,348 | 98,314 | 97,388 | -926 |
| Deduct interfund transactions............ | 664 | 833 | 869 | 36 |
| Total expenditures.................. | 97,684 | 97,481 | 96,518 | -963 |
| Administrative budget surplus (+) or deficit (-)............................ | -8,226 | -6,281 | -3,474 | +2,807 |

FEDERAL RECEIPTS FROM AND PAYMENTS TO THE PUBLIC
(Fiscal years. In millions)

| | | | | |
|---|---|---|---|---|
| Federal receipts from the public: | | | | |
| Administrative budget receipts (net)... | $89,459 | $91,200 | $93,044 | $+1,844 |
| Trust and other receipts (net)......... | 30,331 | 30,515 | 31,055 | +540 |
| Deduct intragovernmental and other non-cash transactions...................... | 4,259 | 4,331 | 4,415 | +84 |
| Total Federal receipts from the public............................ | 115,530 | 117,384 | 119,685 | +2,301 |
| Federal payments to the public: | | | | |
| Administrative budget expenditures (net) | 97,684 | 97,481 | 96,518 | -963 |
| Trust fund and other expenditures (net) | 28,885 | 29,045 | 29,627 | +582 |
| Deduct intragovernmental and other non-cash transactions...................... | 6,237 | 5,134 | 3,776 | -1,358 |
| Total Federal payments to the public | 120,332 | 121,393 | 122,369 | +976 |
| Excess of cash receipts from or payments to (-) the public..................... | -4,802 | -4,009 | -2,684 | +1,325 |

NOTE.--Figures are rounded to nearest million and will not necessarily add to totals.

# Preliminary[1] Statement of Receipts and Expenditures of the United States Government

### for the period from July 1, 1964 through June 30, 1965

(Cents omitted, therefore details may not add to totals)

## TABLE I--SUMMARY (In millions)

| Fiscal Year | Administrative Budget Funds: Net receipts | Administrative Budget Funds: Net expenditures | Administrative Budget Funds: Surplus (+) or deficit (-) | Trust Funds: Net receipts | Trust Funds: Net expenditures | Trust Funds: Excess of receipts or expenditures(-) | Public Debt (end of period)[2] | Balance in account of Treasurer (end of period) |
|---|---|---|---|---|---|---|---|---|
| Estimated 1966[3] | $94,400 | $99,687 | -$5,287 | $33,616 | $32,898 | +$718 | $322,096 | $9,000 |
| Estimated 1965[3] | 91,200 | 97,481 | -6,281 | 30,515 | 29,045 | +1,469 | 316,404 | 9,000 |
| Actual fiscal year 1965 (Twelve months) | 93,044 | 96,518 | -3,474 | 31,055 | 29,627 | +1,428 | 317,274 | 12,610 |
| Actual fiscal year 1964 | 89,459 | 97,684 | -8,226 | 30,331 | 28,885 | +1,446 | 311,713 | 11,036 |
| Actual fiscal year 1963 | 86,376 | 92,642 | -6,266 | 27,689 | 26,545 | +1,143 | 305,860 | 12,116 |
| Actual fiscal year 1962 | 81,409 | 87,787 | -6,378 | 24,290 | 25,141 | -851 | 298,201 | 10,430 |

## TABLE II--SUMMARY OF ADMINISTRATIVE BUDGET AND TRUST FUND RECEIPTS AND EXPENDITURES

| Classification | Administrative Budget Funds | | Trust Funds | |
|---|---|---|---|---|
| | Fiscal Year 1965 to date | Fiscal Year 1965 estimates (net)[3] | Fiscal Year 1965 to date | Fiscal Year 1965 estimates (net)[3] |
| RECEIPTS | | | | |
| Internal Revenue | $114,428,991,753 | $112,206,115,000 | ..................... | ..................... |
| Transfers to trust funds | -20,887,027,360 | -20,649,115,000 | $20,887,027,360 | $20,649,115,000 |
| Reimbursement from trust funds for refunds of taxes | 322,796,918 | 325,250,000 | -322,796,918 | -325,250,000 |
| Refunds of receipts | -5,989,075,810 | -5,749,250,000 | ..................... | ..................... |
| Subtotal--Net Internal Revenue | 87,875,685,500 | 86,133,000,000 | 20,564,230,442 | 20,323,865,000 |
| Customs | 1,477,548,820 | 1,447,000,000 | ..................... | ..................... |
| Refunds of receipts | -35,286,526 | -32,000,000 | ..................... | ..................... |
| All other | 4,598,698,578 | 4,488,769,000 | 11,119,638,965 | 10,769,855,000 |
| Refunds of receipts | -3,161,988 | -4,000,000 | ..................... | ..................... |
| Interfund transactions | -869,041,070 | -832,769,000 | -628,938,156 | -578,901,000 |
| Net receipts | 93,044,443,313 | 91,200,000,000 | 31,054,931,251 | 30,514,819,000 |
| EXPENDITURES | | | | |
| Legislative Branch | 165,168,900 | 179,133,000 | 1,894,266 | 1,720,000 |
| The Judiciary | 74,055,281 | 76,178,000 | 487,789 | 484,000 |
| Executive Office of the President[4] | 24,043,295 | 26,409,000 | ..................... | ..................... |
| Funds appropriated to the President:[4] | | | | |
| Mutual defense and development: | | | | |
| Military assistance | 1,203,883,365 | 1,200,000,000 | 743,259,261 | 805,147,000 |
| Economic assistance | 2,035,785,540 | 2,050,000,000 | 2,010,794 | 2,085,000 |
| Other[4] | 1,036,047,197 | 1,181,767,000 | 75,215 | 253,000 |
| Agriculture Department | 7,330,479,616 | 6,857,932,000 | 52,060,591 | 50,096,000 |
| Commerce Department | 756,519,283 | 763,619,000 | 4,047,321,548 | 4,137,409,000 |
| Defense Department: | | | | |
| Military | 46,177,679,726 | 48,100,000,000 | 5,315,207 | 5,077,000 |
| Civil | 1,233,610,040 | 1,269,301,000 | 31,379,994 | 38,122,000 |
| Health, Education, and Welfare Department | 5,739,388,296 | 5,769,761,000 | 17,460,428,448 | 17,484,759,000 |
| Interior Department | 1,205,164,149 | 1,225,366,000 | 85,458,263 | 82,784,000 |
| Justice Department | 357,268,391 | 367,330,000 | -168,730,922 | -124,233,000 |
| Labor Department | 479,500,782 | 495,080,000 | 3,129,817,504 | 3,336,092,000 |
| Post Office Department | [5] 799,578,136 | 718,000,000 | ..................... | ..................... |
| State Department | 379,623,580 | 387,629,000 | 9,512,810 | 8,812,000 |
| Treasury Department: | | | | |
| Interest on the public debt | 11,354,312,422 | 11,200,000,000 | ..................... | ..................... |
| Other | 1,383,056,159 | 1,351,131,000 | 22,958,718 | 19,928,000 |
| Atomic Energy Commission | 2,624,142,652 | 2,700,000,000 | 865,952 | 1,242,000 |
| Federal Aviation Agency | 794,587,545 | 781,000,000 | ..................... | ..................... |
| General Services Administration | 631,570,375 | 615,933,000 | 203,802 | 426,000 |
| Housing and Home Finance Agency | 243,658,902 | 175,772,000 | 95,259,055 | 48,000,000 |
| National Aeronautics and Space Adm. | 5,093,760,148 | 4,900,000,000 | 50,317 | 90,000 |
| Veterans Administration | 5,488,042,037 | 5,375,700,000 | 620,553,682 | 633,838,000 |
| Other independent agencies | 715,326,561 | 367,831,000 | 2,587,349,570 | 2,562,527,000 |
| District of Columbia | 61,251,600 | 76,269,000 | 382,349,174 | 432,369,000 |
| Deposit funds | ..................... | ..................... | -233,214,656 | -47,299,000 |
| Government-sponsored enterprises | ..................... | ..................... | 1,379,011,900 | 144,640,000 |
| Allowances, undistributed | ..................... | 103,000,000 | ..................... | ..................... |
| Interfund transactions | -869,041,070 | -832,769,000 | -628,938,156 | -578,901,000 |
| Net expenditures | 96,518,462,919 | 97,481,372,000 | 29,626,740,135 | 29,045,468,000 |
| Administrative budget surplus or deficit (-) | -3,474,019,605 | -6,281,372,000 | | |
| Excess of trust receipts or expenditures (-) | | | +1,428,191,115 | +1,469,351,000 |

See footnotes on pages 10 and 14

| Classification<br>RECEIPTS | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Internal Revenue: | | | | |
| Individual income taxes: | | | | |
| Withheld[6] | [7] $2,945,831,224 | $2,654,286,670 | [7] $36,830,478,071 | $39,258,881,314 |
| Other[6] | [7] 2,368,643,348 | 2,218,699,079 | [7] 16,820,257,334 | 15,331,473,069 |
| Total individual income taxes | 5,314,474,573 | 4,872,985,750 | 53,650,735,405 | 54,590,354,384 |
| Corporation income taxes | 6,595,940,164 | 6,196,183,273 | 26,130,480,050 | 24,300,863,235 |
| Excise taxes | 1,362,698,873 | 1,289,944,976 | 14,798,496,942 | 13,950,231,779 |
| Employment taxes: | | | | |
| Federal Insurance Contributions Act and Self-Employment Contributions Act[6] | [7] 1,347,623,185 | 1,404,121,109 | [7] 15,846,072,594 | 15,557,782,663 |
| Railroad Retirement Tax Act | 56,690,908 | 53,269,254 | 635,817,974 | 593,863,553 |
| Federal Unemployment Tax Act | 2,526,200 | 2,739,262 | 623,371,126 | 850,858,179 |
| Total employment taxes | 1,406,840,295 | 1,460,129,627 | 17,105,261,694 | 17,002,504,396 |
| Estate and gift taxes | 216,948,151 | 207,814,207 | 2,744,017,660 | 2,416,303,318 |
| Total internal revenue | 14,896,902,057 | 14,027,057,836 | 114,428,991,753 | 112,260,257,114 |
| Customs | 144,968,000 | 117,483,446 | 1,477,548,820 | 1,284,176,379 |
| Miscellaneous receipts: | | | | |
| Interest | 95,946,835 | 119,423,885 | 1,067,583,145 | 954,625,491 |
| Dividends and other earnings | 152,454,271 | 104,874,265 | 1,396,954,667 | 983,911,299 |
| Realization upon loans and investments | -7,433,303 | -12,481,202 | 497,972,717 | 752,311,727 |
| Recoveries and refunds | 20,284,560 | 3,511,561 | 135,149,104 | 129,710,795 |
| Royalties | 13,247,028 | 65,528,902 | 77,149,430 | 130,559,691 |
| Sales of Government property and products | 118,067,749 | 61,367,000 | 898,641,061 | 740,515,615 |
| Seigniorage | 13,679,468 | 6,181,411 | 112,960,192 | 68,745,284 |
| Other | 47,325,322 | 38,119,656 | 412,288,258 | 316,741,360 |
| Total miscellaneous receipts | 453,571,932 | 386,525,481 | 4,598,698,578 | 4,077,121,266 |
| Subtotal gross receipts | 15,495,441,989 | 14,531,066,764 | 120,505,239,152 | 117,621,554,760 |
| Deduct: | | | | |
| Refunds of receipts:[8] | | | | |
| Internal revenue: | | | | |
| Applicable to budget accounts: | | | | |
| Individual income taxes | 252,518,469 | 241,827,316 | 4,859,190,619 | 5,893,412,362 |
| Corporation income taxes | 56,361,886 | 47,816,535 | 678,569,558 | 808,341,188 |
| Excise taxes | 7,470,899 | 9,165,730 | 98,988,073 | 93,004,024 |
| Estate and gift taxes | 1,664,310 | 1,486,971 | 29,368,794 | 22,704,074 |
| Applicable to trust accounts: | | | | |
| Federal old-age and survivors ins. trust fund | ................ | ................ | 178,625,500 | 152,470,000 |
| Federal disability insurance trust fund | ................ | ................ | 13,064,500 | 13,330,000 |
| Highway trust fund | ................ | ................ | 123,498,341 | 126,636,555 |
| Railroad retirement account | 77,785 | 1,842 | 161,846 | 386,752 |
| Unemployment trust fund | 629,462 | 570,093 | 7,608,577 | 4,290,836 |
| Subtotal internal revenue refunds | 318,722,814 | 300,868,490 | 5,989,075,810 | 7,114,575,794 |
| Customs | 3,049,991 | 2,656,634 | 35,286,526 | 32,313,298 |
| Other | 24,132 | 37,822 | 3,161,988 | 1,196,525 |
| Total refunds of receipts | 321,796,937 | 303,562,947 | 6,027,524,325 | 7,148,085,618 |
| Transfers to trust accounts: | | | | |
| Federal old-age and survivors insurance trust fund[6] | [7] 1,249,731,325 | 1,310,546,305 | [7] 14,572,359,320 | 14,335,126,928 |
| Federal disability insurance trust fund[6] | [7] 97,891,859 | 93,574,804 | [7] 1,082,023,273 | 1,056,855,734 |
| Highway trust fund | 346,588,156 | 319,900,000 | 3,658,429,170 | 3,519,156,642 |
| Railroad retirement account | 56,613,122 | 53,267,412 | 635,656,127 | 593,476,801 |
| Unemployment trust fund | 1,896,738 | 2,169,168 | 615,762,549 | 846,567,343 |
| Total transfers to trust accounts | 1,752,721,204 | 1,779,457,690 | 20,564,230,442 | 20,351,183,450 |
| Interfund transactions: | | | | |
| Interest on loans to Government-owned enterprises | 40,862,405 | 44,098,981 | 851,472,899 | 648,044,385 |
| Reimbursements | 3,316,676 | 3,124,918 | 17,155,170 | 15,108,433 |
| Fees and other charges | 31,000 | ................ | 413,000 | 468,800 |
| Total interfund transactions | 44,210,082 | 47,223,900 | 869,041,070 | 663,621,619 |
| Total deductions | 2,118,728,223 | 2,130,244,538 | 27,460,795,838 | 28,162,890,688 |
| Net administrative budget receipts | 13,376,713,765 | 12,400,822,226 | 93,044,443,313 | 89,458,664,071 |
| EXPENDITURES | | | | |
| Legislative Branch: | | | | |
| Senate | 3,051,240 | 2,544,321 | 34,193,816 | 29,920,822 |
| House of Representatives | 5,410,761 | 4,288,917 | 63,693,262 | 55,647,024 |
| Architect of the Capitol | 2,118,079 | 1,774,760 | 25,459,105 | 23,149,822 |
| Botanic Garden | 44,629 | 42,984 | 532,069 | 516,054 |
| Library of Congress | 2,566,566 | 2,305,060 | 23,836,397 | 21,197,042 |

See footnotes on pages 10 and 14

| Classification EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Legislative Branch--Continued | | | | |
| Government Printing Office: | | | | |
| General fund appropriations | $2,970,309 | $2,388,827 | $23,842,096 | $22,125,334 |
| Revolving fund (net) | -191,802 | -657,395 | -6,387,847 | -1,044,170 |
| Total--Legislative Branch | 15,969,785 | 12,687,476 | 165,168,900 | 151,511,929 |
| The Judiciary: | | | | |
| Supreme Court of the United States | 215,173 | 163,889 | 2,491,391 | 2,107,933 |
| Court of Customs and Patent Appeals | 44,535 | 42,818 | 414,274 | 389,209 |
| Customs Court | 91,967 | 79,579 | 1,053,219 | 916,538 |
| Court of Claims | 97,528 | 97,187 | 1,243,855 | 1,107,452 |
| Courts of appeals, district courts, and other judicial services | 5,671,515 | 5,341,230 | 68,852,539 | 60,606,342 |
| Total--The Judiciary | 6,120,719 | 5,724,706 | 74,055,281 | 65,127,476 |
| Executive Office of the President: [4] | | | | |
| Compensation of the President | 12,500 | 12,500 | 150,000 | 150,000 |
| The White House Office | 320,373 | 231,417 | 2,871,715 | 2,704,698 |
| Special projects | 111,418 | 110,533 | 1,090,481 | 1,212,476 |
| Executive mansion and grounds | 28,803 | 19,122 | 686,314 | 661,705 |
| Bureau of the Budget | 594,220 | 734,511 | 7,089,463 | 6,636,366 |
| Council of Economic Advisers | 51,666 | 61,318 | 654,904 | 613,357 |
| National Aeronautics and Space Council | 39,030 | 29,242 | 456,573 | 418,671 |
| National Council on the Arts | 4,753 | .............. | 29,367 | .............. |
| National Security Council | 39,492 | 40,923 | 608,402 | 514,630 |
| Office of Emergency Planning: | | | | |
| Civil defense and defense mobilization functions of Federal agencies | 195,090 | 171,585 | 3,914,837 | 3,788,518 |
| Other | 402,201 | 408,254 | 5,151,530 | 5,136,539 |
| Office of Science and Technology | 104,407 | 112,665 | 930,255 | 822,650 |
| Special representative for trade negotiations | 108,430 | 68,744 | 561,623 | 400,239 |
| Miscellaneous | 25,221 | 223,585 | -152,173 | -155,661 |
| Total--Executive Office of the President | 2,037,610 | 2,224,406 | 24,043,295 | 22,904,194 |
| Funds appropriated to the President: [4] | | | | |
| Alaska programs | 37,458 | 16,583,062 | 522,118 | 19,430,487 |
| Disaster relief | 5,749,348 | 1,206,448 | 43,460,637 | 21,190,806 |
| Emergency fund for the President | 483 | 83,806 | 939,790 | 509,190 |
| Expansion of defense production (net) | 14,302,075 | -16,106,637 | 59,979,057 | 90,883,495 |
| Expenses of management improvement | 29,240 | 11,950 | 334,957 | 181,178 |
| International Financial Institutions: | | | | |
| Investment in Inter-American Development Bank | .............. | .............. | .............. | 50,000,000 |
| Subscription to the International Development Assn. | .............. | .............. | 61,655,825 | 61,655,825 |
| Increase in quota in the International Monetary Fund | 258,750,004 | .............. | 258,750,004 | .............. |
| Office of Economic Opportunity: | | | | |
| Economic Opportunity Program | 103,107,312 | .............. | 193,277,286 | .............. |
| Public enterprise funds (net) | 4,403,051 | .............. | 17,059,208 | .............. |
| Peace Corps | 8,663,956 | 8,459,803 | 77,805,722 | 60,397,195 |
| Public works acceleration | 11,334,339 | 39,807,069 | 321,623,604 | 331,819,565 |
| Other | 40,768 | 27,021 | 638,986 | 673,383 |
| Mutual defense and development: | | | | |
| Military assistance: | | | | |
| Office of Secretary of Defense: | | | | |
| Repayment of credit sales [9] | -3,797,291 | -6,143,942 | -41,069,390 | -48,153,912 |
| Other | 828,722 | 7,728,124 | 52,781,931 | 85,782,870 |
| Department of the Army | 182,238,693 | 204,327,947 | 556,652,069 | 620,934,771 |
| Department of the Navy | 66,404,218 | 36,531,069 | 195,992,476 | 202,365,011 |
| Department of the Air Force | 111,599,994 | 104,099,610 | 434,835,186 | 612,610,405 |
| Agency for International Development | -6,767 | 147,646 | 1,544,487 | 2,576,152 |
| All other agencies | 163,339 | 340,640 | 3,146,604 | 9,161,906 |
| Total--Military assistance | 357,430,908 | 347,031,095 | 1,203,883,365 | 1,485,277,204 |
| Economic assistance: | | | | |
| Technical cooperation and development grants: | | | | |
| General | 23,246,732 | 30,544,432 | 225,707,507 | 226,305,083 |
| Alliance for Progress | 9,291,747 | 16,489,386 | 99,180,484 | 94,430,493 |
| Social progress fund, Inter-American Dev. Bank | 8,581,000 | 2,000,000 | 64,405,000 | 65,000,000 |
| Supporting assistance | 35,976,716 | 30,577,431 | 387,281,072 | 370,968,653 |
| International organizations and programs | 9,650,805 | 40,503,862 | 99,732,417 | 178,890,199 |
| Contingencies | 14,848,055 | 6,531,992 | 150,689,003 | 121,803,988 |
| Other | 6,088,246 | 10,725,825 | 63,492,824 | 63,600,383 |
| Public enterprise funds (net): | | | | |
| Alliance for progress, development loans | 16,329,943 | 31,848,094 | 199,308,227 | 112,580,286 |
| Development loan funds | 94,230,231 | 68,182,799 | 753,767,498 | 768,045,425 |
| Foreign investment guarantee fund | -1,023,380 | -763,532 | -7,778,494 | -4,831,094 |
| Total--Economic assistance | 217,220,098 | 236,640,292 | 2,035,785,540 | 1,996,793,419 |
| Total--Mutual defense and development | 574,651,007 | 583,671,387 | 3,239,668,905 | 3,482,070,623 |
| Total--Funds appropriated to the President | 981,069,046 | 633,743,913 | 4,275,716,103 | 4,118,811,751 |

See footnotes on pages 10 and 14

| Classification<br>EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Agriculture Department: | | | | |
| Agricultural Research Service: | | | | |
| Intragovernmental funds (net) | -$39,485 | $60,110 | -$62,660 | -$13,982 |
| Other | 24,314,747 | 21,548,054 | 209,740,011 | 191,833,162 |
| Cooperative State Research Service | 233,231 | 191,808 | 46,865,209 | 41,613,963 |
| Extension Service | 1,185,985 | 1,111,801 | 84,730,561 | 79,401,628 |
| Farmer Cooperative Service | 124,362 | 125,123 | 1,119,099 | 1,213,155 |
| Soil Conservation Service: | | | | |
| Conservation operations | 11,608,218 | 8,328,266 | 105,401,403 | 96,214,298 |
| Flood prevention, watershed protection and other | 10,031,382 | 7,275,696 | 91,131,665 | 85,158,235 |
| Great Plains conservation program | 1,436,398 | 1,327,220 | 12,491,801 | 11,881,562 |
| Economic Research Service | 1,055,267 | 1,123,315 | 10,138,094 | 10,015,682 |
| Statistical Reporting Service | 1,823,846 | 1,489,999 | 11,586,186 | 11,183,814 |
| Consumer and Marketing Service: | | | | |
| Marketing services | 3,553,050 | 3,577,747 | 40,008,249 | 43,540,075 |
| Payments to States and possessions | 33,261 | 23,248 | 1,500,000 | 1,500,000 |
| Special milk program | 12,436,093 | 12,487,970 | 86,752,927 | 97,483,697 |
| School lunch program | 17,106,522 | 355,591 | 178,693,365 | 180,664,170 |
| Food stamp program | 4,423,215 | .................. | 34,395,189 | .................. |
| Removal of surplus agricultural commodities | 4,212,321 | 112,490,127 | 272,921,400 | 270,058,764 |
| Intragovernmental funds (net) | .................. | -91,608 | 102,837 | -92,059 |
| Other | 89,934 | 89,177 | 847,212 | 834,907 |
| Total--Consumer and Marketing Service: | 41,854,400 | 128,932,252 | 615,221,182 | 593,989,557 |
| Foreign Agricultural Service | 2,235,324 | 2,000,101 | 18,395,834 | 19,935,069 |
| Commodity Exchange Authority | 134,403 | 122,790 | 1,143,557 | 1,117,022 |
| Agricultural Stabilization and Conservation Service: | | | | |
| Expenses, Agricultural Stabilization and Conservation Service | -1,644,602 | 16,032,741 | 108,009,512 | 116,844,709 |
| Sugar act program | 4,514,592 | 95,503 | 92,108,332 | 87,071,258 |
| Agricultural conservation program | 5,503,568 | 25,247,824 | 199,993,361 | 213,563,068 |
| Appalachian region conservation program | .................. | .................. | 215,000 | .................. |
| Cropland conversion program | 767,527 | -1,943,728 | 9,255,924 | 7,097,152 |
| Emergency conservation measures | -148,917 | 270,841 | 8,761,290 | 3,392,835 |
| Soil bank program | 58,144 | 179,586 | 193,743,104 | 289,933,264 |
| Indemnity payments to dairy farmers | 2,995 | .................. | 260,937 | .................. |
| Intragovernmental funds (net) | -1,390 | 226,380 | -125,362 | -108,741 |
| Commodity Credit Corporation: | | | | |
| Public enterprise funds (net): | | | | |
| Price support and related programs [10] | -12,587,459 | -404,734,797 | 2,826,798,436 | 3,174,895,974 |
| Special activities [11] | -7,117,167 | 466,788,916 | -139,739,252 | 36,390,317 |
| Foreign assistance and special export programs | 138,273,741 | -6,313,022 | 1,754,998,402 | 1,889,044,000 |
| Total--Commodity Credit Corporation | 118,569,114 | 55,741,096 | 4,442,057,586 | 5,100,330,292 |
| Federal Crop Insurance Corporation: | | | | |
| Administrative expenses | 966,122 | -100,959 | 8,108,421 | 7,133,922 |
| Federal Crop Insurance Corporation fund (net) | 457,882 | 1,846,915 | 310,846 | -819,106 |
| Rural Electrification Administration: | | | | |
| Loans | 59,914,800 | 29,745,927 | 380,581,744 | 330,193,786 |
| Salaries and expenses | 1,334,267 | 1,294,891 | 11,831,916 | 11,354,180 |
| Farmers Home Administration: | | | | |
| Rural housing grants and loans | 12,787,527 | 13,190,728 | 134,655,793 | 130,578,247 |
| Rural renewal | 15,440 | 35,562 | 946,033 | 142,733 |
| Salaries and expenses | 4,351,962 | 3,573,809 | 42,362,408 | 39,126,563 |
| Public enterprise funds (net): | | | | |
| Direct loan account | 4,506,177 | 9,874,208 | 72,802,497 | 56,128,965 |
| Emergency credit revolving fund | 1,746,218 | -296,960 | 30,995,359 | -9,137,912 |
| Agricultural credit insurance fund | 2,407,708 | -3,008,128 | 8,215,639 | 42,461,045 |
| Rural housing for the elderly revolving fund | 20,000 | 50,000 | 1,008,170 | 100,000 |
| Total--Farmers Home Administration | 25,835,035 | 23,419,219 | 290,985,901 | 259,399,642 |
| Rural Community Development Service | 205,661 | 221,674 | 275,500 | 186,503 |
| Office of the Inspector General | 1,122,976 | .................. | 9,705,311 | .................. |
| Office of General Counsel | 453,781 | 462,209 | 3,968,628 | 4,031,923 |
| Office of Information | 184,177 | 163,401 | 1,698,130 | 1,644,309 |
| National Agricultural Library | 186,687 | 168,467 | 1,627,080 | 1,459,731 |
| Office of Management Services | 318,168 | .................. | 2,400,634 | .................. |
| General administration: | | | | |
| Intragovernmental funds (net) | 183,220 | 154,051 | 58,175 | -329,658 |
| Other | 433,117 | 293,901 | 3,487,364 | 3,901,509 |
| Forest Service: | | | | |
| Intragovernmental funds (net) | -5,994 | -900,009 | -950,269 | -1,182,685 |
| Other | 33,651,827 | 26,856,318 | 354,208,595 | 318,222,612 |
| Total--Agriculture Department | 348,860,846 | 353,112,796 | 7,330,479,616 | 7,896,863,679 |
| Commerce Department: | | | | |
| General Administration: | | | | |
| Public enterprise funds (net) | 5,056 | -1,100 | -2,316 | -17,611 |
| Other | 761,710 | 811,973 | 6,974,963 | 15,517,966 |

See footnotes on page 14

| Classification<br>EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Commerce Department--Continued | | | | |
| Economic development: | | | | |
| Area Redevelopment Administration: | | | | |
| Public enterprise funds (net) | -$672,280 | -$647,667 | -$4,591,291 | -$2,388,501 |
| Other | 4,898,460 | 11,143,663 | 78,918,442 | 71,599,948 |
| Office of Appalachian Assistance | 158 | ............... | 158 | ................. |
| Community Relations Service | 89,602 | ............... | 492,884 | ................. |
| U.S. Travel Service | 519,094 | 231,636 | 2,430,996 | 2,560,896 |
| Office of Business Economics | 193,776 | 153,630 | 2,312,334 | 1,908,364 |
| Bureau of the Census | 2,976,534 | 2,718,863 | 37,743,851 | 30,274,000 |
| Business and Defense Services Administration | 512,283 | 435,688 | 4,829,631 | 5,071,278 |
| International Activities | 1,212,047 | 1,123,120 | 14,237,991 | 12,001,569 |
| Office of Field Services | 333,436 | 300,310 | 4,110,086 | 3,637,255 |
| Total--Economic development | 10,063,114 | 15,459,246 | 140,485,085 | 124,664,812 |
| Science and technology: | | | | |
| Coast and Geodetic Survey | 2,749,696 | 2,755,411 | 33,652,549 | 33,496,291 |
| Patent Office | 2,504,200 | 2,020,604 | 30,650,975 | 27,276,915 |
| National Bureau of Standards: | | | | |
| Intragovernmental funds (net) | 1,854,812 | -1,215,950 | 7,955,327 | -2,391,201 |
| Other | 1,724,905 | 5,838,714 | 56,729,174 | 51,064,984 |
| Weather Bureau | 16,928,439 | 7,531,629 | 100,584,994 | 89,400,157 |
| Total--Science and technology | 25,762,054 | 16,930,409 | 229,553,020 | 198,847,147 |
| Transportation: | | | | |
| Inland Waterways Corporation (net)(liquidated) | ................ | ............... | ............... | -799,500 |
| Maritime Administration: | | | | |
| Public enterprise funds (net) | -352,192 | -1,382,270 | -2,311,093 | 5,150,491 |
| Operating-differential subsidies | 24,426,596 | 12,127,052 | 213,334,409 | 203,036,847 |
| Other | 10,955,073 | 10,463,850 | 125,845,201 | 98,662,335 |
| Bureau of Public Roads | 3,355,885 | 2,673,128 | 41,608,456 | 40,359,266 |
| Transportation research | 102,781 | 32,652 | 1,031,555 | 922,311 |
| Total--Transportation | 38,488,144 | 23,914,412 | 379,508,529 | 347,331,751 |
| Total--Commerce Department | 75,080,080 | 57,114,941 | 756,519,283 | 686,344,067 |
| Defense Department: | | | | |
| Military: | | | | |
| Military personnel: | | | | |
| Department of the Army | 500,161,286 | 538,188,133 | 4,676,741,031 | 4,602,456,655 |
| Department of the Navy | 394,358,485 | 373,291,357 | 4,030,235,405 | 3,833,389,480 |
| Department of the Air Force | 399,727,519 | 396,188,516 | 4,668,450,287 | 4,549,838,100 |
| Defense agencies | 120,467,891 | 108,180,435 | 1,384,375,846 | 1,209,446,544 |
| Total--Military personnel | 1,414,715,182 | 1,415,848,442 | 14,759,802,571 | 14,195,130,780 |
| Operation and maintenance: | | | | |
| Department of the Army | 363,474,428 | 383,584,479 | 3,576,608,684 | 3,637,623,224 |
| Department of the Navy | 331,610,854 | 265,525,606 | 3,340,945,714 | 3,071,007,104 |
| Department of the Air Force | 555,918,206 | 591,430,564 | 4,731,142,505 | 4,718,975,198 |
| Defense agencies | 49,181,537 | 49,332,416 | 526,307,732 | 504,434,583 |
| Total--Operation and maintenance | 1,300,185,026 | 1,289,873,067 | 12,175,004,636 | 11,932,040,111 |
| Procurement: | | | | |
| Department of the Army | 66,065,866 | 114,991,974 | 1,756,331,167 | 2,314,564,649 |
| Department of the Navy | 192,630,104 | 822,252,642 | 4,927,052,635 | 6,042,189,631 |
| Department of the Air Force | 322,301,888 | 772,672,701 | 5,100,446,521 | 6,959,249,357 |
| Defense agencies | 6,206,223 | 4,762,312 | 42,211,462 | 34,822,349 |
| Total--Procurement | 587,204,082 | 1,714,679,630 | 11,826,041,787 | 15,350,825,988 |
| Research, development, test and evaluation: | | | | |
| Department of the Army | 113,721,693 | 147,585,836 | 1,338,931,315 | 1,338,004,511 |
| Department of the Navy | 53,947,930 | 154,090,478 | 1,293,216,300 | 1,577,846,242 |
| Department of the Air Force | 316,730,224 | 411,448,537 | 3,145,444,441 | 3,721,619,557 |
| Defense agencies | 43,311,877 | 43,023,710 | 452,006,521 | 383,977,321 |
| Total--Research, development, test and evaluation | 527,711,725 | 756,148,562 | 6,229,598,579 | 7,021,447,633 |
| Military construction: | | | | |
| Department of the Army | 36,643,518 | 33,636,756 | 216,453,627 | 232,523,014 |
| Department of the Navy | 37,092,550 | 14,306,662 | 251,226,240 | 190,274,592 |
| Department of the Air Force | 48,942,144 | 63,391,409 | 505,742,530 | 554,360,809 |
| Defense agencies | 2,416,558 | 8,827,843 | 31,669,411 | 49,133,862 |
| Total--Military construction | 125,094,771 | 120,162,672 | 1,005,091,810 | 1,026,292,278 |
| Family housing: | | | | |
| Department of the Army | 17,770,710 | 26,691,874 | 205,353,262 | 204,015,110 |
| Department of the Navy | 17,804,383 | 14,006,539 | 154,029,219 | 132,386,067 |
| Department of the Air Force | 23,617,341 | 27,248,663 | 254,290,698 | 240,902,903 |
| Defense agencies | 1,880,561 | 232,735 | 4,299,264 | 2,214,574 |
| Total--Family housing | 61,072,996 | 68,179,813 | 617,972,445 | 579,518,655 |

| Classification<br>EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Defense Department--Continued | | | | |
| Military--Continued | | | | |
| Civil Defense | -$4,009,901 | $8,354,126 | $92,728,431 | $106,825,223 |
| Revolving and management funds (net): | | | | |
| Public enterprise funds: | | | | |
| Defense production guarantees: | | | | |
| Department of the Army | -2,504 | -2,437 | -36,545 | -37,061 |
| Department of the Navy | 274,527 | -857,247 | -1,236,384 | 1,095,471 |
| Department of the Air Force | -969,872 | -948,781 | -1,210,977 | 2,671,910 |
| Defense agencies | .................. | -525 | 389 | -855 |
| Other: | | | | |
| Department of the Navy | -3,855 | 12,924 | -18,331 | 41,995 |
| Civil defense procurement fund | -2,738 | -5,085 | -7,520 | 345 |
| Intragovernmental funds: | | | | |
| Department of the Army | 54,180,409 | -7,228,488 | -150,554,854 | -75,243,502 |
| Department of the Navy | 355,229,841 | -74,271,189 | -455,309,673 | -195,807,597 |
| Department of the Air Force | 53,158,448 | 23,741,898 | 19,474,875 | 1,933,184 |
| Defense agencies | -14,728,146 | -53,280,722 | -184,518,007 | -187,136,482 |
| Undistributed stock fund transactions | -132,606,815 | -146,757,839 | 244,856,495 | .................. |
| Total--Revolving and management funds | 314,529,293 | -259,597,494 | -528,560,535 | -452,482,591 |
| Total--Military | 4,326,503,177 | 5,113,648,820 | 46,177,679,726 | 49,759,598,080 |
| Civil: | | | | |
| Army: | | | | |
| Corps of Engineers: | | | | |
| Rivers and harbors and flood control | 125,329,939 | 119,981,686 | 1,177,364,899 | 1,091,868,918 |
| Intragovernmental funds (net) | 2,315,471 | 3,055,902 | -8,391,810 | 839,479 |
| The Panama Canal: | | | | |
| Canal Zone Government | 3,855,924 | 3,724,763 | 32,985,839 | 30,806,089 |
| Panama Canal Company: | | | | |
| Public enterprise funds (net) | 3,325,276 | 2,586,014 | 3,193,166 | 2,073,750 |
| Thatcher Ferry Bridge | 39,435 | 759 | 233,466 | -310,626 |
| Total--The Panama Canal | 7,220,636 | 6,311,536 | 36,412,472 | 32,569,214 |
| Other | 2,225,570 | 2,942,372 | 28,186,168 | 27,730,414 |
| Navy--Wildlife conservation, etc | .................. | 668 | 4,714 | 1,958 |
| Air Force--Wildlife conservation, etc | 4,763 | 1,592 | 33,595 | 25,498 |
| Total--Civil | 137,096,381 | 132,293,759 | 1,233,610,040 | 1,153,035,483 |
| Total--Defense Department | 4,463,599,558 | 5,245,942,579 | 47,411,289,766 | 50,912,633,564 |
| Health, Education, and Welfare Department: | | | | |
| Food and Drug Administration: | | | | |
| Public enterprise fund (net) | 986 | 84,875 | -200,216 | -111,077 |
| Other | 4,623,626 | 4,293,565 | 40,841,699 | 38,385,984 |
| Office of Education: | | | | |
| Payments to school districts | 26,633,916 | 23,654,107 | 311,412,885 | 283,687,595 |
| Assistance for school construction | 6,637,981 | 2,131,884 | 41,636,015 | 50,601,125 |
| Defense educational activities | 45,809,728 | 12,503,620 | 270,283,593 | 239,576,372 |
| Other | 42,366,185 | 2,445,117 | 218,348,556 | 86,022,925 |
| Vocational Rehabilitation Administration | 5,055,257 | 3,694,069 | 137,235,388 | 119,907,952 |
| Public Health Service: | | | | |
| Community health: | | | | |
| Hospital construction activities | 19,906,839 | 18,182,621 | 203,510,407 | 194,482,254 |
| Other | 12,886,460 | 12,310,223 | 159,159,246 | 119,258,781 |
| Environmental health | 12,316,776 | 14,346,025 | 152,725,428 | 141,426,100 |
| Medical services | 14,027,051 | 13,183,539 | 132,747,674 | 124,683,034 |
| National Institutes of Health | 42,934,559 | 99,890,710 | 779,337,079 | 909,600,588 |
| Operation of commissaries, narcotic hospitals (net) | -1,802 | 6,711 | 6,976 | -2,631 |
| Emergency health activities | 787,504 | 1,324,223 | 12,668,368 | 20,080,028 |
| Other | 9,522,586 | 21,427,222 | 12,418,764 | 36,091,148 |
| Total--Public Health Service | 112,379,974 | 180,671,277 | 1,452,573,946 | 1,545,619,305 |
| Saint Elizabeths Hospital | 1,594,239 | -297,322 | 9,959,185 | 9,348,316 |
| Social Security Administration: | | | | |
| Operating fund, Bureau of Federal Credit Unions (net) | 151,236 | 177,921 | -175,398 | 116,471 |
| Other | 1,251 | 9,385 | 77,043 | 4,513 |
| Welfare Administration: | | | | |
| Grants to States for public assistance | 276,525,766 | 421,469,494 | 3,059,498,069 | 2,944,051,522 |
| Grants for maternal and child welfare | 5,545,492 | 7,568,165 | 109,796,010 | 89,355,448 |
| Other | 2,701,195 | 5,838,523 | 55,337,934 | 61,436,712 |
| Special institutions: | | | | |
| American Printing House for the Blind | .................. | .................. | 865,000 | 775,000 |
| Freedmen's Hospital | 305,410 | 442,284 | 3,928,256 | 4,173,943 |
| Gallaudet College | 663,504 | 191,833 | 4,355,441 | 2,353,511 |
| Howard University | 1,324,749 | 1,292,126 | 11,617,844 | 12,087,793 |
| General Administration and other: | | | | |
| Intragovernmental funds (net) | -211,549 | 48,638 | -320,334 | -81,063 |
| Other | 1,802,500 | 1,741,018 | 12,317,372 | 10,419,313 |
| Total--Health, Education, and Welfare Department | 533,911,453 | 667,960,588 | 5,739,388,296 | 5,497,731,667 |

| Classification<br>EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Interior Department: | | | | |
| Public Land Management: | | | | |
| Bureau of Land Management | $5,661,441 | $5,151,807 | $131,309,464 | $118,599,174 |
| Bureau of Indian Affairs: | | | | |
| Public enterprise funds (net): | | | | |
| Revolving fund for loans | 98,083 | 359,804 | 179,320 | 5,094,471 |
| Other | -185 | -50 | -1,300 | -1,647 |
| Other | 19,846,613 | 15,680,358 | 234,249,440 | 199,123,020 |
| National Park Service | 11,276,229 | 9,890,384 | 130,688,869 | 127,830,060 |
| Bureau of Outdoor Recreation | 1,127,178 | 141,044 | 3,699,104 | 1,900,049 |
| Office of Territories: | | | | |
| Public enterprise funds (net) | .................. | -16,413 | 280,241 | -102,658 |
| Other | 1,918,806 | 110,441 | 24,925,782 | 40,245,463 |
| The Alaska Railroad (net) | 323,294 | 1,616,332 | 15,056,267 | 1,808,638 |
| Mineral Resources: | | | | |
| Geological Survey | 5,222,152 | 364,779 | 69,062,533 | 61,047,191 |
| Bureau of Mines: | | | | |
| Public enterprise funds (net) | 1,038,546 | 656,777 | 20,424,617 | 9,793,964 |
| Other | 2,816,728 | 3,188,388 | 40,965,305 | 38,853,924 |
| Office of Coal Research | 717,548 | 342,751 | 3,821,990 | 2,626,813 |
| Office of Minerals Exploration | 71,701 | 53,950 | 629,259 | 567,898 |
| Office of Oil and Gas | 61,413 | 55,375 | 685,946 | 613,212 |
| Fish and Wildlife Service: | | | | |
| Office of Commissioner of Fish and Wildlife | 43,865 | 26,327 | 432,291 | 380,112 |
| Bureau of Commercial Fisheries: | | | | |
| Public enterprise funds (net) | -94,504 | 165,225 | 379,118 | -536,604 |
| Other | 3,113,581 | 3,102,801 | 37,781,221 | 32,724,527 |
| Bureau of Sport Fisheries and Wildlife | 8,040,711 | 7,133,032 | 79,536,419 | 70,228,972 |
| Water and Power Development: | | | | |
| Bureau of Reclamation: | | | | |
| Public enterprise funds (net): | | | | |
| Continuing fund for emergency expenses, Fort Peck project, Montana | -2,599,332 | -26,871 | -2,332,881 | -895,609 |
| Upper Colorado River Basin fund | 6,572,381 | 6,971,328 | 59,370,274 | 95,122,605 |
| Other | 23,220,630 | 23,367,840 | 269,925,305 | 245,155,535 |
| Total--Bureau of Reclamation | 27,193,680 | 30,312,297 | 326,962,698 | 339,382,531 |
| Bonneville Power Administration | 4,526,993 | 5,529,964 | 54,902,030 | 44,991,433 |
| Southeastern Power Administration | 33,230 | 55,887 | 644,171 | 757,563 |
| Southwestern Power Administration | 425,182 | 547,709 | 7,856,393 | 10,303,474 |
| Office of Saline Water | 1,201,604 | 1,362,260 | 11,468,342 | 9,493,993 |
| Secretarial Offices: | | | | |
| Office of the Solicitor | 358,212 | 302,088 | 4,374,152 | 3,901,617 |
| Office of the Secretary | 697,352 | 465,945 | 4,211,278 | 3,830,502 |
| Office of Water Resources Research | 1,354,290 | .................. | 2,296,378 | .................. |
| Virgin Islands Corporation (net) | -113,885 | -88,018 | -1,657,189 | 326,052 |
| Total--Interior Department | 96,959,870 | 86,511,253 | 1,205,164,149 | 1,123,783,755 |
| Justice Department: | | | | |
| Legal activities and general administration | 4,837,500 | 5,274,116 | 64,148,973 | 60,892,997 |
| Federal Bureau of Investigation | 12,611,028 | 12,160,199 | 159,507,465 | 143,024,458 |
| Immigration and Naturalization Service | 5,881,102 | 5,380,760 | 72,202,901 | 67,100,876 |
| Federal Prison System: | | | | |
| Federal Prison Industries, Inc. (net) | 315,003 | 103,610 | -1,439,001 | -4,609,903 |
| Other | 6,598,417 | 6,271,377 | 62,848,052 | 61,585,910 |
| Total--Justice Department | 30,243,052 | 29,190,065 | 357,268,391 | 327,994,340 |
| Labor Department: | | | | |
| Manpower Administration: | | | | |
| Public enterprise funds (net): | | | | |
| Advances to employment security administration account, unemployment trust fund | .................. | .................. | -2,225,696 | -7,434,616 |
| Farm labor supply revolving fund | 895 | -3,425 | -349,922 | -1,200,043 |
| Manpower, development and training activities | 20,931,234 | 16,615,928 | 230,025,806 | 109,970,184 |
| Bureau of Apprenticeship and Training | 455,393 | 590,147 | 5,550,010 | 5,647,023 |
| Payment to the Federal extended compensation account | .................. | -19,358,259 | .................. | -19,357,595 |
| Unemployment compensation for Federal employees and ex-servicemen | 12,936,604 | 15,742,604 | 122,397,686 | 152,514,219 |
| Other | 788,755 | 425,490 | 7,933,034 | 9,250,291 |
| Total--Manpower Administration | 35,112,883 | 14,012,485 | 363,330,919 | 249,389,463 |
| Labor-Management Relations: | | | | |
| Labor-Management Services Administration | 550,948 | 903,965 | 7,189,618 | 7,239,318 |
| Bureau of Veterans' Reemployment Rights | 62,599 | 80,671 | 811,796 | 755,837 |
| Wage and Labor Standards: | | | | |
| Bureau of Labor Standards | 232,475 | 376,975 | 3,600,626 | 3,708,625 |
| Women's Bureau | 41,899 | 61,635 | 773,904 | 802,380 |
| Wage and Hour Division | 1,703,356 | 2,046,564 | 20,333,711 | 19,925,639 |
| Bureau of Employees' Compensation: | | | | |
| Employees compensation claims and expenses | 6,367,825 | 5,919,849 | 52,657,638 | 58,811,537 |
| Other | 375,246 | 379,585 | 4,431,652 | 4,368,978 |

| Classification EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Labor Department--Continued | | | | |
| Bureau of Labor Statistics | $1,286,184 | $1,676,183 | $18,083,225 | $17,870,453 |
| Bureau of International Labor Affairs | 110,537 | 97,156 | 706,561 | 938,168 |
| Office of the Solicitor | 226,845 | 490,903 | 4,850,830 | 4,615,823 |
| Office of the Secretary | 393,502 | -376,291 | 2,725,297 | 1,988,810 |
| Total--Labor Department | 46,464,305 | 25,669,684 | 479,500,782 | 370,415,037 |
| Post Office Department: | | | | |
| Public enterprise fund (net)--Postal fund | 123,996,828 | 76,610,753 | [5] 799,578,136 | 577,698,965 |
| State Department: | | | | |
| Administration of foreign affairs: | | | | |
| Salaries and expenses | 16,947,872 | -2,728,849 | [12] 173,627,828 | 148,852,334 |
| Acquisition, operation and maintenance of buildings abroad | 2,347,478 | 1,697,575 | 26,182,260 | 15,690,033 |
| Intragovernmental funds (net) | -45,041 | 53,272 | 113,915 | 355,598 |
| Other | 373,091 | 297,520 | 3,581,627 | 3,272,327 |
| Total--Administration of foreign affairs | 19,623,401 | -680,481 | 203,505,631 | 168,170,293 |
| International organizations and conferences: | | | | |
| Contributions to international organizations | 99,220 | 1,514,743 | 86,789,960 | 99,502,723 |
| Loans to the United Nations | .................. | 769,379 | .................. | 4,193,354 |
| Other | 581,377 | 497,228 | 5,844,482 | 4,930,527 |
| International commissions | 2,732,660 | 1,042,918 | 16,433,456 | 12,556,059 |
| Educational exchange | 5,509,244 | 4,396,481 | 57,879,186 | 45,955,687 |
| Other | 1,149,377 | 2,037,435 | 9,170,863 | 11,817,300 |
| Total--State Department | 29,695,280 | 9,577,705 | 379,623,580 | 347,125,945 |
| Treasury Department: | | | | |
| Office of the Secretary: | | | | |
| Public enterprise funds (net): | | | | |
| Reconstruction Finance Corp. liquidation fund | .................. | -1,732,862 | 18,530 | -2,435,632 |
| Federal Farm Mortgage Corp. liquidation fund | -136,082 | -136,130 | -277,072 | -410,244 |
| Civil defense program fund | .................. | -5,699 | -27,741 | -58,711 |
| Intragovernmental funds (net) | 265 | 152 | 596 | 574 |
| Other | 675,457 | 544,479 | 5,812,072 | 5,282,749 |
| Bureau of Accounts: | | | | |
| Interest on uninvested funds | 97,643 | 97,583 | 11,752,147 | 10,719,407 |
| Claims, judgments and relief acts | 839,460 | 13,544,551 | 74,424,479 | 31,896,388 |
| Government losses in shipment fund (net) | 2,895 | 3,034 | 43,882 | 338,860 |
| Salaries and expenses | 1,591,610 | 1,570,100 | 32,115,017 | 31,853,215 |
| Other | .................. | .................. | 1,215 | 133 |
| Bureau of Customs: | | | | |
| Intragovernmental funds (net) | 240,002 | 261,396 | 72,800 | .................. |
| Other | 9,096,484 | 8,479,301 | 77,881,029 | 74,620,958 |
| Bureau of Engraving and Printing: | | | | |
| Intragovernmental funds (net) | -537,909 | 135,508 | 908,385 | 252,693 |
| Other | 5,395 | 68,220 | 271,584 | 148,451 |
| Bureau of the Mint | 2,205,537 | 991,358 | 15,346,166 | 9,164,443 |
| Bureau of Narcotics | 612,646 | 595,136 | 5,457,647 | 5,388,569 |
| Bureau of the Public Debt | 3,781,492 | 4,107,829 | 49,650,830 | 48,545,485 |
| Coast Guard: | | | | |
| Intragovernmental funds (net) | 841,404 | 1,343,751 | -175,154 | -1,629,710 |
| Other | 36,740,398 | 30,719,274 | 386,220,367 | 351,435,749 |
| Internal Revenue Service: | | | | |
| Interest on refunds of taxes | 5,958,864 | 6,466,282 | 77,181,870 | 88,409,000 |
| Payments to Puerto Rico for taxes collected | 3,656,189 | 4,650,060 | 42,910,793 | 44,961,835 |
| Other | 69,099,856 | 66,655,449 | 586,661,064 | 560,196,388 |
| Office of the Treasurer: | | | | |
| Check forgery insurance fund (net) | -3,810 | 5,072 | 2,115 | 20,147 |
| Other | 728,825 | 978,503 | 6,341,586 | 13,656,652 |
| U.S. Secret Service | 1,267,802 | 1,066,693 | 10,461,943 | 9,133,698 |
| Interest on the public debt: [13] | | | | |
| Public issues | 830,312,036 | 787,620,728 | 9,811,692,220 | 9,280,106,837 |
| Special issues | 166,842,282 | 153,246,075 | 1,542,620,201 | 1,385,751,289 |
| Total--Interest on the public debt | 997,154,318 | 940,866,803 | 11,354,312,422 | 10,665,858,126 |
| Total--Treasury Department | 1,133,918,747 | 1,081,275,851 | 12,737,368,581 | 11,947,349,231 |
| Atomic Energy Commission | 229,526,256 | 242,123,440 | 2,624,142,652 | 2,764,564,835 |
| Federal Aviation Agency: | | | | |
| Grants-in-aid for airports | 3,967,959 | 4,986,010 | 70,598,086 | 65,247,695 |
| Other | 70,074,521 | 61,278,870 | 723,989,458 | 685,301,962 |
| Total--Federal Aviation Agency | 74,042,480 | 66,264,881 | 794,587,545 | 750,549,658 |
| General Services Administration: | | | | |
| Real property activities: | | | | |
| Construction, public buildings projects | 11,162,067 | 18,017,191 | 135,977,129 | 160,818,414 |
| Repair and improvement of public buildings | 5,276,489 | 6,444,093 | 81,493,483 | 73,364,528 |
| Intragovernmental funds (net) | 40,807,573 | 9,113,204 | 15,856,997 | -21,162,273 |
| Other | 8,290,747 | 4,023,635 | 272,681,572 | 260,128,427 |

See footnotes on page 14.

| Classification EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| General Services Administration--Continued | | | | |
| Personal property activities: | | | | |
| Intragovernmental funds (net) | -$14,642,180 | -$5,901,069 | $18,301,953 | $28,312,889 |
| Other | 3,084,532 | 3,631,508 | 52,883,697 | 46,609,897 |
| Utilization and disposal activities | 673,510 | 778,652 | 9,697,620 | 9,585,279 |
| Records activities | 1,230,525 | 1,138,753 | 15,983,385 | 14,546,003 |
| Transportation and communications activities | 1,550,050 | -375,226 | 10,849,104 | 4,230,481 |
| Defense materials activities: | | | | |
| Public enterprise funds (net) | .................. | .................. | 2,650 | .................. |
| Intragovernmental funds (net) | 76,558 | 527,731 | 478,666 | -114,368 |
| Strategic and critical materials | 1,194,783 | 1,308,653 | 16,242,565 | 15,957,475 |
| General activities: | | | | |
| Public enterprise funds (net) | -871 | -188 | -214,572 | -582,256 |
| Intragovernmental funds (net) | 2,014,422 | 1,883,829 | -644,918 | -729,444 |
| Other | 150,696 | 154,687 | 1,981,040 | 1,745,683 |
| Total--General Services Administration | 60,868,905 | 40,745,455 | 631,570,375 | 592,710,738 |
| Housing and Home Finance Agency: | | | | |
| Office of the Administrator: | | | | |
| Public enterprise funds (net): | | | | |
| College housing loans | 14,073,082 | 11,554,687 | 220,743,636 | 219,334,339 |
| Liquidating programs | -96,870 | -63,792 | -985,142 | -1,799,428 |
| Urban renewal fund | 46,096,496 | 24,555,033 | 324,351,500 | 235,012,399 |
| Rehabilitation loan fund | 180,000 | .................. | 180,000 | .................. |
| Urban mass transportation | 749,535 | .................. | 11,068,235 | 195,000 |
| Other | 8,333,027 | 4,449,769 | 87,507,504 | 79,919,134 |
| Open-space land grants | 247,954 | 710,493 | 6,211,704 | 5,130,371 |
| Other | 2,266,779 | 3,942,219 | 34,695,713 | 31,214,316 |
| Total--Office of the Administrator | 71,850,005 | 45,148,409 | 683,773,151 | 569,006,131 |
| Federal National Mortgage Association (net): | | | | |
| Loans for secondary market operations | -2,350,000 | -14,360,000 | -4,460,000 | 4,460,000 |
| Purchase of preferred stock | .................. | .................. | -38,000,000 | -70,820,304 |
| Management and liquidating functions fund | -11,628,690 | 11,355,300 | -113,100,179 | -138,358,625 |
| Special assistance functions fund | -21,161,148 | -20,866,718 | -373,170,608 | -141,925,191 |
| Government mortgage liquidation fund | -3,871,621 | .................. | [14] -31,156,780 | .................. |
| Total--Federal National Mortgage Association | -39,011,460 | -23,871,418 | -559,887,568 | -346,644,122 |
| Federal Housing Administration (net) | -56,597,391 | -71,851,640 | -110,342,987 | -43,441,952 |
| Public Housing Administration (net) | 22,994,177 | 18,101,440 | 230,116,306 | 149,206,532 |
| Total--Housing and Home Finance Agency | -764,668 | -32,473,208 | 243,658,902 | 328,126,589 |
| National Aeronautics and Space Administration | 507,934,144 | 504,848,391 | 5,093,760,148 | 4,170,997,324 |
| Veterans Administration: | | | | |
| Compensation, pensions, and benefit programs | 346,391,574 | 338,893,289 | 4,181,035,472 | 4,057,282,216 |
| Public enterprise funds (net): | | | | |
| Direct loans to veterans and reserves | -14,000,484 | -14,050,582 | -129,834,060 | -32,302,501 |
| Loan guaranty revolving fund | -3,386,480 | 28,714,368 | 38,337,047 | 76,497,875 |
| Other | -6,902,153 | -5,148,216 | -29,067,180 | -16,820,049 |
| Other | 152,430,791 | 147,752,376 | 1,427,570,760 | 1,393,443,600 |
| Total--Veterans Administration | 474,533,247 | 496,161,235 | 5,488,042,037 | 5,478,101,142 |
| Other independent agencies: | | | | |
| Advisory Commission on Intergovernmental Relations | 33,195 | 39,265 | 422,349 | 365,899 |
| Alaska Temporary Claims Commission | .................. | .................. | 5,354 | .................. |
| American Battle Monuments Commission | 250,785 | 337,709 | 1,952,476 | 1,785,902 |
| Central Intelligence Agency-construction | 11,634 | 7,382 | 353,972 | 285,036 |
| Civil Aeronautics Board: | | | | |
| Payments to air carriers | 6,036,705 | 5,356,900 | 80,422,548 | 84,122,285 |
| Other | 872,145 | 826,415 | 11,204,613 | 10,022,669 |
| Civil Service Commission: | | | | |
| Payment to Civil Service retirement and disability fund | .................. | .................. | 65,000,000 | 62,000,000 |
| Government payment for annuitants, employees health benefits fund | .................. | .................. | 12,210,000 | 9,500,000 |
| Government contribution, retired employees health benefits fund | .................. | .................. | 14,800,000 | 14,800,000 |
| Other | 2,767,082 | 2,766,372 | 25,111,362 | 25,118,237 |
| Total--Civil Service Commission | 2,767,082 | 2,766,372 | 117,121,362 | 111,418,237 |
| Commission of Fine Arts | 7,830 | 8,188 | 95,259 | 87,078 |
| Commission on Civil Rights | 107,968 | 70,156 | 1,146,957 | 817,286 |
| Commission on International Rules of Judicial Procedure | 4 | .................. | 4 | 7,469 |
| Equal Employment Opportunity Commission | 29,383 | .................. | 29,383 | .................. |
| Export-Import Bank of Washington (net) | -35,174,791 | -37,619,229 | -357,231,298 | -701,783,845 |
| Farm Credit Administration (net): | | | | |
| Revolving fund for administrative expenses | -884,678 | -2,614,361 | 98,754 | -161,201 |
| Short-term credit investment fund | 900,000 | 1,100,000 | 3,375,000 | 5,490,000 |
| Banks for cooperatives investment fund | -6,400,000 | .................. | -20,287,000 | -13,926,400 |
| Total--Farm Credit Administration | -6,384,678 | -1,514,361 | -16,813,245 | -8,597,601 |

See footnotes on page 14

| Classification<br>EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Other independent agencies--Continued | | | | |
| Federal Coal Mine Safety Board of Review | $5,908 | $5,045 | $66,348 | $63,760 |
| Federal Communications Commission | 1,914,720 | 1,651,863 | 16,747,173 | 16,717,021 |
| Federal Development Planning Committees for Alaska | 6,318 | 23,141 | 87,083 | -29,985 |
| Federal Home Loan Bank Board (net): | | | | |
| Federal Savings and Loan Insurance Corp. fund | -184,007,355 | -145,069,707 | -204,698,272 | -248,096,226 |
| Other | 170,160 | 64,172 | 137,685 | -322,431 |
| Federal Maritime Commission | 232,719 | 209,687 | 2,852,409 | 2,611,387 |
| Federal Mediation and Conciliation Service | 482,763 | 646,766 | 6,283,641 | 5,701,676 |
| Federal Power Commission | 1,502,847 | 1,350,468 | 13,115,854 | 12,324,394 |
| Federal Trade Commission | 1,473,369 | 942,153 | 13,661,513 | 12,117,728 |
| Foreign Claims Settlement Commission | 152,173 | 2,036,372 | 35,043,150 | 8,924,446 |
| General Accounting Office | 4,953,199 | 5,035,043 | 44,948,351 | 45,116,039 |
| Historical and Memorial Commissions | 10,333 | 18,620 | 133,496 | 122,820 |
| Indian Claims Commission | 23,527 | 32,827 | 302,800 | 294,478 |
| Interstate Commerce Commission | 2,193,245 | 1,962,142 | 26,491,243 | 24,378,287 |
| National Capital Housing Authority | -878 | 4,237 | 33,820 | 43,031 |
| National Capital Planning Commission | 2,402,923 | 82,823 | 3,537,987 | 735,483 |
| National Capital Transportation Agency | 34,085 | 81,785 | 616,828 | 981,682 |
| National Commission on Food Marketing | 87,500 | ............... | 406,241 | ............... |
| National Commission on Technology, Automation, and Economic Progress | 45,239 | ............... | 134,209 | ............... |
| National Labor Relations Board | 2,084,533 | 1,786,368 | 25,220,791 | 22,049,363 |
| National Mediation Board | 150,727 | 185,285 | 1,891,645 | 1,939,470 |
| National Science Foundation | 29,085,653 | 46,315,099 | 308,871,514 | 310,072,016 |
| Outdoor Recreation Resources Review Commission | ............... | ............... | ............... | 6 |
| Participation in Interstate Federal Commissions: | | | | |
| Appalachian Regional Commission | 29,090 | ............... | 40,342 | ............... |
| Delaware River Basin Commission | 3,235 | 2,493 | 131,387 | 152,795 |
| Interstate Commission on the Potomac River Basin | ............... | ............... | 5,000 | 5,000 |
| President's Adv. Com. on Labor-Mgmt. Policy | | 10,127 | 106,155 | 112,514 |
| Railroad Retirement Board-Military service credits | ............... | ............... | 13,834,000 | ............... |
| Renegotiation Board | 285,297 | 199,637 | 2,649,988 | 2,508,699 |
| Saint Lawrence Seaway Development Corporation (net) | 358,563 | 156,520 | 904,557 | 154,127 |
| Securities and Exchange Commission | 1,781,291 | 1,598,873 | 15,276,483 | 14,336,737 |
| Selective Service System | 4,134,788 | 5,798,556 | 43,210,934 | 40,935,735 |
| Small Business Administration: | | | | |
| Public enterprise funds (net) | 15,065,643 | 19,793,113 | 243,868,969 | 124,316,477 |
| Salaries and expenses | 4,500,173 | 1,323,096 | 6,659,039 | 8,591,226 |
| Other | 222,820 | 105,558 | 43,349 | 24,989 |
| Total--Small Business Administration | 19,788,637 | 21,221,769 | 250,571,358 | 132,932,693 |
| Smithsonian Institution | 3,097,334 | 2,378,297 | 27,986,151 | 21,790,573 |
| Subversive Activities Control Board | 44,019 | 37,054 | 408,843 | 348,466 |
| Tariff Commission | 354,923 | 225,458 | 3,270,600 | 2,931,835 |
| Tax Court of the United States | 163,031 | 188,732 | 2,087,496 | 1,927,620 |
| Tennessee Valley Authority (net) | 12,226,651 | 10,639,499 | 47,918,975 | 59,291,307 |
| U.S. Arms Control and Disarmament Agency | 433,440 | 962,648 | 7,508,749 | 6,194,807 |
| United States Information Agency: | | | | |
| Informational media guarantee fund (net) | 435,801 | -1,930 | 1,119,169 | 940,000 |
| Salaries and expenses | 12,631,860 | 18,705,481 | 149,589,698 | 140,619,721 |
| Construction of radio facilities | 291,685 | 657,433 | 6,638,775 | 12,156,829 |
| Other | 500,630 | 714,738 | 7,389,272 | 7,391,960 |
| Total--U.S. Information Agency | 13,859,978 | 20,075,723 | 164,736,915 | 161,108,512 |
| U.S.-Puerto Rico Commission on the status of Puerto Rico | 24,819 | ............... | 83,355 | ............... |
| United States Study Commissions | ............... | ............... | 8 | 170,418 |
| Total--Other independent agencies | -111,853,073 | -48,861,607 | 715,326,561 | 159,176,718 |
| District of Columbia: | | | | |
| Federal payment to District of Columbia | ............... | ............... | 40,720,000 | 40,368,000 |
| Advances for general expenses (repayable) | 2,500,000 | 17,000,000 | 9,000,000 | 7,000,000 |
| Loans to District of Columbia for capital outlay | 200,000 | 1,025,000 | 10,700,000 | 9,450,000 |
| Loans to District of Columbia (stadium fund) | 415,800 | ............... | 831,600 | 655,800 |
| Interfund transactions (-) (See detail on page 2) | -44,210,082 | -47,223,900 | -869,041,070 | -663,621,619 |
| Net administrative budget expenditures | 9,081,120,197 | 9,526,956,409 | 96,518,462,919 | 97,684,374,794 |
| Administrative budget surplus (+) or deficit (-) | +4,295,593,568 | +2,873,865,816 | -3,474,019,605 | -8,225,710,723 |

## FOOTNOTES

Source: Prepared by the United States Treasury Department, Bureau of Accounts, on the basis of reports received from disbursing, collecting, and administrative agencies of the Government.

[1] This statement is preliminary and based on reports from disbursing, collecting and administrative agencies of the Government received through July 14, 1965. Final reports of Government disbursing, collecting and administrative agencies, including certain overseas transactions for the year ended June 30, 1965, which it has not been possible to include in this statement, will be incorporated in the final statement for fiscal year 1965 to be published at a later date.

[2] Includes debt not subject to limitation, which on June 30, 1965 amounted to $283,364,986. The statutory debt limitation established at $285 billion by act approved June 30, 1959, has been temporarily increased during the periods covered by this table. The dates when each increase became effective are as follows: $308 billion on July 1, 1962; $305 billion on April 1, 1963; $307 billion on May 29, 1963; $309 billion on July 1, 1963; $315 billion on December 1, 1963; $324 billion on June 29, 1964; and $328 billion on July 1, 1965.

[3] From 1966 Budget Document released January 25, 1965.

Footnotes continued on page 14

| Classification RECEIPTS | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Legislative Branch: | | | | |
| Payments from general fund | $89,981 | $89,555 | $180,355 | $179,799 |
| Other | 117,076 | 162,326 | 1,462,762 | 1,831,310 |
| The Judiciary: | | | | |
| Judicial survivors annuity fund: | | | | |
| Contributions | 64,757 | 49,506 | 790,371 | 645,013 |
| Interest on investments | -4,530 | -4,088 | 89,797 | 76,016 |
| Funds appropriated to the President:[2] | | | | |
| Mutual defense and development: | | | | |
| Military assistance advances | 49,712,730 | 31,343,708 | 823,223,542 | 719,700,507 |
| Economic assistance | 366,804 | 105,136 | 1,386,498 | 769,192 |
| Other | 1,591 | 64,269 | 167,070 | 164,217 |
| Agriculture Department | 4,317,856 | 5,004,999 | 56,997,739 | 55,711,025 |
| Commerce Department: | | | | |
| Highway trust fund: | | | | |
| Transfers from general fund receipts | 346,588,156 | 319,900,000 | 3,781,927,512 | 3,645,793,198 |
| Less refunds of taxes | ............... | ............... | -123,498,341 | -126,636,555 |
| Interest on investments | 1,663,952 | 4,636,401 | 11,034,928 | 20,361,229 |
| Total--Highway trust fund | 348,252,109 | 324,536,401 | 3,669,464,099 | 3,539,517,872 |
| Other | 1,193,505 | 1,252,661 | 10,455,042 | 33,052,009 |
| Defense Department: | | | | |
| Military | 225,483 | 11,834 | 5,744,543 | 5,178,369 |
| Civil: | | | | |
| Payments from general fund | ............... | ............... | 3,135,803 | 3,057,247 |
| Other | 1,789,527 | 633,483 | 25,885,735 | 42,940,251 |
| Health, Education, and Welfare Department: | | | | |
| Federal old-age and survivors insurance trust fund: | | | | |
| Transfers from general fund receipts: | | | | |
| Appropriated | 1,359,731,325 | 1,332,546,305 | 14,777,984,820 | 14,488,596,928 |
| Unappropriated | -110,000,000 | -22,000,000 | -27,000,000 | -1,000,000 |
| Less refunds of taxes | ............... | ............... | -178,625,500 | -152,470,000 |
| Deposits by States | 2,301,555 | -1,306,576 | 1,257,836,809 | 1,166,599,194 |
| Interest and profits on investments | 213,786,212 | 196,700,791 | 583,124,534 | 539,044,380 |
| Other | 15,157 | 16,862 | 3,189,891 | 2,603,619 |
| Total--Federal old-age and survivors insurance trust fund | 1,465,834,251 | 1,505,957,383 | 16,416,510,555 | 16,043,374,122 |
| Federal disability insurance trust fund: | | | | |
| Transfers from general fund receipts: | | | | |
| Appropriated | 105,891,859 | 96,574,804 | 1,095,087,773 | 1,070,185,734 |
| Unappropriated | -8,000,000 | -3,000,000 | ............... | ............... |
| Less refunds of taxes | ............... | ............... | -13,064,500 | -13,330,000 |
| Deposits by States | 650,401 | 1,688,821 | 93,220,620 | 86,305,332 |
| Interest and profits on investments | 23,820,112 | 27,635,934 | 65,247,217 | 67,659,757 |
| Other | 994 | ............... | 16,970 | ............... |
| Total--Federal disability insurance trust fund | 122,363,369 | 122,899,560 | 1,240,508,081 | 1,210,820,825 |
| Other | 65,448 | 29,992 | 337,085 | 866,739 |
| Interior Department: | | | | |
| Indian tribal funds | 3,144,619 | 20,439,077 | 58,587,736 | 70,253,227 |
| Payments from general fund | ............... | 8,851,108 | 65,842,526 | 23,467,585 |
| Other | 2,017,776 | 1,145,498 | 12,671,517 | 10,834,556 |
| Labor Department: | | | | |
| Unemployment trust fund: | | | | |
| Employment security administration account: | | | | |
| Transfers (Federal unemployment taxes): | | | | |
| Appropriated | 2,783,000 | 2,545,000 | 622,037,760 | 854,305,736 |
| Unappropriated | -256,799 | 194,262 | 1,333,366 | -3,447,557 |
| Less refunds of taxes | -629,462 | -570,093 | -7,608,577 | -4,290,836 |
| Advances from general (revolving) fund | ............... | ............... | 194,968,108 | 239,705,000 |
| Less return of advances to the general fund | ............... | ............... | -194,968,108 | -244,205,000 |
| State accounts--deposits by States | 39,918,252 | 32,618,681 | 3,050,191,612 | 3,042,407,829 |
| Railroad unemployment insurance account: | | | | |
| Deposits by Railroad Retirement Board | 29,804,172 | 30,347,360 | 142,780,563 | 144,086,600 |
| Advances from railroad retirement account | ............... | ............... | 58,230,000 | 35,187,000 |
| Advances from general fund | ............... | ............... | ............... | ............... |
| Railroad unemployment insurance adm. fund: | | | | |
| Deposits by Railroad Retirement Board | 1,986,873 | 1,216,773 | 9,519,774 | 11,970,150 |
| Federal extended compensation account: | | | | |
| Advances from general fund | ............... | ............... | ............... | 664 |
| Interest and profits on investments | 87,194,951 | 67,572,585 | 255,264,828 | 212,608,189 |
| Total--Unemployment trust fund | 160,800,988 | 133,924,569 | 4,131,749,328 | 4,288,327,777 |
| Other | 38,244 | 1,040 | 130,291 | 88,833 |
| State Department: | | | | |
| Foreign Service retirement and disability fund: | | | | |
| Deductions from salaries and other receipts | 302,101 | 372,122 | 3,843,747 | 3,440,312 |
| Employing agency contributions | 292,730 | 364,383 | 3,653,015 | 3,307,974 |
| Receipts from Civil Service retirement and disability fund | 28,292 | 80,332 | 795,896 | 385,359 |
| Interest on investments | 1,422,759 | 1,369,785 | 1,577,255 | 1,507,411 |
| Other | 21,160 | 17,684 | 1,257,837 | 338,355 |
| Treasury Department | 2,396,799 | 1,652,037 | 24,227,746 | 26,053,691 |

See footnotes on page 14.

| Classification<br>RECEIPTS--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Atomic Energy Commission | $180,000 | ........ | $1,229,591 | $629,312 |
| Federal Aviation Agency | ........ | ........ | ........ | ........ |
| General Services Administration | ........ | $23,198 | 2,243,970 | 283,451 |
| National Aeronautics and Space Administration | 5 | 500 | 540,521 | 201,033 |
| Veterans Administration: | | | | |
| Government life insurance fund: | | | | |
| Premiums and other receipts | 1,285,393 | 949,773 | 15,221,034 | 15,805,169 |
| Payments from general fund | 1,628 | 6,996 | -119,011 | -142,522 |
| Interest on investments | 32,407,194 | 32,924,726 | 33,761,925 | 34,463,875 |
| National service life insurance fund: | | | | |
| Premiums and other receipts | 40,236,415 | 38,872,073 | 476,011,040 | 478,299,648 |
| Payments from general fund | 527,713 | 523,275 | 7,028,552 | 5,969,469 |
| Interest on investments | 179,758,000 | 173,839,253 | 182,144,899 | 176,471,453 |
| Other | 198,045 | 118,510 | 1,810,331 | 1,870,242 |
| Total--Veterans Administration | 254,414,392 | 247,234,610 | 715,858,773 | 712,737,337 |
| Other independent agencies: | | | | |
| Civil Service Commission: | | | | |
| Civil Service retirement and disability fund: | | | | |
| Deductions from employees' salaries, etc | 89,758,406 | 83,143,034 | 1,050,416,467 | 979,885,732 |
| Payments from other funds: | | | | |
| Employing agency contributions | 89,761,826 | 83,150,043 | 1,050,356,476 | 979,941,019 |
| Federal contribution | ........ | ........ | 65,000,000 | 62,000,000 |
| Voluntary contributions, donations, etc. | 1,225,904 | 1,383,485 | 16,429,592 | 14,592,256 |
| Interest and profits on investments | 436,616,505 | 378,982,857 | 482,170,944 | 419,838,372 |
| Total--Civil Service Commission | 617,362,642 | 546,659,420 | 2,664,373,481 | 2,456,257,381 |
| Railroad Retirement Board: | | | | |
| Railroad retirement account: | | | | |
| Transfers (Railroad Act taxes): | | | | |
| Appropriated | 65,813,983 | 61,160,206 | 630,429,539 | 608,969,561 |
| Unappropriated | -9,200,860 | -7,892,794 | 5,226,588 | -15,492,759 |
| Fines and penalties | ........ | 100 | ........ | 100 |
| Interest and profits on investments | 103,411,834 | 73,394,511 | 143,133,662 | 130,127,866 |
| Interest on advances to railroad unemployment insurance account | 11,036,945 | 9,060,235 | 12,167,342 | 9,507,533 |
| Repayment of advances to railroad unemployment insurance account | 13,700,000 | 11,095,000 | 77,935,000 | 37,454,000 |
| Payment from Federal old-age and survivors and Federal disability insurance trust funds | 459,253,000 | 421,775,000 | 459,253,000 | 421,775,000 |
| Other | ........ | ........ | 13,834,000 | ........ |
| Total--Railroad Retirement Board | 644,014,902 | 568,592,260 | 1,341,979,132 | 1,192,341,301 |
| Other | 5,471 | 29,326 | 9,751,423 | 48,098,115 |
| District of Columbia: | | | | |
| Revenues from taxes, etc | 14,910,426 | 15,212,354 | 285,552,615 | 272,163,169 |
| Payments from general fund: | | | | |
| Federal contribution | ........ | ........ | 40,720,000 | 40,368,000 |
| Advances for general expenses | 2,500,000 | 17,000,000 | 50,000,000 | 33,000,000 |
| Less return of advances to general fund | ........ | ........ | -41,000,000 | -26,000,000 |
| Loans for capital outlay | 200,000 | 1,025,000 | 10,700,000 | 9,450,000 |
| Other loans and grants | 3,862,807 | 4,559,424 | 41,243,916 | 26,606,257 |
| Interfund transactions (-): | | | | |
| Payments to employees' retirement fund receipts | 1,341,331 | 1,198,562 | 16,340,286 | 14,562,638 |
| Payments between funds: | | | | |
| FOASI fund to railroad retirement account | 435,638,000 | 402,636,000 | 435,638,000 | 402,636,000 |
| Unemployment trust fund from railroad retirement account | ........ | ........ | 58,230,000 | 35,187,000 |
| Other | 48,380,237 | 39,374,568 | 118,729,869 | 68,993,801 |
| Total interfund transactions (-) | -485,359,568 | -443,209,131 | -628,938,156 | -521,379,439 |
| Net trust receipts | 3,216,946,515 | 3,117,481,332 | 31,054,931,251 | 30,330,645,525 |
| EXPENDITURES | | | | |
| Legislative Branch | 144,992 | 208,016 | 1,894,266 | 1,643,731 |
| The Judiciary--Judicial survivors annuity fund | 36,183 | 54,466 | 487,789 | 490,145 |
| Funds appropriated to the President: | | | | |
| Mutual defense and development: | | | | |
| Military assistance advances | 131,492,704 | 84,592,271 | 743,259,261 | 480,750,602 |
| Economic assistance | -231,460 | 86,187 | 2,010,794 | 2,023,845 |
| Other | 6,762 | 933 | 75,215 | 151,799 |
| Agriculture Department: | | | | |
| Trust enterprise funds (net) | 145,609 | 1,219,941 | -901,997 | 716,847 |
| Other | 6,251,685 | 5,952,246 | 52,962,588 | 50,854,097 |
| Commerce Department: | | | | |
| Highway trust fund - Federal-Aid Highways | 359,227,268 | 333,477,746 | 4,026,985,379 | 3,645,013,031 |
| Other | 1,245,868 | 2,605,963 | 20,336,168 | 25,303,325 |
| Defense Department: | | | | |
| Military | 329,794 | 671,426 | 5,315,207 | 5,149,285 |
| Civil: | | | | |
| Trust enterprise funds (net) | 4,673 | 3,085 | -1,638 | 5,956 |
| Other | 2,758,428 | 5,538,987 | 31,381,633 | 44,142,189 |

| Classification<br>EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Health, Education, and Welfare Department: | | | | |
| Federal old-age and survivors insurance trust fund: | | | | |
| Administrative expenses-Bureau of Old-Age and Survivors Insurance | $36,389,150 | $37,749,916 | $322,788,765 | $312,381,991 |
| Reimbursement of administrative expenses from Federal disability insurance trust fund | ... | ... | -75,110,959 | -63,849,716 |
| Payments to general fund--administrative expenses | 4,511,466 | 4,196,524 | 52,378,198 | 51,713,954 |
| Payment to Railroad Retirement Board | 435,638,000 | 402,636,000 | 435,638,000 | 402,636,000 |
| Benefit payments | 1,302,972,406 | 1,244,839,272 | 15,226,064,177 | 14,579,166,049 |
| Construction | 55,367 | 218,265 | 304,745 | 2,558,352 |
| Total--Federal old-age and survivors insurance trust fund | 1,779,566,391 | 1,689,639,978 | 15,962,062,928 | 15,284,606,631 |
| Federal disability insurance trust fund: | | | | |
| Administrative expenses--reimbursement to Federal old-age and survivors insurance trust fund | ... | ... | 78,223,221 | 66,357,624 |
| Payments to general fund--administrative expenses | 339,531 | 320,506 | 3,767,958 | 3,841,295 |
| Benefit payments | 126,300,833 | 110,677,840 | 1,392,197,572 | 1,251,207,262 |
| Payment to Railroad Retirement Board | 23,615,000 | 19,139,000 | 23,615,000 | 19,139,000 |
| Total--Federal disability insurance trust fund | 150,255,365 | 130,137,346 | 1,497,803,751 | 1,340,545,182 |
| Other | 46,182 | 131,061 | 561,767 | 832,859 |
| Interior Department: | | | | |
| Indian tribal funds | 9,460,809 | 8,791,321 | 74,418,206 | 66,092,602 |
| Other | 1,027,941 | 1,466,996 | 11,040,056 | 10,882,258 |
| Justice Department (net): | | | | |
| Alien property activities | 833,579 | 995,775 | -168,758,283 | 52,783,427 |
| Federal Prison System commissary funds | 16,059 | -19,570 | 27,360 | 11,284 |
| Labor Department: | | | | |
| Unemployment trust fund: | | | | |
| Employment security administration account: | | | | |
| Salaries and expenses, Bur. of Empl. Security | 1,143,209 | 1,280,772 | 13,370,830 | 12,829,141 |
| Grants to States for unemployment compensation and employment service administration | 56,607,805 | 35,307,634 | 399,382,196 | 412,707,380 |
| Payments to general fund: | | | | |
| Reimbursements and recoveries | 3,267,408 | 223,144 | 112,017,648 | 54,594,261 |
| Interest on refunds of taxes | 17,184 | 12,256 | 172,046 | 92,825 |
| Payment of interest on advances from general (revolving) fund | ... | ... | 2,225,696 | 2,934,616 |
| Railroad unemployment insurance account: | | | | |
| Benefit payments | 6,459,382 | 7,975,445 | 115,243,083 | 133,912,182 |
| Temporary extended railroad unemployment benefits | ... | ... | ... | ... |
| Repayment of advances to railroad retirement acct. | 13,700,000 | 11,095,000 | 77,935,000 | 37,454,000 |
| Payment of interest on advances from railroad retirement account | 11,036,945 | 9,060,235 | 12,167,342 | 9,507,533 |
| Repayment of advances from general fund | ... | ... | ... | 7,090,380 |
| Railroad unemployment insurance adm. fund: | | | | |
| Administrative expenses | 475,139 | 621,537 | 7,925,581 | 9,070,279 |
| State accounts: | | | | |
| Withdrawals by States | 154,420,474 | 182,800,638 | 2,389,611,624 | 2,703,274,544 |
| Reimbursements from Fed. extended comp. account | ... | ... | ... | -664 |
| Federal extended compensation account: | | | | |
| Temporary extended unempl. compensation payments | 30,650 | -1,244,473 | -466,958 | -2,304,877 |
| Reimbursements to State accounts | ... | ... | ... | 664 |
| Repayment of advances from general fund | ... | 20,053,044 | -655 | 325,402,030 |
| Total--Unemployment trust fund | 247,158,200 | 267,185,236 | 3,129,583,435 | 3,706,564,298 |
| Other | 29,948 | 98,355 | 234,068 | 126,051 |
| State Department: | | | | |
| Foreign Service retirement and disability fund | 715,506 | 634,047 | 8,308,468 | 7,485,890 |
| Other | 15,907 | 85,222 | 1,204,342 | 300,417 |
| Treasury Department | 1,993,346 | 1,902,178 | 22,958,718 | 18,492,178 |
| Atomic Energy Commission | 55,726 | 109,580 | 865,952 | 638,350 |
| Federal Aviation Agency | ... | 30,183 | ... | 36,084 |
| General Services Administration: | | | | |
| Trust enterprise funds (net) | -20,531 | -22,473 | -10,301 | -18,523 |
| Other | 11,011 | 58,759 | 214,103 | 382,617 |
| Housing and Home Finance Agency: | | | | |
| Federal National Mortgage Association (net): | | | | |
| Loans for secondary market operations and purchase of preferred stock | 2,350,000 | 14,360,000 | 42,460,000 | 66,360,304 |
| Other secondary market operations | 8,938,640 | -26,445,760 | 52,799,055 | -103,751,979 |
| National Aeronautics and Space Administration | ... | 9,466 | 50,317 | 97,955 |
| Veterans Administration: | | | | |
| Government life insurance fund-Benefits, refunds and dividends | 4,916,218 | 4,828,872 | 71,016,818 | 72,204,389 |
| National service life insurance fund-Benefits, refunds and dividends | 32,204,058 | 32,475,049 | 548,023,268 | 585,267,124 |
| Other | 47,036 | 116,456 | 1,513,595 | 1,654,508 |
| Other independent agencies: | | | | |
| Civil Service Commission: | | | | |
| Civil service retirement and disability fund | 126,315,003 | 113,976,337 | 1,438,145,563 | 1,318,295,895 |
| Employees health benefits fund (net) | 1,133,833 | 2,733,098 | -9,277,515 | -14,562,188 |
| Employees life insurance fund (net) | -107,452 | 280,539 | -26,361,034 | -49,382,736 |
| Retired employees health benefits fund (net) | 1,165,253 | 1,168,795 | -782,501 | -115,355 |
| Total--Civil Service Commission | 128,506,637 | 118,158,772 | 1,401,724,511 | 1,254,235,615 |

| Classification<br>EXPENDITURES--Continued | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Other independent agencies--Continued | | | | |
| National Capital Housing Authority (net) | $303,919 | $64,781 | $593,002 | -$436,370 |
| Railroad Retirement Board: | | | | |
| Railroad retirement account: | | | | |
| Administrative expenses | 800,489 | 1,378,137 | 10,277,709 | 11,021,137 |
| Benefit payments, etc | 94,148,910 | 92,111,681 | 1,116,369,625 | 1,092,450,771 |
| Payment to Federal old-age and survivors and disability insurance trust funds | ........ | ........ | ........ | ........ |
| Advances to railroad unemployment insurance account | ........ | ........ | 58,230,000 | 35,187,000 |
| Interest on refunds of taxes | 864 | 87 | 9,160 | 277 |
| Total--Railroad Retirement Board | 94,950,265 | 93,489,906 | 1,184,886,495 | 1,138,659,186 |
| Other: | | | | |
| Trust enterprise funds (net) | 42,918 | 7,916 | -116,407 | 43,497 |
| Other | 14,343 | 6,842 | 261,969 | 651,789 |
| District of Columbia | 37,722,666 | 45,028,713 | 382,349,174 | 355,246,868 |
| Deposit fund accounts: | | | | |
| Food stamps issued (receipts): | | | | |
| Payments from general fund | -3,986,580 | -2,315,570 | -32,504,837 | -28,646,374 |
| Receipts from sales | -6,863,259 | -3,758,443 | -52,632,432 | -44,995,620 |
| Food stamps redeemed (expenditures) | 11,045,886 | 6,193,597 | 83,774,157 | 73,663,476 |
| Other deposit funds (net) | 575,158,937 | -179,995,383 | -231,851,544 | -566,998,999 |
| Subtotal trust and deposit fund expenditures | 3,577,927,646 | 2,637,860,490 | 28,876,666,392 | 27,549,261,823 |
| Government-sponsored enterprises (net): | | | | |
| Farm Credit Administration: | | | | |
| Banks for cooperatives | 9,100,000 | -29,489,000 | 189,231,000 | 37,092,000 |
| Federal intermediate credit banks | 96,458,500 | 69,570,000 | 149,032,500 | 182,203,000 |
| Federal land banks | 116,973,000 | -615,000 | 561,024,400 | 248,400,700 |
| Federal Home Loan Bank Board: | | | | |
| Home loan banks | 265,160,000 | 289,504,000 | 659,681,000 | 1,571,914,000 |
| Federal Deposit Insurance Corporation | -1,500,000 | -500,000 | -179,957,000 | -182,866,000 |
| Total Government-sponsored enterprises | 486,191,500 | 328,470,000 | 1,379,011,900 | 1,856,743,700 |
| Interfund transactions (-) (See detail on page 12) | -485,359,568 | -443,209,131 | -628,938,156 | -521,379,439 |
| Net trust expenditures | 3,578,759,577 | 2,523,121,358 | 29,626,740,135 | 28,884,626,084 |
| Excess of trust receipts (+) or expenditures (-) | -361,813,061 | +594,359,973 | +1,428,191,115 | +1,446,019,441 |

Continued from page 10.

## FOOTNOTES

[4]Transactions for Office of Economic Opportunity are now shown under Funds Appropriated to the President.

[5]Transactions cover the period July 1, 1964 through June 30, 1965 and are partially estimated.

[6]Distribution between income taxes and employment taxes made in accordance with provisions of Sec. 201 of the Social Security Act as amended, for transfer to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund.

[7]"Individual income taxes withheld" have been decreased $6,803,143 to correct estimates for the quarter ended September 30, 1964 and prior and "Individual income taxes other" have been increased $86,179,958 to correct estimates for calendar years 1963 and 1962. The total of the above adjustments $79,376,814 is shown as a decrease of employment taxes under "Federal Insurance Contributions Act and Self-Employment Contributions Act," representing decreases in appropriations of $74,268,674 for the Federal Old-Age and Survivors Insurance Trust Fund, and $5,108,140 for the Federal Disability Insurance Trust Fund.

[8]Beginning with the statement for January 1962, amounts representing refunds of principal for overpayment of taxes formerly reported net of reimbursements for trust fund accounts are now shown on a gross basis. These reimbursements to Internal Revenue Service for refunds are now included and netted with amounts shown for transfers to respective trust fund accounts. The distribution of amounts by type of tax applicable to budget accounts for the month is partially estimated.

[9]Represents net cash transactions under provisions of the Act of September 4, 1961 (22 U.S.C. 2316).

[10]Represents residual of gross receipts expenditures after reductions for certain costs which are included in amounts shown for special activities.

[11]Includes certain costs transferred from price support operations for which expenditures may have been made in prior years, in addition to adjustments for prior months' transactions.

[12]Gives effect to reimbursements collected for administrative support furnished to other agencies amounting to approximately $85,167,619.

[13]Expenditures are stated on an accrual basis.

[14]The proceeds from sale of participation certificates amounting to $299,262,000 were credited to this fund and paid over to Veterans Administration and to the Special Assistance Functions fund, FNMA.

[15]Represents changes in cash on hand, in banks held outside the Treasurer's account, deposits in transit and cash payments not yet covered by vouchers processed through accounts.

[16]Amounts shown for individual classifications are net of refunds of taxes. For gross amounts of administrative budget receipts including Internal Revenue and also Trust fund receipts see Table III, page 2 and Table IV, page 11.

## TABLE V--INVESTMENTS IN PUBLIC DEBT AND AGENCY SECURITIES (NET)



| Classification | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Public enterprise funds: | | | | |
| Commerce Department: | | | | |
| Federal ship mortgage insurance fund | ................. | ................. | ................. | -$2,785,000 |
| War risk insurance revolving fund | ................. | ................. | $96,000 | 212,000 |
| Federal National Mortgage Association: | | | | |
| Public debt securities: | | | | |
| Government mortgage liquidation fund | ................. | ................. | 5,794,000 | ................. |
| Guaranteed securities (FHA debentures): | | | | |
| Management and liquidating functions | -$6,960,000 | -$29,523,250 | -20,712,000 | -55,674,750 |
| Special assistance functions fund | 4,055,850 | 2,596,950 | -1,053,350 | -8,051,450 |
| Not guaranteed securities: | | | | |
| Government mortgage liquidation fund | 3,860,000 | ................. | 25,345,000 | ................. |
| Federal Housing Administration: | | | | |
| Public debt securities | -52,594,000 | 36,574,000 | -195,059,500 | 62,309,000 |
| Guaranteed securities (FHA debentures) | 2,362,700 | 24,612,850 | 1,693,800 | 76,052,600 |
| Public Housing Administration | -5,000,000 | 2,000,000 | -17,000,000 | 24,500,000 |
| Federal Savings and Loan Insurance Corporation | 198,000,000 | 196,000,000 | 207,528,000 | 244,000,000 |
| Tennessee Valley Authority | ................. | ................. | ................. | ................. |
| Other | 6,284,000 | 4,670,000 | 28,566,000 | 22,585,000 |
| Total public enterprise funds | 150,008,550 | 236,930,550 | 35,197,950 | 363,147,400 |
| Trust accounts, etc.: | | | | |
| Judicial survivors annuity fund | 78,000 | 58,000 | 430,000 | 225,000 |
| Highway trust fund | -27,208,000 | -39,371,000 | -343,634,000 | -68,715,000 |
| Foreign service retirement and disability fund | 1,268,000 | 1,350,000 | 1,530,000 | 1,023,000 |
| Federal disability insurance trust fund | 26,581,225 | 34,369,580 | -262,942,856 | -138,734,678 |
| Federal old-age and survivors insurance trust fund | -20,144,273 | 172,126,049 | 460,855,144 | 691,679,475 |
| Unemployment trust fund | -115,070,169 | -93,285,897 | 966,763,653 | 573,222,677 |
| Federal National Mortgage Association: | | | | |
| Secondary market operations: | | | | |
| Public debt securities | -56,000,000 | ................. | -1,000,000 | -91,500,000 |
| Guaranteed securities (FHA debentures) | -1,771,200 | 4,706,750 | 232,100 | -18,263,700 |
| Not guaranteed securities | -65,500,000 | ................. | 1,000,000 | -59,570,000 |
| Veterans life insurance funds: | | | | |
| Government life insurance fund: | | | | |
| Public debt securities | 28,343,000 | 28,137,000 | -22,386,000 | -47,162,000 |
| Not guaranteed securities | ................. | ................. | ................. | 25,000,000 |
| National service life insurance fund | 189,814,000 | 173,016,000 | 125,765,000 | 69,077,000 |
| Civil Service Commission: | | | | |
| Civil service retirement and disability fund | 483,363,000 | 429,661,000 | 1,212,396,000 | 1,124,529,000 |
| Employees health benefits fund | 502,500 | 696,000 | 8,920,500 | 15,103,000 |
| Employees life insurance fund | 796,000 | 1,028,493 | 26,614,000 | 49,503,493 |
| Retired employees health benefits fund | -2,200,000 | -1,500,000 | 1,225,000 | ................. |
| Railroad retirement account | 557,715,000 | 482,885,000 | 149,281,000 | 68,963,000 |
| Government-sponsored enterprises (net): | | | | |
| Farm Credit Administration: | | | | |
| Banks for cooperatives | -20,000 | -11,000 | -91,000 | 1,408,000 |
| Federal intermediate credit banks | -833,500 | 25,000 | -1,727,500 | -53,000 |
| Federal land banks | ................. | ................. | -2,106,000 | -79,000 |
| Federal Home Loan Bank Board: | | | | |
| Home loan banks | 7,540,000 | 184,486,000 | -103,846,000 | -140,744,000 |
| Federal Deposit Insurance Corporation | 1,500,000 | 500,000 | 179,957,000 | 182,866,000 |
| Other | -538,061,256 | 154,335,524 | -70,717,675 | 174,298,640 |
| Total trust accounts, etc. | 470,692,326 | 1,533,212,500 | 2,326,518,366 | 2,412,076,909 |
| Net investments, or sales (-) | 620,700,876 | 1,770,143,050 | 2,361,716,316 | 2,775,224,309 |

## TABLE VI--SALES AND REDEMPTIONS OF GOVERNMENT AGENCY SECURITIES IN MARKET (NET)

| | | | | |
|---|---|---|---|---|
| Public enterprise funds: | | | | |
| Guaranteed by the United States: | | | | |
| Federal Farm Mortgage Corporation in liquidation | $200 | $200 | $11,500 | $16,900 |
| Federal Housing Administration: | | | | |
| Issues (net) to government agencies | 2,312,650 | -2,393,300 | 19,839,450 | 5,937,300 |
| Issues (net) to the public | 13,211,700 | 13,871,850 | 202,806,500 | -212,350,200 |
| Home Owners' Loan Corporation | 2,125 | 875 | 8,425 | 14,450 |
| Not guaranteed by the United States: | | | | |
| Federal National Mortgage Association (management and liquidating functions) | ................. | ................. | ................. | ................. |
| Home Owners' Loan Corporation | ................. | ................. | 3,550 | 50 |
| Tennessee Valley Authority | ................. | ................. | -45,000,000 | -35,000,000 |
| Trust enterprise funds: | | | | |
| Not guaranteed by the United States: | | | | |
| Federal National Mortgage Association (secondary market operations) | 100,847,000 | 469,000 | -98,747,000 | 261,710,000 |
| Government-sponsored enterprises (net): | | | | |
| Not guaranteed by the United States: | | | | |
| Farm Credit Administration: | | | | |
| Banks for cooperatives | -9,080,000 | 29,500,000 | -189,140,000 | -38,500,000 |
| Federal intermediate credit banks | -95,625,000 | -69,595,000 | -147,305,000 | -182,150,000 |
| Federal land banks | -116,973,000 | 615,000 | -558,918,400 | -248,321,700 |
| Federal Home Loan Bank Board: | | | | |
| Home loan banks | -272,700,000 | -473,990,000 | -555,835,000 | -1,431,170,000 |
| Net redemptions, or sales (-) | -378,004,325 | -501,521,375 | -1,372,275,975 | -1,879,813,200 |

## TABLE VII--PUBLIC DEBT RECEIPTS AND EXPENDITURES

(Includes exchanges)

| Classification | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Receipts (issues): | | | | |
| Public issues: | | | | |
| Marketable | $10,838,231,000 | $9,418,319,000 | $176,276,726,000 | $170,967,497,500 |
| Non-marketable | 1,161,584,041 | 754,903,427 | 9,209,978,673 | 8,517,136,436 |
| Total public issues | 11,999,815,041 | 10,173,222,427 | 185,486,704,673 | 179,484,633,936 |
| Special issues | 16,756,738,843 | 15,180,166,417 | 53,286,544,486 | 48,847,074,784 |
| Other issues | ................. | 1,205,724,740 | 512,920,819 | 1,680,429,280 |
| Total public debt receipts | 28,756,553,885 | 26,559,113,584 | 239,286,169,978 | 230,012,138,000 |
| Expenditures (retirements): | | | | |
| Public issues: | | | | |
| Marketable | 13,960,199,703 | 11,017,829,539 | 174,043,506,869 | 167,982,551,162 |
| Non-marketable | 776,431,269 | 694,287,098 | 7,711,403,075 | 7,940,484,235 |
| Total public issues | 14,736,630,973 | 11,712,116,638 | 181,754,909,945 | 175,923,035,397 |
| Special issues | 15,939,910,100 | 13,586,849,392 | 51,264,015,461 | 47,020,554,268 |
| Other issues | 23,693,074 | 1,079,221,610 | 706,244,845 | 1,215,282,073 |
| Total public debt expenditures | 30,700,234,147 | 26,378,187,640 | 233,725,170,252 | 224,158,871,740 |
| Excess of receipts (+) or expenditures (-) | -1,943,680,261 | +180,925,943 | +5,560,999,726 | +5,853,266,260 |

## TABLE VIII--EFFECT OF OPERATIONS ON PUBLIC DEBT

| Classification | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Administrative budget surplus (-) or deficit (+) (Table III) | -$4,295,593,568 | -$2,873,865,816 | +$3,474,019,605 | +$8,225,710,723 |
| Excess of trust receipts (-) or expenditures (+) (Table IV) | +361,813,061 | -594,359,973 | -1,428,191,115 | -1,446,019,441 |
| Excess of investments (+) or sales (-) in public debt and agency securities (Table V) | +620,700,876 | +1,770,143,050 | +2,361,716,316 | +2,775,224,309 |
| Excess of sales (-) or redemptions (+) of Government agency securities in market (net) (Table VI) | -378,004,325 | -501,521,375 | -1,372,275,975 | -1,879,813,200 |
| Increase (-) or decrease (+) in checks outstanding and deposits in transit (net) and other accounts | -480,363,423 | -1,026,600,098 | +891,220,916 | -909,927,975 |
| Increase (-) or decrease (+) in public debt interest accrued | +630,049,348 | +517,928,043 | -98,316,264 | -37,909,384 |
| Increase (+) or decrease (-) in cash held outside Treasurer's account[15] | -196,990,404 | +153,784,956 | +158,292,816 | +206,446,184 |
| Increase (+) or decrease (-) in balance of Treasurer's account | +1,794,708,174 | +2,735,417,156 | +1,574,533,426 | -1,080,444,954 |
| Increase (+) or decrease (-) in public debt (Table VII above) | -1,943,680,261 | +180,925,943 | +5,560,999,726 | +5,853,266,260 |
| Gross debt at beginning of period | 319,217,579,245 | 311,531,973,313 | 311,712,899,257 | 305,859,632,996 |
| Gross public debt at end of period | 317,273,898,983 | 311,712,899,257 | 317,273,898,983 | 311,712,899,257 |
| Guaranteed debt of U.S. Government agencies | 590,326,050 | 812,991,925 | 590,326,050 | 812,991,925 |
| Total public debt and guaranteed securities | 317,864,225,033 | 312,525,891,182 | 317,864,225,033 | 312,525,891,182 |
| Deduct: Debt not subject to statutory limitation | 283,364,986 | 361,717,548 | 283,364,986 | 361,717,548 |
| Total debt subject to statutory limitation | 317,580,860,047 | 312,164,173,634 | 317,580,860,047 | 312,164,173,634 |

## TABLE IX--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF PUBLIC ENTERPRISE (REVOLVING) FUNDS

(Included in expenditures in Table III on a net basis)

| Classification | Fiscal year 1965 to date | | | Corresponding fiscal year 1964 |
|---|---|---|---|---|
| | Receipts | Expenditures | Net receipts (-) or expenditures | Net receipts (-) or expenditures |
| Funds appropriated to the President:[4] | | | | |
| Expansion of defense production | $67,272,030 | $127,251,087 | $59,979,057 | $90,883,495 |
| Office of Economic Opportunity | 109,561 | 17,168,770 | 17,059,208 | ................. |
| Mutual defense and dev.--economic assistance: | | | | |
| Alliance for progress, development loans | 60,322,867 | 259,631,095 | 199,308,227 | 112,580,286 |
| Development loan funds | 47,316,876 | 801,084,375 | 753,767,498 | 768,045,425 |
| Foreign investment guarantee fund | 7,790,193 | 11,698 | -7,778,494 | -4,831,094 |
| Total--Funds appropriated to the President | 182,811,529 | 1,205,147,026 | 1,022,335,497 | 966,678,112 |
| Agriculture Department: | | | | |
| Commodity Credit Corporation: | | | | |
| Price support and related programs[10] | 3,255,778,114 | 6,082,576,550 | 2,826,798,436 | 3,174,895,974 |
| Special activities[11] | 231,278,349 | 91,539,097 | -139,739,252 | 36,390,317 |

See footnotes on page 14.

## TABLE IX--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF PUBLIC ENTERPRISE (REVOLVING) FUNDS--Continued



(Included in expenditures in Table III on a net basis)

| Classification | Fiscal year 1965 to date: Receipts | Fiscal year 1965 to date: Expenditures | Fiscal year 1965 to date: Net receipts (-) or expenditures | Corresponding fiscal year 1964 Net receipts (-) or expenditures |
|---|---|---|---|---|
| Agriculture Department--Continued | | | | |
| Federal Crop Insurance Corporation | $27,804,399 | $28,115,246 | $310,846 | -$819,106 |
| Farmers Home Administration: | | | | |
| Direct loan account | 322,753,303 | 395,555,801 | 72,802,497 | 56,128,965 |
| Other | 284,212,343 | 324,431,512 | 40,219,168 | 33,423,133 |
| Total--Agriculture Department | 4,121,826,511 | 6,922,218,208 | 2,800,391,697 | 3,300,019,283 |
| Commerce Department: | | | | |
| Area Redevelopment Administration | 4,737,736 | 146,444 | -4,591,291 | -2,388,501 |
| Maritime Administration | 8,752,773 | 6,441,680 | -2,311,093 | 5,150,491 |
| Other | 15,582 | 13,266 | -2,316 | -817,111 |
| Total--Commerce Department | 13,506,093 | 6,601,391 | -6,904,701 | 1,944,878 |
| Defense Department: | | | | |
| Military: | | | | |
| Defense production guarantees | 15,017,164 | 12,533,645 | -2,483,518 | 3,729,465 |
| Other | 600,480 | 574,628 | -25,852 | 42,340 |
| Civil - Panama Canal Company | 131,515,338 | 134,708,505 | 3,193,166 | 2,073,750 |
| Total--Defense Department | 147,132,983 | 147,816,779 | 683,795 | 5,845,557 |
| Health, Education, and Welfare Department | 7,657,988 | 7,289,350 | -368,638 | 2,761 |
| Interior Department: | | | | |
| Bureau of Indian Affairs | 2,261,274 | 2,439,294 | 178,019 | 5,092,824 |
| Bureau of Mines | 24,481,728 | 44,906,345 | 20,424,617 | 9,793,964 |
| Bureau of Reclamation | 13,646,059 | 70,683,453 | 57,037,393 | 94,226,995 |
| Other | 25,713,471 | 39,771,908 | 14,058,437 | 1,495,428 |
| Total--Interior Department | 66,102,533 | 157,801,001 | 91,698,467 | 110,609,212 |
| Labor Department: | | | | |
| Advances to employment security administration account, unemployment trust fund | 197,193,805 | 194,968,108 | -2,225,696 | -7,434,616 |
| Farm labor supply revolving fund | 1,679,514 | 1,329,591 | -349,922 | -1,200,043 |
| Total--Labor Department | 198,873,319 | 196,297,700 | -2,575,619 | -8,634,660 |
| Post Office Department--Postal Fund | 4,667,692,430 | 5,467,270,567 | [5] 799,578,136 | 577,698,965 |
| Treasury Department: | | | | |
| Office of the Secretary | 323,317 | 37,034 | -286,283 | -2,904,588 |
| Bureau of Accounts--Government losses in shipment fund | 327 | 44,210 | 43,882 | 338,860 |
| Office of the Treasurer--Check forgery insurance fund | 673,231 | 675,346 | 2,115 | 20,147 |
| Total--Treasury Department | 996,876 | 756,591 | -240,285 | -2,545,580 |
| General Services Administration | 229,337 | 17,414 | -211,922 | -582,256 |
| Housing and Home Finance Agency: | | | | |
| Office of the Administrator: | | | | |
| College housing loans | 99,029,659 | 319,773,295 | 220,743,636 | 219,334,339 |
| Liquidating programs | 1,264,595 | 279,453 | -985,142 | -1,799,428 |
| Urban renewal fund | 191,685,807 | 516,037,307 | 324,351,500 | 235,012,399 |
| Rehabilitation loan fund | ............... | 180,000 | 180,000 | ............... |
| Urban mass transportation | 310,096 | 11,378,332 | 11,068,235 | 195,000 |
| Other | 30,036,689 | 117,544,193 | 87,507,504 | 79,919,134 |
| Federal National Mortgage Association: | | | | |
| Loans for secondary market operations | 566,820,000 | 562,360,000 | -4,460,000 | 4,460,000 |
| Purchase of preferred stock | 38,000,000 | ............... | -38,000,000 | -70,820,304 |
| Management and liquidating functions fund | 292,716,881 | 179,616,701 | -113,100,179 | -138,358,625 |
| Special assistance functions fund | 571,909,712 | 198,739,103 | -373,170,608 | -141,925,191 |
| Government mortgage liquidation fund | 47,023,877 | 15,867,097 | [4] -31,156,780 | ............... |
| Federal Housing Administration | 946,303,831 | 835,960,844 | -110,342,987 | -43,441,952 |
| Public Housing Administration | 175,910,089 | 406,026,395 | 230,116,306 | 149,206,532 |
| Total--Housing and Home Finance Agency | 2,961,011,240 | 3,163,762,724 | 202,751,484 | 291,781,901 |
| Veterans Administration: | | | | |
| Direct loans to veterans and reserves | 341,377,577 | 211,543,516 | -129,834,060 | -32,302,501 |
| Loan guaranty revolving fund | 362,093,378 | 400,430,425 | 38,337,047 | 76,497,875 |
| Other | 97,812,706 | 68,745,526 | -29,067,180 | -16,820,049 |
| Total--Veterans Administration | 801,283,663 | 680,719,468 | -120,564,194 | 27,375,325 |
| Other independent agencies: | | | | |
| Export-Import Bank of Washington | 1,083,925,893 | 726,694,595 | -357,231,298 | -701,783,845 |
| Farm Credit Administration | 23,122,630 | 6,309,384 | -16,813,245 | -8,597,601 |
| Federal Home Loan Bank Board | 342,458,649 | 137,898,062 | -204,560,586 | -248,418,658 |
| Saint Lawrence Seaway Development Corporation | 5,760,765 | 6,665,322 | 904,557 | 154,127 |
| Small Business Administration | 287,218,151 | 531,087,120 | 243,868,969 | 124,316,477 |
| Tennessee Valley Authority | 321,577,986 | 369,496,962 | 47,918,975 | 59,291,307 |
| United States Information Agency | 2,487,843 | 3,607,012 | 1,119,169 | 940,000 |
| Total--Other independent agencies | 2,066,551,919 | 1,781,758,459 | -284,793,459 | -774,098,191 |
| Total--Public enterprise funds | 15,235,676,426 | 19,737,456,684 | 4,501,780,258 | 4,496,095,309 |

See footnotes on page 14.

## TABLE X--SUPPLEMENTARY TABLE OF RECEIPTS AND EXPENDITURES OF TRUST ENTERPRISE (REVOLVING) FUNDS

(Included in expenditures in Table IV on a net basis)

| Classification | Fiscal year 1965 to date | | | Corresponding fiscal year 1964 Net receipts (-) or expenditures |
|---|---|---|---|---|
| | Receipts | Expenditures | Net receipts (-) or expenditures | |
| Agriculture Department: | | | | |
| Farmers Home Administration | $8,443,726 | $7,541,728 | -$901,997 | $716,847 |
| Defense Department - Civil: | | | | |
| United States Soldiers' Home | 135,721 | 134,083 | -1,638 | 5,956 |
| Justice Department: | | | | |
| Alien property activities | 331,112,416 | 162,354,133 | -168,758,283 | 52,783,427 |
| Federal Prison System commissary funds | 2,471,775 | 2,499,136 | 27,360 | 11,284 |
| General Services Administration: | | | | |
| Records activities: National Archives trust fund | 558,255 | 547,954 | -10,301 | -18,523 |
| Housing and Home Finance Agency: | | | | |
| Federal National Mortgage Association: | | | | |
| Loans for secondary market operations and purchase of preferred stock | 562,360,000 | 604,820,000 | 42,460,000 | 66,360,304 |
| Other secondary market operations | 362,045,411 | 414,844,466 | 52,799,055 | -103,751,979 |
| Other independent agencies: | | | | |
| Civil Service Commission: | | | | |
| Employees health benefits fund | 464,221,585 | 454,944,070 | -9,277,515 | -14,562,188 |
| Employees life insurance fund | 181,888,720 | 155,527,686 | -26,361,034 | -49,382,736 |
| Retired employees health benefits fund | 27,872,118 | 27,089,617 | -782,501 | -115,355 |
| National Capital Housing Authority | 10,403,881 | 10,996,884 | 593,002 | -436,370 |
| Federal Communications Commission | 401,183 | 284,775 | -116,407 | 43,497 |
| Total--Trust enterprise funds | 1,951,914,797 | 1,841,584,536 | -110,330,261 | -48,345,834 |

## TABLE XI--RÉSUMÉ OF RECEIPTS BY SOURCES AND EXPENDITURES BY FUNCTIONS

(Figures are rounded in millions of dollars and may not add to totals)

| Classification | Administrative Budget Funds | | | | Trust Funds | | | |
|---|---|---|---|---|---|---|---|---|
| | This month | Same month last year | F. Y. 1965 to date | F. Y. 1964 to date | This month | Same month last year | F. Y. 1965 to date | F. Y. 1964 to date |
| **NET RECEIPTS** [16] | | | | | | | | |
| Individual income taxes | $5,062 | $4,633 | $48,792 | $48,697 | ....... | ....... | ....... | ....... |
| Corporation income taxes | 6,540 | 6,146 | 25,452 | 23,493 | ....... | ....... | ....... | ....... |
| Employment taxes | ........ | ........ | ....... | ....... | $1,406 | $1,460 | $16,906 | $16,832 |
| Excise taxes | 1,009 | 961 | 10,918 | 10,211 | 347 | 320 | 3,658 | 3,519 |
| Unemployment tax deposits by States | ........ | ........ | ....... | ....... | 40 | 33 | 3,050 | 3,042 |
| Estate and gift taxes | 215 | 206 | 2,715 | 2,394 | ....... | ....... | ....... | ....... |
| Customs | 142 | 115 | 1,442 | 1,252 | ....... | ....... | ....... | ....... |
| Federal employees retirement | ........ | ........ | ....... | ....... | 180 | 167 | 2,174 | 2,029 |
| Interest on trust fund investments | ........ | ........ | ....... | ....... | 1,080 | 957 | 1,759 | 1,603 |
| Veterans life insurance premiums | ........ | ........ | ....... | ....... | 42 | 40 | 491 | 494 |
| Miscellaneous receipts | 454 | 386 | 4,596 | 4,076 | 608 | 583 | 3,645 | 3,333 |
| Interfund transactions (-) | -44 | -47 | -869 | -664 | -485 | -443 | -629 | -521 |
| Total net receipts | 13,377 | 12,401 | 93,044 | 89,459 | 3,217 | 3,117 | 31,055 | 30,331 |
| **NET EXPENDITURES** | | | | | | | | |
| National defense | 4,934 | 5,697 | 50,143 | 54,181 | 132 | 86 | 750 | 487 |
| International affairs and finance | 623 | 233 | 4,350 | 3,687 | 1 | 2 | -160 | 62 |
| Space research and technology | 508 | 504 | 5,094 | 4,171 | ....... | (*) | (*) | (*) |
| Agriculture and agricultural resources | 144 | 316 | 4,965 | 5,560 | 226 | 44 | 927 | 496 |
| Natural resources | 264 | 240 | 2,660 | 2,478 | 16 | 18 | 134 | 137 |
| Commerce and transportation | 361 | 311 | 3,499 | 3,002 | 359 | 335 | 3,864 | 3,482 |
| Housing and community development | -195 | -170 | -118 | -80 | 314 | 322 | 1,138 | 1,889 |
| Health, labor, and welfare | 600 | 662 | 5,897 | 5,475 | 2,401 | 2,299 | 23,186 | 22,733 |
| Education | 182 | 112 | 1,543 | 1,339 | (*) | (*) | 2 | 2 |
| Veterans benefits and services | 476 | 498 | 5,503 | 5,492 | 38 | 38 | 627 | 666 |
| Interest | 1,003 | 948 | 11,443 | 10,765 | ....... | ....... | ....... | ....... |
| General government | 225 | 224 | 2,409 | 2,280 | 2 | 2 | 21 | 18 |
| Deposit funds (net) | ........ | ........ | ....... | ....... | 575 | -180 | -233 | -567 |
| Interfund transactions (-) | -44 | -47 | -869 | -664 | -485 | -443 | -629 | -521 |
| Total net expenditures | 9,081 | 9,527 | 96,518 | 97,684 | 3,579 | 2,523 | 29,628 | 28,885 |

* Less than $500,000.

See footnotes on page 14.

(Figures are rounded in millions of dollars and may not add to totals)

## TABLE XII--SUMMARY OF FEDERAL GOVERNMENT CASH TRANSACTIONS WITH THE PUBLIC

| Classification | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Federal receipts from the public: | | | | |
| Administrative budget receipts (net) - see Table III..... | $13,377 | $12,401 | $93,044 | $89,459 |
| Trust receipts (net)-see Table IV.................... | 3,217 | 3,117 | 31,055 | 30,331 |
| Intragovernmental and other non-cash transactions - see receipt adjustments Table XIII ................ | -1,288 | -1,142 | -4,415 | -4,259 |
| Total Federal receipts from the public ............ | 15,306 | 14,376 | 119,685 | 115,530 |
| Federal payments to the public: | | | | |
| Administrative budget expenditures (net) - see Table III. | 9,081 | 9,527 | 96,518 | 97,684 |
| Trust expenditures (net) - see Table IV.............. | 3,579 | 2,523 | 29,627 | 28,885 |
| Intragovernmental and other non-cash transactions - see payment adjustments Table XIII ............... | -1,125 | -1,692 | -3,776 | -6,237 |
| Total Federal payments to the public .............. | 11,535 | 10,358 | 122,369 | 120,332 |
| Excess of cash receipts from or payments to (-) the public. | 3,771 | 4,019 | -2,684 | -4,802 |
| Cash borrowing from the public or repayment (-): | | | | |
| Public debt increase or decrease (-) see Table VII..... | -1,944 | 181 | 5,561 | 5,853 |
| Net sales of Government agency securities in market (net) - see Table VI ....................... | 378 | 502 | 1,372 | 1,880 |
| Net investment (-) in public debt and agency securities see Table V.................................... | -621 | -1,770 | -2,362 | -2,775 |
| Other non-cash transactions - see borrowing adjustments Table XIII ......................................... | (*) | -48 | -267 | -1,099 |
| Total net cash borrowing from the public or repayment (-) .................................. | -2,187 | -1,136 | 4,304 | 3,859 |
| Seigniorage ......................................... | 14 | 6 | 113 | 69 |
| Total cash transactions with the public.............. | 1,598 | 2,889 | 1,733 | -874 |
| Cash balances - net increase or decrease (-): | | | | |
| Treasurer's account ................................. | 1,795 | 2,735 | 1,575 | -1,080 |
| Cash held outside Treasury........................... | -197 | 154 | 158 | 206 |
| Total changes in the cash balances ................ | 1,598 | 2,889 | 1,733 | -874 |

## TABLE XIII--INTRAGOVERNMENTAL AND OTHER NON-CASH TRANSACTIONS

(Showing details of amounts included as adjustments in Table XII above)

| Classification | This month | Corresponding month last year | Fiscal Year 1965 to date | Corresponding period fiscal year 1964 |
|---|---|---|---|---|
| Adjustments applicable to receipts: | | | | |
| Intragovernmental transactions: | | | | |
| Interest on trust fund investments .................. | $1,080 | $957 | $1,759 | $1,603 |
| Civil Service retirement - payroll deductions for employees ........................................ | 89 | 83 | 1,042 | 973 |
| Civil Service retirement - employers' share......... | 89 | 83 | 1,042 | 973 |
| Other ................................................ | 16 | 14 | 458 | 642 |
| Subtotal ........................................ | 1,274 | 1,136 | 4,302 | 4,190 |
| Excess profits tax refund bonds ....................... | (*) | (*) | (*) | (*) |
| Seigniorage ........................................... | 14 | 6 | 113 | 69 |
| Total receipt adjustments....................... | 1,288 | 1,142 | 4,415 | 4,259 |
| Adjustments applicable to payments: | | | | |
| Intragovernmental transactions (see detail under receipt adjustments) ................................ | 1,274 | 1,136 | 4,302 | 4,190 |
| Applicable also to net borrowings: | | | | |
| Savings bond increment............................ | 65 | 48 | 571 | 611 |
| Discount on securities ............................ | -59 | -2 | 144 | 268 |
| International Monetary Fund notes ................ | ................ | ................ | -472 | 117 |
| Other special security issues ..................... | -6 | 2 | 24 | 103 |
| Subtotal .................................... | (*) | 48 | 267 | 1,099 |
| Accrued interest on public debt ...................... | -630 | -518 | 98 | 38 |
| Checks outstanding and other accounts ............... | 480 | 1,027 | -891 | 910 |
| Total payment adjustments ..................... | 1,125 | 1,692 | 3,776 | 6,237 |
| Adjustments applicable to net borrowings: | | | | |
| Debt issuance representing: | | | | |
| Receipts - excess profits tax refund bonds........... | (*) | (*) | (*) | (*) |
| Payments - (see detail under payment adjustments) .. | (*) | 48 | 267 | 1,099 |
| Total borrowing adjustments (net) ................ | (*) | 48 | 267 | 1,099 |

*Less than $500,000

# TABLE XIV--COMPARATIVE STATEMENT OF ADMINISTRATIVE BUDGET RECEIPTS AND EXPENDITURES BY MONTHS OF THE FISCAL YEAR 1965

(Figures are rounded in millions of dollars and may not add to totals.)

| Classification | July | August | September | October | November | December | January | February | March | April | May | June | Cumulative thru June | Comparable period F. Y. 1964 | Estimates (net) F. Y. 1965 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **RECEIPTS** | | | | | | | | | | | | | | | |
| Internal Revenue: | | | | | | | | | | | | | | | |
| Individual income taxes withheld | $1,172 | $4,809 | $2,669 | $1,158 | $4,956 | $2,969 | $1,181 | $5,302 | $3,207 | $1,091 | $5,371 | $2,946 | $36,830 | $39,259 | $36,200 |
| Individual income taxes--other | 377 | 159 | 2,255 | 264 | 112 | 430 | 2,506 | 872 | 928 | 5,852 | 696 | 2,369 | 16,820 | 15,331 | 15,300 |
| Corporation income taxes | 646 | 419 | 3,950 | 572 | 449 | 3,953 | 607 | 473 | 6,759 | 1,187 | 520 | 6,596 | 26,130 | 24,301 | 26,400 |
| Excise taxes | 1,234 | 1,284 | 1,203 | 1,176 | 1,244 | 1,257 | 1,045 | 1,214 | 1,303 | 1,150 | 1,325 | 1,363 | 14,798 | 13,950 | 14,592 |
| Employment taxes | 624 | 2,338 | 1,148 | 479 | 1,491 | 779 | 399 | 2,810 | 1,459 | 1,311 | 2,861 | 1,407 | 17,105 | 17,003 | 16,889 |
| Estate and gift taxes | 219 | 219 | 166 | 205 | 168 | 192 | 183 | 213 | 308 | 370 | 283 | 217 | 2,744 | 2,416 | 2,825 |
| Customs | 120 | 112 | 122 | 126 | 124 | 125 | 76 | 106 | 155 | 139 | 128 | 145 | 1,478 | 1,284 | 1,447 |
| Miscellaneous receipts | 739 | 323 | 252 | 294 | 429 | 320 | 332 | 338 | 398 | 322 | 398 | 454 | 4,599 | 4,077 | 4,489 |
| Gross receipts | 5,131 | 9,662 | 11,766 | 4,275 | 8,972 | 10,025 | 6,329 | 11,329 | 14,517 | 11,423 | 11,582 | 15,495 | 120,505 | 117,622 | 118,142 |
| Deduct: | | | | | | | | | | | | | | | |
| Refunds of receipts: | | | | | | | | | | | | | | | |
| Applicable to budget accounts | 215 | 206 | 215 | 90 | 100 | 90 | -85 | 620 | 1,582 | 1,284 | 1,066 | 321 | 5,705 | 6,851 | 5,460 |
| Applicable to trust accounts | 4 | (*) | 1 | 85 | (*) | (*) | 192 | 33 | (*) | 2 | 5 | (*) | 323 | 297 | 325 |
| Transfers to trust accounts | 948 | 2,718 | 1,472 | 691 | 1,827 | 1,059 | 502 | 3,118 | 1,745 | 1,580 | 3,152 | 1,753 | 20,564 | 20,351 | 20,324 |
| Interfund transactions | 477 | 84 | 6 | 10 | 9 | 19 | 77 | 40 | 2 | 8 | 92 | 44 | 869 | 664 | 833 |
| Total deductions | 1,644 | 3,009 | 1,694 | 877 | 1,935 | 1,168 | 687 | 3,811 | 3,328 | 2,874 | 4,315 | 2,119 | 27,461 | 28,163 | 26,942 |
| Net receipts F. Y. 1965 | 3,487 | 6,653 | 10,072 | 3,398 | 7,037 | 8,856 | 5,642 | 7,518 | 11,188 | 8,549 | 7,268 | 13,377 | 93,044 | 89,459 | 91,200 |
| Comparable totals F. Y. 1964 | 3,547 | 7,290 | 10,095 | 3,400 | 7,131 | 8,803 | 5,853 | 8,047 | 10,148 | 6,609 | 6,136 | 12,401 | 89,459 | ....... | |
| **EXPENDITURES** | | | | | | | | | | | | | | | |
| Legislative Branch | 11 | 12 | 19 | 13 | 12 | 9 | 14 | 11 | 14 | 16 | 20 | 16 | 165 | 152 | 179 |
| The Judiciary | 5 | 6 | 5 | 7 | 5 | 7 | 5 | 5 | 6 | 9 | 6 | 6 | 69 | 65 | 76 |
| Executive Office of the President[4] | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 24 | 23 | 26 |
| Funds appropriated to the President:[4] | | | | | | | | | | | | | | | |
| Mutual defense and development: | | | | | | | | | | | | | | | |
| Military assistance | 26 | 32 | 69 | 49 | 67 | 70 | 79 | 69 | 105 | 82 | 197 | 357 | 1,204 | 1,485 | 1,200 |
| Economic assistance | 129 | 237 | 131 | 156 | 171 | 181 | 199 | 118 | 152 | 191 | 153 | 217 | 2,036 | 1,997 | 2,050 |
| Other[4] | 40 | 60 | 47 | 48 | 88 | 42 | 30 | 48 | 42 | 39 | 145 | 406 | 1,036 | 637 | 1,182 |
| Agriculture Department: | | | | | | | | | | | | | | | |
| Commodity Credit Corp | 839 | 686 | 370 | 483 | 50 | 323 | -127 | 36 | 105 | 11 | -71 | -20 | 2,687 | 3,211 | 1,551 |
| Foreign assistance and special export programs | ...... | 73 | 145 | 162 | 165 | 138 | 187 | 149 | 193 | 226 | 179 | 138 | 1,755 | 1,889 | 2,554 |
| Other | 229 | 220 | 173 | 225 | 331 | 283 | 394 | 138 | 226 | 240 | 200 | 230 | 2,888 | 2,797 | 2,753 |
| Commerce Department | 91 | 54 | 42 | 87 | 49 | 51 | 73 | 73 | 45 | 69 | 49 | 75 | 757 | 686 | 764 |
| Defense Department: | | | | | | | | | | | | | | | |
| Military: | | | | | | | | | | | | | | | |
| Department of the Army | 721 | 932 | 1,034 | 961 | 1,008 | 1,042 | 951 | 894 | 989 | 982 | 954 | 1,152 | 11,620 | 12,254 | 11,936 |
| Department of the Navy | 907 | 891 | 1,068 | 1,207 | 1,057 | 1,213 | 1,099 | 1,095 | 1,216 | 1,273 | 1,130 | 1,383 | 13,540 | 14,652 | 14,103 |
| Department of the Air Force | 1,372 | 1,392 | 1,557 | 1,597 | 1,449 | 1,698 | 1,435 | 1,353 | 1,743 | 1,578 | 1,531 | 1,719 | 18,424 | 20,750 | 18,965 |
| Defense agencies | 168 | 171 | 181 | 181 | 178 | 223 | 169 | 198 | 187 | 204 | 187 | 209 | 2,256 | 1,997 | 2,971 |
| Undistributed stock fund trans. | 62 | 117 | 59 | -21 | 20 | -13 | 30 | 26 | 38 | 19 | 39 | -133 | 245 | ....... | ....... |
| Civil defense | 8 | 9 | 8 | 10 | 14 | 12 | 7 | 7 | 8 | 7 | 7 | -4 | 93 | 107 | 125 |
| Total Military | 3,238 | 3,512 | 3,907 | 3,936 | 3,726 | 4,174 | 3,691 | 3,574 | 4,183 | 4,063 | 3,848 | 4,327 | 46,178 | 49,760 | 48,100 |
| Civil | 92 | 104 | 120 | 122 | 107 | 111 | 77 | 79 | 89 | 102 | 95 | 137 | 1,234 | 1,153 | 1,269 |
| Health, Education, and Welfare Dept. | 457 | 468 | 493 | 482 | 417 | 509 | 495 | 482 | 314 | 541 | 547 | 534 | 5,739 | 5,498 | 5,770 |
| Interior Department | 115 | 112 | 137 | 114 | 91 | 108 | 78 | 85 | 99 | 80 | 88 | 97 | 1,205 | 1,124 | 1,225 |
| Justice Department | 36 | 28 | 27 | 29 | 28 | 38 | 29 | 26 | 29 | 30 | 27 | 30 | 357 | 328 | 367 |
| Labor Department | 70 | 74 | 73 | 40 | 53 | 67 | 80 | -156 | 52 | 28 | 53 | 46 | 480 | 370 | 495 |
| Post Office Department | 32 | 73 | 95 | 74 | 23 | 31 | 82 | 102 | 44 | 33 | 86 | 124 | 800 | 578 | 718 |
| State Department | 59 | 33 | 45 | 42 | 34 | 33 | 35 | 31 | 22 | -3 | 19 | 30 | 380 | 347 | 388 |
| Treasury Department: | | | | | | | | | | | | | | | |
| Interest on the public debt | 957 | 913 | 927 | 923 | 917 | 955 | 966 | 933 | 961 | 948 | 955 | 997 | 11,354 | 10,666 | 11,200 |
| Interest on refunds, etc. | 7 | 10 | 9 | 10 | 6 | 8 | 7 | 9 | 5 | 6 | 5 | 6 | 89 | 99 | 86 |
| Other | 99 | 91 | 87 | 141 | 95 | 116 | 100 | 97 | 98 | 111 | 129 | 131 | 1,294 | 1,182 | 1,265 |
| Atomic Energy Commission | 261 | 228 | 225 | 238 | 207 | 230 | 213 | 191 | 219 | 199 | 184 | 230 | 2,624 | 2,765 | 2,700 |
| Federal Aviation Agency | 67 | 66 | 66 | 65 | 81 | 77 | 61 | 56 | 59 | 61 | 63 | 74 | 795 | 751 | 781 |
| General Services Administration | 49 | 63 | 46 | 42 | 39 | 57 | 71 | 42 | 63 | 50 | 48 | 61 | 632 | 593 | 616 |
| Housing and Home Finance Agency: | | | | | | | | | | | | | | | |
| Federal National Mortgage Assn. | -14 | -39 | 102 | -159 | -188 | 75 | -107 | -42 | -37 | -73 | -39 | -39 | -560 | -347 | -632 |
| Other | 114 | 78 | 59 | 24 | 51 | 99 | 86 | 56 | 75 | 51 | 73 | 38 | 804 | 675 | 808 |
| National Aeronautics and Space Adm. | 334 | 385 | 386 | 387 | 406 | 435 | 407 | 423 | 461 | 529 | 433 | 508 | 5,094 | 4,171 | 4,900 |
| Veterans Administration | 441 | 478 | 487 | 466 | 364 | 494 | 448 | 477 | 458 | 450 | 449 | 475 | 5,488 | 5,478 | 5,376 |
| Other independent agencies: | | | | | | | | | | | | | | | |
| Export-Import Bank of Washington | -29 | -29 | -19 | 34 | -422 | -39 | -27 | 3 | -14 | 55 | 167 | -35 | -357 | -702 | -645 |
| Small Business Administration | 15 | 61 | 24 | 20 | 27 | 30 | 17 | 12 | 11 | 3 | 10 | 20 | 251 | 133 | 243 |
| Tennessee Valley Authority | 4 | 7 | 8 | 9 | 4 | 4 | 2 | (*) | -3 | -1 | 3 | 12 | 48 | 59 | 57 |
| Other | 88 | 57 | 154 | 67 | 54 | 69 | 68 | 59 | 62 | 141 | 61 | -109 | 774 | 669 | 713 |
| District of Columbia | 23 | 8 | -6 | (*) | (*) | 1 | 16 | ...... | 1 | -11 | 24 | 3 | 61 | 57 | 76 |
| Allowances, undistributed | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ...... | ....... | ....... | ....... | 103 |
| Interfund transactions (-) | -477 | -84 | -6 | -10 | -9 | -19 | -77 | -40 | -2 | -8 | -92 | -44 | -869 | -664 | -833 |
| Net expenditures F. Y. 1965 | 7,410 | 8,083 | 8,450 | 8,329 | 7,051 | 8,770 | 7,676 | 7,146 | 8,139 | 8,268 | 8,116 | 9,081 | 96,518 | 97,684 | 97,481 |
| Comparable totals F. Y. 1964 | 7,863 | 8.305 | 7,815 | 8,776 | 7,784 | 8,289 | 8,492 | 7,521 | 7,871 | 7,930 | 7,511 | 9,527 | 97,684 | ....... | |
| Surplus (+) or deficit (-) F. Y. 1965 | -3,923 | -1,430 | +1,622 | -4,930 | -15 | +86 | -2,033 | +372 | +3,049 | +280 | -848 | +4,296 | -3,474 | -8,226 | -6,281 |
| Comparable results F. Y. 1964 | -4,316 | -1,015 | +2,279 | -5,377 | -652 | +514 | -2,639 | +526 | +2,278 | -1,322 | -1,375 | +2,874 | -8,226 | ....... | |

See footnotes on page 14

*Less than $500,000.

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402
Subscription price $6.00 per year (domestic), $11.00 per year additional (foreign mailing), includes all issues of daily Treasury statements and the Monthly Statement of Receipts and Expenditures of the U. S. Government. No single copies are sold.

GPO 892-505

~~BETA - MODIFIED~~

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 Stat 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 sol 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 here- under are sold is not considered to accrue until such bills are sold, redeemed or othe wise 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 amou 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, prescrib 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~~

printed forms and forwarded in the special envelopes which will be supplied by Feder 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 bi 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 Reser Banks and Branches, following which public anouncement 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 Treasu 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 Feder Reserve Bank on July 29, 1965 ~~(16)~~, in cash or other immediately available fu or in a like face amount of Treasury bills maturing July 29, 1965 ~~(17)~~. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made f differences between the par value of maturing bills accepted in exchange and the is price of the new bills.

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

~~Exhibit 2-A~~

~~BETA - MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE July 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 ~~(2)~~, or thereabouts, for cash and in exchange for Treasury bills maturing July 29, 1965 ~~(3)~~, in the amount of $ 2,204,331,000 ~~(4)~~, as follows:

91 ~~(5)~~ -day bills (to maturity date) to be issued July 29, 1965 ~~(6)~~, in the amount of $ 1,200,000,000 ~~(7)~~, or thereabouts, representing an additional amount of bills dated April 29, 1965 ~~(8)~~, and to mature October 28, 1965 ~~(9)~~, originally issued in the amount of $ 1,003,275,000 ~~(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 July 29, 1965 ~~(13)~~, and to mature January 27, 1966 ~~(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 amoun 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 closin hour, one-thirty p.m., Eastern/~~Standard~~ Daylight Saving time, Monday, July 26, 1965 ~~(15)~~. Tende 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

# TREASURY DEPARTMENT

WASHINGTON, D.C.
July 21, 1965

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91-day bills (to maturity date) to be issued July 29, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated April 29, 1965, and to mature October 28, 1965, originally issued in the amount of $1,003,275,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated July 29, 1965, and to mature January 27, 1966.

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

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

[redacted]

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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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 August 2, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 31, 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.  July 21, 1965

TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 365-day Treasury bills, for cash and in exchange for Treasury bills maturing July 31, 1965, in the amount of $1,000,462,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated July 31, 1965, and will mature July 31, 1966, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving ~~Standard~~ time, Tuesday, July 27, 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. (Notwithstanding the fact that these bills will run for 365 days, the discount rate will be computed on a bank discount basis of 360 days, as is currently the practice on all issues of Treasury bills.) It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 21, 1965

FOR IMMEDIATE RELEASE

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

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 August 2, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 31, 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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INTERNATIONAL COOPERATION YEAR
COMMITTEE ON FINANCE AND MONETARY AFFAIRS
OF THE INTERNATIONAL CITIZEN'S COMMISSION
Washington, D.C.

FOR IMMEDIATE RELEASE

July 21, 1965

A Citizen's Committee and a Cabinet Committee charged with reporting to President Johnson on international cooperation in finance and monetary affairs met Monday in Washington to take stock of present developments and to consider the outlook for the future.

The meeting, held as a part of President Johnson's program for United States' participation in the current International Cooperation Year, was called by David M. Kennedy, Chairman of the Board of the Continental Illinois National Bank and Trust Company of Chicago and Merlyn N. Trued, Assistant Secretary of the Treasury for International Affairs.

Mr. Kennedy is Chairman of the private sector of the Committee on Finance and Monetary Affairs of the International Citizen's Commission on International Affairs, established by the President as one of 28 groups to examine various aspects of international cooperation engaged in by the United States. Assistant Secretary Trued is Chairman of the Cabinet committee on this same subject.

The primary missions of the Committee on Finance and Monetary Affairs, as well as the private and Federal committees in other areas, are to 1) prepare a Report for the President, and 2) participate in a White House Conference to be held later this year.

At the meeting, the Private and Cabinet Committees considered a draft of the introductory section of its Report, and further methods of procedure looking toward a progress report to be transmitted to the White House.

The group agreed that over the past two decades international cooperation in the fields of monetary affairs and development finance has become a deeply ingrained operational habit among governments, both broad in scope and intensive in detail. It has facilitated the very substantial progress achieved so far in the postwar world economy. To assure the continuation of the progress that has been made, the Committees agreed that it is timely to take stock of the present and consider our course for the future.

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The Chairmen of the two groups agreed also that recent steps toward consideration of the international payments system underlined the importance of their final Report, and that participation in the White House Conference of the Finance and Monetary Committees as part of the International Cooperation Year would greatly aid in achieving wide public understanding of the progress made and the problems involved in the field of international finance.

Members of the Citizen's Committee on Finance and Monetary Affairs, in addition to Mr. Kennedy, are:

Eugene R. Black, Special Adviser to the President on Southeast Asia Economic and Social Development (former President of the International Bank for Reconstruction and Development).

Arthur H. Dean of Sullivan and Cromwell, New York City

Frederick M. Eaton of Shearman and Sterling, New York City

Thomas S. Gates, President of Morgan Guaranty Trust Co., New York City

Kenneth Hansen, Syntex Laboratories, Palo Alto, California

Charles H. Percy, Chairman of the Board, Bell and Howell Co., Chicago, Illinois

Maxwell M. Raab, Attorney, New York City

Jesse W. Tapp, Retired Chairman of the Board, Bank of America, San Francisco

J. Cameron Thomson, Retired Chairman, Northwest Bank Corp., Minneapolis, Minnesota

Frazar B. Wilde, Chairman of the Board, Connecticut General Life Insurance Co., Hartford, Connecticut

Emile Despres, Research Center in Economic Growth, Stanford University

John H. Perkins, Senior Vice President of Continental National Bank and Trust Co.of Chicago

Robert P. Mayo, Vice President of Continental National Bank and Trust Co. of Chicago

The Cabinet Committee on Finance and Monetary Affairs is composed of:

Merlyn N. Trued, Assistant Secretary of the Treasury for International Affairs

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

William B. Dale, U. S. Executive Director, International Monetary Fund

Harold O. Folk, Associate Assistant Administrator for Finance Development, Agency for International Development

Anthony M. Solomon, Assistant Secretary of State for Economic Affairs

Arthur M. Okun, Council of Economic Advisers

Ralph Hirschtritt, Deputy to the Assistant Secretary, for International Financial and Economic Affairs

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July 21, 1965

FOR IMMEDIATE RELEASE

NAVY TRANSFERS ICEBREAKERS TO COAST GUARD

Navy Secretary Paul H. Nitze and Acting Treasury Secretary Joseph W. Barr today announced that the U. S.

— USS ATKA, USS EDISTO, USS GLACIER, US BURTO ISLA and USS STATI ISL

Navy's five remaining icebreakers are being transferred to the U. S. Coast Guard under an agreement between the Treasury and Navy Department. Previously the Navy operated five icebreakers and the Coast Guard four in support of national interests from the Polar regions to the Hudson River.

The transfer of the ships will be accomplished during the next 16 months. A review of the dual Navy-Coast Guard operation of icebreakers led to the conclusion that the operation and manning of icebreakers by the Coast Guard would best satisfy the national interest.

Coast Guard operation of icebreakers will be responsive to Navy requirements in high latitudes, as well as to the requirements of commerce and the needs of national research programs.

F-138

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 21, 1965

FOR IMMEDIATE RELEASE

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**TREASURY DEPARTMENT**
**Washington**

STATEMENT OF THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE JOINT ECONOMIC COMMITTEE
WEDNESDAY, JULY 21, 1965, 10:00 a.m., EDT

I appreciate this opportunity to present to the Joint Economic Committee some Treasury views on our approach to long-range fiscal policy. It is clearly important that from time to time we look beyond the horizon of short-run decision problems that necessarily absorb so much of our attention. The Subcommittee is to be congratulated on its effort to place these problems in perspective. The initial publication of the statements of invited economists and organizations has already provided a useful compendium of views on the issues that lie ahead and possible ways of dealing with them.

## The Setting for Fiscal Policy

In approaching this topic of fiscal policy over the next decade, I would first like to emphasize several basic aspects of the setting in which fiscal policy is used. Perhaps most fundamental, we should recognize that we are dealing with one of several instruments of economic policy. Further, the broad policy goals are already set forth in the Employment Act of 1946, which commits our government to seek sustained growth in employment and income in, by implication, an environment of stable prices, all within a framework of a competitive private enterprise system.

That Act was a historic step. In the two decades which have followed we have made tremendous strides toward the realization of its objectives -- not least by the intelligent and more active use of the tools of fiscal policy. Obviously we still have much to learn, but the improvement of techniques and data for appraising economic developments and a better understanding of our policy tools have both enabled us to realize more fully the tremendous contribution that appropriate fiscal policies can make toward achieving the potential of our economy.

However, let me make one thing quite clear. Under our economic system, by tradition and choice, we place primary reliance on the vigor and skills of our private economy to achieve the objectives of the Employment Act. We reject detailed government planning of production, consumption, and investment, and direct controls to implement such plans.

This does not mean, of course, that government policies -- and particularly tax and expenditure policy -- do not affect the environment in which private decisions are made, or that they do not have a powerful influence on economic activity. Obviously they do. But, it does mean that government cannot itself supplant the market, and that in shaping decisions on fiscal policy we must be alert to the shifting forces in the private economy and to the need to provide constantly a fiscal environment in which these forces can best operate.

There are no magic formulas for fiscal policy applicable to all the variety of problems and needs that may arise. For instance, those few who would still insist on reaching for a balanced budget year in and year out fail to recognize the influence that these taxing and expenditure decisions may have for the performance of the entire economy. Experience shows there are situations in which the forces of expansion in the private economy are not adequate to fully employ our workers and our resources, and in which the level and structure of taxes may themselves be impeding the required growth and investment. In circumstances like these, an effort to balance the budget may be self-defeating if the result is only to further restrain economic activity and to constrict the tax base. Instead, tax reduction may be an essential means of releasing the energies of the private sector, even if projected revenues do not fully cover anticipated spending. Conversely, at times when demand threatens to outrun our capacity to produce, responsible fiscal policy may require tax increases and a budgetary surplus.

This approach by no means implies loss of firm and effective controls on expenditures -- a never-ending effort to assure a dollar of value for every dollar spent. Nor does it entail losing sight of the goal of a balanced budget. Rather, it emphasizes the importance of seeking that goal within the framework of a healthy, expanding economy. And it recognizes that that goal is dependent not only upon decisions concerning the level of tax rates and expenditures, but upon all the complex forces at work in the private economy and in other areas of government policy that importantly affect economic activity, including the structure of our tax system, developments in the credit markets and in monetary policy, and the management of the public debt.

## Experience Since 1961

Our approach towards fiscal policy can, I believe, be illustrated by our experience since 1961. Our fiscal policy recommendations over this period have been made only after painstaking and at times painful evaluation of all relevant economic data and exhaustive consultations with a broad cross section of outstanding economic authorities representing the views of virtually all sectors of the economy. The approach seems to work, since during this period the nation has experienced the longest peacetime expansion in history, and our price level has been the most stable of any industrialized nation in the free world.

In January of 1961 we were confronted with an economic recession which obviously required expansionary policies. Unfortunately we also faced a balance of payments deficit of nearly $4 billion. Under these circumstances, it was not feasible, in an attempt to promote expansion, to push monetary policy to extremes of ease for that could only have aggravated the capital outflows that were materially contributing to the outflows of dollars.

Instead, our response to the recession and to the broader pattern of slow growth that had developed in the late 1950's was to encourage expansion through fiscal policy. Our analyses of the economy indicated very clearly that our problem centered in domestic investment. Faced with necessary increases in defense expenditures in 1961, a broad program of tax reduction was not immediately feasible. However, it was possible, without excessive loss of revenue, to develop an investment tax credit and liberalized depreciation guidelines for productive equipment tailored to providing increased incentives for productive investment -- investment that not only would pay dividends in terms of domestic growth but would also help to buttress our international competitive position.

Recovery proceeded through 1961 and into 1962, but as the economy absorbed the higher level of defense spending it was apparent that unemployment was still too high, and that prospects for sustained and vigorous growth continued to be impeded by our tax structure. Calculations showing what the budget would look like if we were operating at full employment indicated a sizable surplus. The difficulty was that the tax rates that produced that large "full employment surplus" were so high as to thwart the growth in the economy necessary to reach full employment. Stated another way, as the economy came out of the recession, the high marginal rates of taxation drained off so much of the added purchasing power that markets were not available to match our full productive potential. There was good reason to believe that these high tax rates, enacted to offset the inflationary pressures caused by war and post-war defense needs many years earlier, were no longer appropriate. Our primary problem was obviously not inflation, but slow growth, high unemployment, and periodic recessions. The solution lay in greater incentives to invest combined with a measured release of purchasing power.

This objective required a carefully balanced program of tax reduction spaced out over time, and we proposed cuts in both corporate and individual rates combined with substantial improvements in our entire structure of income taxation. The result was the $14 billion two stage tax cut enacted in early 1964, the largest in history. At the same time, a tight lid was imposed on expenditures, assuring that the tax reduction could be absorbed without inflation and consistent with reduction in our budgetary deficit.

Finally, this year we were able to recommend elimination of many of our excise taxes, removing another impediment to growth while improving our tax structure.

The Basic Objectives of Fiscal Policy

In extracting lessons for the future from this experience, I want to emphasize that none of us can be sure what the particular problems of tomorrow will be -- whether inflation or recession, increased military spending requirements, or what. We can be sure, however, that we must be prepared to use our fiscal policies flexibly, as required by unfolding events, and not be bound by doctrinaire beliefs. And we have learned much of the varied potential of fiscal policy in combination with other economic policies -- to fight inflation or deflation and to encourage consumption or investment. Moreover, we will have before us in guiding these decisions the basic continuing objectives of all our economic policies -- each implicit in the Employment Act of 1946. These include:

1. Maintenance of an adequate economic growth rate with a broad and equitable distribution of income.
2. Provision of adequate levels of those essential services that we buy collectively through government expenditure.
3. Maintenance of reasonable price stability.

4. Preservation of healthy levels of international trade and investment along with equilibrium in our balance of payments.

Reconciling the Goals of Policy

We suggest that a basic concern of this Committee in examining long-range fiscal policy should be to study more intensively the interrelationships between these goals and the adequacy of our existing fiscal policy instruments for achieving them. Let me direct your attention to some of these interrelationships.

In recent discussions of economic policy, there has been much concern about finding a blend of policies to achieve multiple objectives -- objectives that, at least in the short-run, sometimes seem partially conflicting. For instance, experience suggests that, as our objective of full employment is more closely approached and the economy operates with a smaller margin of excess capacity, problems of maintaining price stability increase.

The active and intelligent use of fiscal policy, has, I believe, contributed to reconciling these goals. Certainly, the record is clear that our sustained advances in economic activity have been accompanied by substantial stability of the wholesale price index. True, there has been some updrift in the consumer price index of about 1 to 2 points a year, but part of this updrift may be associated with our inability to make full allowance for quality improvement within the index itself. This is clearly involved in one of the most rapidly increasing components, the cost of medical services. Altogether our price performance over the past five years has been far better than that of our leading competitors in world markets.

The Administration has been conscious of the inflation problem in formulating its fiscal policies. In a situation marked by excess capacity and excessive unemployment, we were convinced that a tax cut, intended to spur growth and reduce unemployment, would not lead to inflation. We have not, on the other hand, sought to drive to unsustainable goals simply by massive injections of purchasing power. Instead, reductions in consumer taxes have been accompanied by measures to provide investment incentives, to encourage steady growth in capacity, and to promote efficiency. At the same time, we have recognized that the whole burden of reconciling these goals could not be placed on fiscal policy alone, and that our fiscal program needed to be implemented with full awareness of the need for complementary policies in other areas. Thus, monetary and debt management policies have been carefully coordinated to assure that Federal deficits would not result in excessive liquidity that might give rise to future inflation. And, we have begun to deal directly with problems of structural unemployment -- by manpower training and development, the economic opportunity program, Federal Aid to Education and the like.

Our ability to achieve an unemployment rate of 4.7 percent without widespread price pressures represents substantial progress over earlier experience, but we must push ahead to extend our gains.

Fiscal policy will continue to have a key role to play in that effort, but it must not be called upon to do the job alone. Let me point out, for instance, that unemployment among particular groups, such as Negroes and teenagers, tends to follow the ups and downs of the national average, but the rate among Negroes stays twice as high as the total rate, and the rate among teenagers stays almost three times as high. Progress toward our social goals of improving the position of the underprivileged and reducing juvenile delinquency certainly requires that we improve job opportunities generally, and fiscal policy can help assure the expanding markets essential to provide those opportunities. But adequate job opportunities for minority groups and for teenagers -- consistent with orderly, non-inflationary growth -- will also require action to reduce and eliminate structural imbalances in our labor market.

Our use of fiscal policy in recent years has also been influenced by the need to reconcile the goals of balance of payments equilibrium with domestic growth. One way of encouraging a higher level of domestic investment would have been very low interest rates, but we have learned that in a world of increasingly free trade and payments, no country can afford to ignore the relationships between its own money markets and those abroad. The use of fiscal policy -- and particularly tax reduction-- offered an alternative. Some measures could be centered directly on investment incentives, such as the investment tax credit, the depreciation reforms of 1962 and 1965, and the corporate tax cut of 1964. More generally, the spur to overall economic activity through reduced tax rates, as it works its way through the economy, provides a more attractive environment for the employment of capital domestically, tending to reduce incentives to the outflow of capital rather than increasing them, as would have been the case with extremely easy money.

In this way, the increasing integration of the world economy has required the United States to explore and use the potentialities of fiscal policy more fully. I believe that these external considerations will remain important in the choice of policy tools, not only for the U.S. but for other industrialized countries as well in the years ahead.

The Choices for the Future

As we look into the future, and consider the range of issues that will be confronting the fiscal policy-maker -- such as the need for tax rate reduction as against expenditure increases, possible changes in state and local government fiscal relationships, and the alternative of debt retirement -- it is useful to emphasize that a growing economy will year-by-year generate higher revenues at existing tax rates. This tendency -- sometimes referred to as the fiscal drag -- presents a clear-cut need to make choices, and much recent discussion has centered on what these choices should be.

For instance, a summary of the replies of 48 economists and ten organizations to the questions put by the Chairman of this Subcommittee, stated that "The consensus is that during the next decade, Federal revenues are apt to rise faster than Federal expenditures, thus exerting a drag on the economy. The respondents were hesitant, however, on recommending the proper remedy for fiscal drag, with no clear-cut consensus emerging for either increased spending or for further tax cuts."

This absence of a consensus seems to me readily understandable, for the kind of choice implied is dependent upon a host of other judgments on more particular problems and objectives. First, the degree to which rising revenues may be divided between reduction of the budget deficit or to debt reduction, lower taxes or higher spending, can be based only on a thorough analysis of the impact of these alternatives on the national economy under prevailing conditions. Clearly, lower deficits or a surplus applied to retirement of the debt would be in order if the nation were at full employment and if inflationary pressures were great. On the other hand, if economic projections indicated sluggish growth and no price inflation, such a policy would not be in order.

Balancing Saving with Investment

In considering this issue, we should recognize at the beginning that in our economy borrowing is a necessary concomitant to savings. To take a simple and obvious example, a savings bank can only operate if somebody borrows the money in order to spend it and put it back into the income stream. In addition to lending by individuals, the growth in the money supply required by an expanding economy requires annual increases in net borrowing from commercial banks.

To some extent, of course, savings get back into the income stream through direct investment by the saver or through the purchase of equities. In quantitative terms, however, this represents a relatively small portion of the use of personal savings in our economy. The bulk of our savings must be absorbed by willing borrowers, and put back to work in the economy if we are to achieve sustained increases in employment and output.

We believe that it is desirable that over time a maximum amount of the vast supply of savings the economy is capable of generating should be absorbed by borrowers within the private economy or by state and local governments. In fact, over the post-war period, about $700 billion of such savings have been absorbed by the private economy -- nearly $300 billion by corporations, $230 billion by home mortgages, $70 billion by consumer credit, and about $100 billion by other borrowers. About $70 billion was absorbed by state and local governments. About $40 billion has been absorbed by the Federal Government.

A properly designed tax structure can make an important contribution to the private absorption of savings by minimizing any discouragement to investment that might arise from the magnitude of taxes that we have to collect. We could, for example, have obtained about the same dollar amount of revenue from corporations by providing a combined top rate of 46 percent, instead if the present 48 percent, but without an investment credit. We are convinced, however, that collecting this amount of money through a structure that does have an investment credit will result in a larger amount of private investment, and thus more private absorption of savings and less need for Federal deficits.

With a carefully designed tax structure and policies in other areas to encourage investment, there is every reason to believe that a healthy economy operating at full employment will be capable of generating adequate investment outlets to absorb all our potential savings. Certainly, we should aim for this kind of healthy investment climate. And, under these conditions, a budget balance is appropriate, or a surplus which will release funds from the Federal Government to help meet the needs of private investment.

In other circumstances, however, private investment demands may not be great enough to absorb all the savings we are capable of generating. Then Federal absorption of some of our savings means a highly useful purpose, for those savings, instead of being diverted from the spending stream, and thus tending to restrain the level of economic activity, can be carefully employed.

Federal uses of savings are in quite important ways productive in the same sense in which business investment expenditures are productive. Certainly the Federal Government requires buildings, equipment, and power plants -- the same kind of things financed by private borrowing. Much of what is currently labelled as government expenditure is devoted to producing assets which will be providing services for many years in the future.

One kind of productive Federal investment is increased investment in people -- namely, the investment represented by improved education. This we have attempted to advance on many fronts from aid to elementary education through aid to colleges and graduate training and to vocational retraining. This kind of investment in people will be particularly advanced by the adoption of the program to provide scholarships, student employment, and guaranteed subsidized interest loans for college students from low and middle income families. This kind of a program, unlike the proposed tax credit schemes, is concerned with opening up college opportunities for capable students who cannot afford college.

Moreover, in considering this issue of the Federal debt, its relation to total output is important. Between 1960 and 1965 while our GNP will have increased by 30 percent, the public debt has increased by 11 percent. It has fallen from about 52 percent of our GNP to about 49 percent. This period included three fiscal years in which the deficit was over $6 billion.

Currently, the Federal deficit has been reduced considerably below the average level of those years. The point is, however, that even in those years of larger deficits, the debt was getting smaller relative to our capacity to deal with it.

<u>Expenditure Increases and Tax Reduction</u>

The proper mix between tax reduction and expenditure increase -- when the growth in revenues makes this possible -- cannot, in my judgment, be decided apart from specific decisions as to particular needs at particular times. The very magnitudes involved mean that this situation opens up dramatic opportunities to improve our society. The compendium deals with many of these, including major tax rate reduction, assistance to state and local governments, the use of general revenues to meet part of the costs of social insurance now covered by payroll taxes, and a larger scale attack on the problem of poverty. There will be others as well and all merit debate and analysis.

I am sure that, in testifying before you tomorrow, the Director of the Bureau of the Budget will deal with the kinds of specific and particularized choices entailed in expenditure decisions. For my part, I would like to close by briefly touching upon a few of the more important issues that arise, and must be decided, in connection with further tax reduction.

Perhaps most important, we must continue to be concerned about the impact of our tax structure on the entire distribution of income. We have reduced the impact of the high individual surtax rates, and the corporate tax rates, on the growth creating investment process. We have also made a start toward dealing with the problems of poverty. One important future concern is the impact of the individual income tax in the lower, and lower middle, income brackets.

Over the years, if the income tax law does not change, the effective rate of tax at the average income level tends to rise, essentially because the personal exemptions become lower relative to the average income itself. This increasing effective tax rate shows up clearly at the low and middle income levels.

It is instructive to follow the experience of a family with two children that has every year an adjusted gross income equal to the average income of all American families. In 1950 this family paid an effective income tax rate of 6.7 percent. In 1960 the effective income tax rate on this family was 9.8 percent because of the increased average income. In 1965, we estimate that the rate has been reduced to 8.6 percent, but it remains above the 1950 level. On the other hand, the same progression has not been evident for the top income taxpayers, largely because the taxpayers had larger personal deductions.

These considerations were one factor bearing upon our recent action to reduce excise taxes which were a regressive element in our tax structure. In the longer run they require that we be especially alert to finding efficient ways to reduce income taxes at lower income levels. The provision in the Revenue Act of 1964 for the minimum standard deduction was a breakthrough in providing a new method of lessening the tax burden of those who can least afford to carry it. Possible expansion of this and other methods deserves continuing study.

Another issue in the area of tax structure is presented by the impediments to the flow of capital and the unlike treatment of like income. This is a perennial problem that needs continued attention to preserve confidence in the justice of our tax system and efficiency and mobility of our capital markets.

Decisions on changing the level of tax rates will bring to the forefront many other questions of tax structure. It is quite obvious that "taxation for revenue only" is not a principle that is rigidly adhered to in the United States. We have assigned to our tax law the function of encouraging diversified activities. The difficulty here is that this multitude of specific objectives tends to conflict with the basic objective of raising an amount of revenue necessary for our overall fiscal policy in a way that is equitable between taxpayers. This conflict is the root of our continuing concern about the matter of income tax reform.

The pursuit of diverse objectives through the tax law has in practice meant that some of the particular objectives tend to receive rather cursory examination, without full and continuing analysis of the effectiveness of the provision in accomplishing the desired objective. Expenditure programs are subject to an annual and rather critical review during the appropriation process. This means review both within the Committees and on the floor of the House and of the Senate.

On the other hand, the question of whether or not we get our moneys' worth from a particular incentive in the tax law is raised for discussion perhaps once a decade, and then is dropped if the matter is not carried forward by one Committee. What is needed to improve our tax laws is some quite hardheaded analysis of whether or not the various preferential tax provisions -- in effect an indirect government expenditure -- are an efficient way of reaching the objectives that we want.

The process that I am referring to is not different from the program analysis that the Bureau of the Budget has been trying to develop in various areas of direct government expenditure programs. It requires detailed hard work to specify what we are trying to do and to measure the degree and cost of accomplishment. Such analysis might well be applied to areas of the tax collection and administration process as well as to the substantive law itself. This kind of analysis calls for considerable cooperation with the business, professional, and academic communities, cooperation between various government departments, and for a strengthened research and analytic capacity within the Treasury.

Flexibility

In conclusion, I would like to refer to the matter of flexibility in fiscal policy. Whether we are at full employment or on a path to full employment, we must be aware of the possibilities of unexpected developments in the private economy that would tend to stall the growth of income.

The Congress has demonstrated that it can act quickly on important fiscal legislation, as it did in passing an excise tax cut in 32 days.

The important thing here was a broad initial consensus on policy, aided in large measure by the decision of the Ways and Means Committee to hold hearings on the issue prior to a legislative proposal.

This Committee might make an important contribution to this aspect of the fiscal policy problem by undertaking some studies of the kind of temporary changes that should be made in fiscal policy to deal with the unexpected. What role should be assigned to tax cuts or expenditure speed-ups when more expansion is needed? As to tax reduction, what form of tax reduction is most appropriate?

The problem of flexibility in fiscal policy brings home in a striking way the problem before this Committee and before all the fiscal policy-makers. The problems are not only tough but also in the future decisions will sometimes have to be made rapidly. The kind of constructive analysis that this Committee is undertaking will help assure that these decisions will be soundly based.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

July 26, 1965

FOR IMMEDIATE RELEASE

MEETING OF U.S. - CANADA
BALANCE OF PAYMENTS COMMITTEE

As an outgrowth of discussions at meetings of the Joint U.S. - Canada Ministerial Committee on Trade and Economic Affairs, the United States and Canada have established a Joint Balance of Payments Committee at senior official level.

The first meeting of the new U.S. - Canada Committee was held today.

The purpose of the Committee is to review developments in the balance of payments of the U.S. and Canada and to discuss questions of mutual interest which may arise therefrom.

The balance of payments group will operate informally without a fixed schedule of meetings or rigid agenda. For Canada, representatives of the Department of Finance, the Department of External Affairs, the Department of Trade and Commerce and the Bank of Canada will participate. U.S. members will include representatives of the Treasury Department, the Department of State, the Department of Commerce and the Federal Reserve System.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

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

July 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 April 29, 1965, and the other series to be dated July 29, 1965, which were offered on July 21, were opened at the Federal Reserve Banks on July 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 bill The details of the two series are as follows:

| RANGE OF ACCEPTED COMPETITIVE BIDS: | 91-day Treasury bills maturing October 28, 1965 | | 182-day Treasury bills maturing January 27, 1966 | |
|---|---|---|---|---|
| | Price | Approx. Equiv. Annual Rate | Price | Approx. Equiv. Annual Rate |
| High | 99.042 | 3.790% | 98.046 | 3.865% |
| Low | 99.036 | 3.814% | 98.039 | 3.879% |
| Average | 99.039 | 3.803% 1/ | 98.042 | 3.873% 1/ |

10 percent of the amount of 91-day bills bid for at the low price was accepted
62 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 | $ 26,264,000 | $ 16,264,000 | $ 6,590,000 | $ 5,210,000 |
| New York | 1,412,113,000 | 799,043,000 | 1,187,481,000 | 741,081,000 |
| Philadelphia | 28,502,000 | 16,502,000 | 11,390,000 | 3,390,000 |
| Cleveland | 32,080,000 | 30,675,000 | 40,272,000 | 37,155,000 |
| Richmond | 10,514,000 | 10,064,000 | 5,460,000 | 5,228,000 |
| Atlanta | 38,888,000 | 24,643,000 | 23,034,000 | 10,634,000 |
| Chicago | 279,882,000 | 152,382,000 | 261,545,000 | 115,665,000 |
| St. Louis | 33,276,000 | 27,276,000 | 11,244,000 | 9,054,000 |
| Minneapolis | 18,053,000 | 13,203,000 | 8,552,000 | 6,672,000 |
| Kansas City | 36,151,000 | 36,151,000 | 14,260,000 | 13,510,000 |
| Dallas | 26,061,000 | 17,161,000 | 10,032,000 | 5,652,000 |
| San Francisco | 93,351,000 | 56,651,000 | 89,638,000 | 46,898,000 |
| TOTALS | $2,035,135,000 | $1,200,015,000 a/ | $1,669,498,000 | $1,000,149,000 |

a/ Includes $242,505,000 noncompetitive tenders accepted at the average price of 99.039
b/ Includes $84,173,000 noncompetitive tenders accepted at the average price of 98.042
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.89%, for the 91-day bills, and 4.01%, 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

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

WASHINGTON, D.C.

July 26, 1965

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| Dallas | 26,061,000 | 17,161,000 | : | 10,032,000 | 5,652,000 |
| San Francisco | 93,351,000 | 56,651,000 | : | 89,638,000 | 46,898,000 |
| TOTALS | $2,035,135,000 | $1,200,015,000 a/ | | $1,669,498,000 | $1,000,149,000 b/ |

a/ Includes $242,503,000 noncompetitive tenders accepted at the average price of 99.039
b/ Includes $84,173,000 noncompetitive tenders accepted at the average price of 98.042
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.89%, for the 91-day bills, and 4.01%, 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,
Wednesday, July 28, 1965.

July 27, 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, or thereabouts, of 365-day Treasury bills to be dated July 31, 1965, and to mature July 31, 1966, which were offered on July 21, were opened at the Federal Reserve Banks on July 27.

The details of this issue are as follows:

Total applied for - $1,714,513,000
Total accepted - 1,000,245,000 (includes $31,038,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

| | | |
|---|---|---|
| High | - 96.086 | Equivalent rate of discount approx. 3.860% per annum |
| Low | - 96.065 | " " " " " 3.881% " " |
| Average | - 96.072 | " " " " " 3.875% " " 1/ |

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

| Federal Reserve District | Total Applied for | Total Accepted |
|---|---|---|
| Boston | $ 30,452,000 | $ 20,452,000 |
| New York | 1,272,261,000 | 764,397,000 |
| Philadelphia | 11,274,000 | 1,274,000 |
| Cleveland | 2,964,000 | 2,964,000 |
| Richmond | 4,131,000 | 2,131,000 |
| Atlanta | 28,237,000 | 16,033,000 |
| Chicago | 250,914,000 | 130,914,000 |
| St. Louis | 11,284,000 | 7,164,000 |
| Minneapolis | 5,766,000 | 5,256,000 |
| Kansas City | 2,514,000 | 2,514,000 |
| Dallas | 31,037,000 | 18,997,000 |
| San Francisco | 63,679,000 | 28,149,000 |
| TOTAL | $1,714,513,000 | $1,000,245,000 |

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 4.05%. 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.

July 28, 1965

FOR RELEASE AT 5:00 PM EDT
WEDNESDAY, JULY 28, 1965

TREASURY ANNOUNCES CONTRACTS FOR MATERIALS
TO START NEW COIN PRODUCTION NEXT WEEK

The Treasury today announced the signing of procurement contracts expected to permit production of the new dimes and quarters, authorized in the Coinage Act of 1965, to begin late next week.

The contracts signed today were the first three of a group of contracts for the material required for production of the new dimes and quarters.

The new coins will be issued late this year and early in 1966.

The new dimes and quarters will have faces of the same copper-nickel alloy used in the current five cent piece, bonded to a core of pure copper. They will be manufactured from strips of the three layers of metal, bonded together and rolled to the required thickness.

Mint Director Eva Adams said:

"We are announcing today the signing of the first of several planned contracts with suppliers for the composite metal strip required for the new dimes and quarters.

"Negotiations are underway with other potential suppliers of cupro-nickel clad strip and also for supply of the silver-copper alloy strip required for the new half dollar.

"The Mint expects to get into production of the new 25 cent piece before the end of next week. This quick start was made possible by advance contingency planning by the Mint, and by advance preparations undertaken at their own risk by potential suppliers.

"We intend to make some 3-1/2 billion pieces of the new subsidiary coinage in the first year of production, and double that amount, if needed, in the second year. We will begin with the new quarter, and follow with the new dime and half dollar.

"Both the Philadelphia and Denver Mints will produce the new dimes and quarters, but the new half dollar will be made initially at Denver. The San Francisco Mint facilities will be used in the beginning for one cent and five cent pieces. This will release much of the Denver and Philadelphia equipment for production of the new coins while still continuing the production of current silver coins at the existing high rates of output. All Mint coinage facilities will continue on a 24 hour a day basis.

"Full production of the current silver coinage will continue meanwhile, until the new coins become available in sufficient quantities to meet all demands. We have some 12 billion silver coins in circulation now and we will add to that amount during the coming year. The silver coinage will continue to circulate, side by side with the new coinage indefinitely into the future.

"We plan to place the new quarter in circulation late this year, and the new dime before mid-1966. Plans for the new half dollar, which will be 40 percent silver, are not yet complete, but output will begin at the Denver Mint as soon as supplies of silver clad strip become available. Until the Secretary of the Treasury determines that supplies of the new coins are adequate, none will bear mint marks."

Miss Adams announced signing of the following contracts:

-- An initial contract with Metals and Controls, Inc., Attleboro, Massachusetts a subsidiary of Texas Instruments, Inc. of Dallas, Texas, approximately $30 million, for production at Attleboro.

-- An initial contract with E. I. du Pont de Nemours and Company, of Wilmington, Delaware, approximately $3 million, for production primarily at Pompton Lakes, New Jersey.

-- An initial contract with the Olin Mathieson Company of East Alton, Illinois, approximately $9 million for production at East Alton.

When facilities for producing clad metal strip at the new Mint to be built at Philadelphia come into being in 1968, clad strip required for the new coins will be produced there. Facilities for production of clad strip are also planned for the present Denver Mint. Procurement of strip outside the Mint will continue until the necessary Mint equipment becomes available.

The contracts announced today will provide the Mint with about 85 million pounds of cupronickel-on-copper strip.

Average costs of cladding the metal strip procured under these and other contracts under negotiation will fall within the range of 40 cents to 70 cents per pound estimated by the Treasury in its presentation to Congress on the coinage bill.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 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 August 5, 1965, in the amount of $ 2,204,116,000 as follows:

91-day bills (to maturity date) to be issued August 5, 1965, in the amount of $ 1,200,000,000 or thereabouts, representing an additional amount of bills dated May 6, 1965, and to mature November 4, 1965, originally issued in the amount of $1,000,414,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000 or thereabouts, to be dated August 5, 1965, and to mature February 3, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, August 2, 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 Bank on August 5, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 5, 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.

FOR IMMEDIATE RELEASE                                        July 28, 1965

## TREASURY ANNOUNCES AUGUST 13 REFUNDING TERMS

The Treasury today offered to holders of $7,268 million of 3-7/8% Treasury Notes of Series D-1965, dated February 15, 1964, maturing August 13, 1965, a choice between a 4% 18-month note and an additional amount of 4% bonds maturing February 15, 1969. Public holdings of the maturing securities amount to $3.2 billion; the remaining $4.0 billion is held by the Federal Reserve and Government investment accounts. The two securities offered in exchange are as follows:

4% Treasury Notes of Series C-1967, dated August 13, 1965, and maturing February 15, 1967, at 99.85 (to yield about 4.10%); or

An additional amount of 4% Treasury Bonds of 1969, dated August 15, 1962, and maturing February 15, 1969, at 99.45 (to yield about 4.17%). About $1,844 million of the 4% bonds are now outstanding.

Cash subscriptions for the new securities will not be received.

The books will be open for three days only, on August 2 through August 4, 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, August 4, will be considered as timely. The payment and delivery date for the new securities will be August 13, 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 August 13. Coupons dated August 13, 1965, 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 July 13, 1965, the date the transfer books closed. A cash payment will be made to subscribers of $1.50 per $1,000 (on account of the issue price) for exchanges for the new note and $5.72099 per $1,000 (representing $5.50 per $1,000 on account of the issue price of the bonds and $0.22099 per $1,000 for accrued interest on the bonds from 8/13 to 8/15/65 - because the bonds will be delivered without the August 15, 1965, coupons) for exchanges for the 4% bonds.

Interest on the 4% notes will be payable on February 15 and August 15, 1966, and February 15, 1967. Interest on the 4% bonds will be payable on February 15, 1966, and thereafter on February 15 and August 15 until maturity.

# TREASURY DEPARTMENT

WASHINGTON, D.C.
July 28, 1965

FOR RELEASE AT 5:30 PM
WEDNESDAY, JULY 28, 1965

## U. S. DRAWING FROM THE INTERNATIONAL MONETARY FUND

Treasury Secretary Henry H. Fowler today announced that the United States had drawn the equivalent of $300 million in five foreign currencies from the International Monetary Fund. The dollar equivalents of the amounts drawn were:

| | |
|---|---|
| Italian lire | $180 million |
| French francs | 40 million |
| Belgian francs | 40 million |
| Netherlands guilders | 25 million |
| Swedish kronor | 15 million |

This drawing provides the United States with foreign exchange to finance U. S. international payments.

As a result of the U. S. balance of payments position earlier this year, dollars accumulated in official holdings abroad. Some of these dollars were temporarily absorbed by use of Federal Reserve short-term swap arrangements, which amounted to short-term borrowing of foreign currencies by the United States. The foreign exchange received now from the Monetary Fund can be used to pay off these short-term credits, and otherwise to reduce official holdings of dollars abroad, by purchasing dollars with the currencies drawn today.

This is the first occasion upon which the United States has made an ordinary, non-technical drawing from the Monetary Fund. The drawing demonstrates the ability of the Fund to assist the United States, as it has other countries, in meeting balance of payments requirements.

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# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 30, 1965

FOR IMMEDIATE RELEASE


TREASURY DECISION ON BRAKE DRUMS
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of brake drums from Canada, manufactured by Atom-Otive Products Co., Rexdale, Ontario, 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.

Shortly after the commencement of the antidumping investigation, sales to the United States of the merchandise were terminated. The exporter has stated that no resumption of shipments is contemplated. The complaint thereafter was withdrawn.

Appraisement of the above-described merchandise from Canada is being withheld at this time.

Imports of the involved merchandise received during the period August 1, 1964, through March 31, 1965, were worth approximately $110,000.

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 30, 1965

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TREASURY DEPARTMENT
Washington

FOR RELEASE SUNDAY NEWSPAPERS
AUGUST 1, 1965

AN ADDRESS BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
AT THE
REUNION OF SURVIVORS OF THE U.S.S. INDIANAPOLIS
INDIANAPOLIS, INDIANA
SATURDAY, JULY 31, 1965

## EXTENDING PEACE

We are gathered here tonight to pay the humble respects of the living to the honored memory of 880 gallant men who died in the greatest disaster at sea in the history of the United States Navy, the sinking of the cruiser INDIANAPOLIS.

I think that in the calamity that overtook the great ship whose name honored our fine city, just 20 years ago this midnight, there are elements of tragedy and of irony that stand as signal lessons to the world of today. The tribute that I will try to pay to this gallant ship and her brave men -- the survivors as well as the dead -- will be an attempt to put these lessons to use in our efforts to widen the borders of peace and extinguish the flames of war in our times. This is the only adequate kind of tribute we could make to the INDIANAPOLIS and her men.

The INDIANAPOLIS was torpedoed just after midnight on July 30, East Longitude, 1945, with the end of World War II only a few days off. It was hit by a submarine only a year old, with the then most modern weapons, a well trained crew and a competent commander, which had hunted a full year without any luck. If the bad luck of the Japanese submarine I-58 had held that night -- when the hit it scored was made possible only by the coincidence of several extremely lucky factors -- the INDIANAPOLIS and her men would have survived the few more days until peace came.

If we lift our eyes from this dark tragedy just before the dawn of peace, and look about us today, it is as though not just 20 years had passed, but as though we were in some new and splendid millenium.

We cannot pause for more than the briefest indication of what those changes have been. In terms of today's prices, our gross national product is twice what it was in 1945, and our standard of living, despite a rapidly growing population, is more than twice as high, measured by personal consumption expenditures. In addition, through the use of part of our income as taxes, we have greatly increased the quality of our lives. We have done so in many ways, such as a fivefold increase in outlays for education, great new outlays on highways, and on hospital and water supply construction. Meanwhile, we spent a tenth of our income to make our defenses unassailable. At the same time, we made the large outlays necessary to let the United States take over the lead in mankind's newest and most marvelous adventure, the plunge into space.

As wonderful as they are, these improvements in our country and like advances in many other parts of the developed Free World, do not measure the most significant change in our lives in the last 20 years.

I am referring now to what, in my opinion, history may single out as one of the great turns toward the realization of humanity's potential.

But, for all its significance, this turn has been rather generally overlooked, because for the past two decades we and the rest of the world have been so occupied and disturbed by the terrible possibilities for total destruction contained in nuclear weapons.

Nevertheless -- and this is the historic change I have in mind -- in these same two decades, a great and vital part of the world has made a great and vital advance towards permanent peace.

With pride and affection for our wonderful and unique nation, we can note that this most promising of world developments took place at a time when the United States was strong and nearly all the rest of the world was weak. I do not believe history affords another example of a nation that possessed everything needed for world conquest, but which used its advantages instead to lead its friends and allies away from war, and into the paths of peace, sharing its substance with them to make them strong where they were weak, and, having restored their strength, taking its place among them as a no more than equal competitor.

This is a record that those in conflict with us now, whom we have invited to the conference table, should ponder very thoroughly.

The part of the world to which I refer includes, besides the United States, Western Europe, Canada, Japan, Australia, and New Zealand -- the more economically advanced Free World nations -- and their neighbors.

I think -- and I believe that many, many others are coming to the same conclusion -- that we can begin to assert with conviction that among the nations of this most productive, best provided, most rapidly advancing part of the world, war has been renounced as an instrument of policy.

Abandonment of war as an instrument of policy, is not, of course, a measureable, ascertainable matter. Nevertheless, my view is based upon a practical and mundane fact, the fact that among these nations, during the post-war years, there has been a rapid growth of the <u>means</u> for keeping the peace.

<u>These means are a network of consultative, cooperative, collaborative institutions, and the will to use them constructively</u>.

Time permits no more than a listing of the most outstanding of these institutions. The Organization for European Economic Cooperation was set up as the funnel through which Marshall Plan assistance by the United States would reach Europe. It was conceived with the idea that the cooperative management of the aid funds -- by the recipients -- would demonstrate that even where, as in Europe, rivalries are very old and deep, collaboration in a constructive task can make collaboration a way of life. This is proved by the successors in Europe to OEEC: the European Economic Community, the European Free Trade Association, Euratom the Council of Europe, common space exploration arrangements, and many others. The fact that there is vigorous disagreement among some of the Western European powers today, but that there is no longer even any thought of war, is further proof. These disagreements show besides that collaboration can take place without killing competition.

On the broader, Free World-wide scale, there are many other examples, including:

The Organization for Economic Cooperation and Development, the International Monetary Fund, the International Bank for Reconstruction and Development and its offspring affiliates such as the International Finance Corporation, the North Atlantic Treaty Organization, the General Agreement on Tariffs and Trade, the Alliance for Progress, international agreements seeking to stabilize the supply and price of key commodities such as coffee, tin and wheat, the Organization of American States, the International Development Association, the U. N. Trusteeship Council and International Court of Justice.

All these organization, and many others are weaving a strong fabric of peace. This is not done by great single acts, but by thousands of little daily actions -- exchanges of information, mutual and mutually respected criticisms and suggestions, the sharing of burdens, advance discussion of policy and the common making of policy, in place of the imposition of the policy of the strongest. This has become our accepted way of life.

It is _not_ a way of life that rules out disagreement. As I have already indicated, you need only to read a newspaper any day to see the contrary. But it _is_ a way of life that opens nations to the opinions and criticisms of others, and it _is_ a way of life that requires a willingness to listen to one another's views, and a way of life that calls for constructive reaction to the other nation's problems. Now, this is not only a peaceful way of life. It is also one that grows upon you as you go along because it is constructive. Everyone who is a party to it has an increasingly high stake in maintaining it because of the building up of the benefits that flow from the sharing of burdens and from constructive problem solving.

To illustrate the point that I have been making, let me call your attention to the fact that the Secretary of the Treasury, The Honorable Henry H. Fowler, on July 10 described in the following words a potential problem the world may face, not tomorrow, but perhaps in the future, as the United States brings its balance of payments into equilibrium: "...without additions to the reserve dollars that our deficits have so long supplied, the world will need a new and assured source of growing liquidity to support increasing world trade and investment." Secretary Fowler went ahead to state: "I am privileged to tell you this evening that the President has authorized me to announce that the United States now stands prepared to attend and participate in an international monetary conference that would consider what steps we might jointly take to secure substantial improvements in international monetary arrangements."

In these statements our Government is indicating to the world not only its determination to solve our own payments problem, but our willingness to consult with all free nations and to solicit their viewpoints to make certain that the growth of world trade and investment is not impaired.

It is for reasons such as these that I believe the growth of interdependence has gone so far in the Free World that it can be said with realism that we have learned to live with peace, and that there is no reason to think that the nations participating in the consultative, collaborative process I have been describing will ever turn again, among themselves, to destructive, rather than constructive, solutions of their problems.

It is in this light that the tragic, ironic lessons of the death of the INDIANAPOLIS -- and of World War II as a whole -- stand out.

Had such a consultative, mutually responsive and constructive international society existed in the 1930s, World War II could have been prevented.

That is the bitter lesson we cannot avoid if we compare today to yesterday. But I have not taken your time up to this point to make a philosophical comment. Nor have I been describing the improvements in our individual, national and international lives in a mood of self congratulation. It is not yesterday that I have in mind, and not only the better world of today, but the still far better world of tomorrow; I am not thinking only of that part of the world that has already learned to stop fighting and to start building, but of an extension of it to new and very important ground.

We are convinced that the safer, more productive and faster growing and improving world which we have been bringing into being in much of the Free World will prove so attractive that in time it will spread to the whole world.

But the United States is acting now to extend it immediately where immediate extension is most urgently needed. President Johnson took this step in his historic address on the Pattern for Peace in Southeast Asia, on April 7, at Johns Hopkins University. Discussing and defining the responsibilities of the United States in Vietnam, President Johnson made it clear that we would not be defeated, we would not retreat, that the use of force would not pay. He then offered to the peoples of Southeast Asia -- including North Vietnam -- an opportunity to build rather than destroy, to enter into the weaving there, as we have here -- and with our help -- of a strong fabric of peace and progress in Southeast Asia. The President pledged himself to seek a billion dollars from the Congress to give effect, in the form of constructive works of economic betterment in Southeast Asia, to his offer.

Only three days ago, on July 28, the President repeated and emphasized this pattern for peace.

In effect, what we are saying is:

The days of aggression and terror and war itself are numbered. Here in our world we are learning to live at peace. All of us are immeasurably better off for it. We offer you our help, and we welcome you into our open, constructive world of peaceful improvement of the human lot. Stop the fighting, and let us all together start the building.

Let me say, as the President said on July 28, that this offer is not made "as the price of peace, for we are always ready to bear a more painful cost, but rather, as a part of our obligations of justice to our fellow man."

I want to spend most of my remaining time with you discussing the economic program that the United States holds forth to the people of Vietnam and the other peoples of Southeast Asia. First, however, I want to go over with you, as the President does whenever he discusses Vietnam, the reasons we are fighting there.

"Why must young Americans, born into a society exultant with hope and with golden promise, toil and suffer and sometimes die in such a remote place?" the President asked in his remarks last Wednesday. And he answered: "The answer, like the war itself, is not an easy one, but it echoes clearly from the painful lessons of half a century. Three times in my lifetime, in two world wars and in Korea, Americans have gone to far lands to fight for freedom. We have learned at terrible and brutal cost that retreat does not bring safety and weakness does not bring peace.

"It is this lesson that has brought us to Vietnam. This is a different kind of war. There are no marching armies or solemn declarations . . . But we must not let this mask the central fact that this is really war.

"It is guided by North Vietnam and it is spurred by Communist China. Its goal is to conquer the South, to defeat American power, and to extend the Asiatic dominion of communism.

"There are great stakes in the balance.

"Most of the non-Communist nations of Asia cannot, by themselves and alone, resist growing might and the grasping ambition of Asian communism.

"Our power, therefore, is a very vital shield. If we are driven from the field in Vietnam, then no nation can ever again have the same confidence in American promise, or in American protection.

"In each land the forces of independence would be considerably weakened and an Asia so threatened by communist domination would certainly imperil the security of the United States itself.

"We did not choose to be the guardians at the gate, but there is no one else."

And in his Pattern for Peace address in April, the President put it:

"We fight because we must fight if we are to live in a world where every country can shape its own destiny, and only in such a world will our own freedom be finally secure . . .

the infirmities of man are such that force must often precede reason, and the waste of war, the works of peace.

"We wish that this were not so. But we must deal with the world as it is, if it is ever to be as we wish."

These gentle and generous reasons for our restrained, carefully measured-out use of force in Vietnam are in keeping with the constructive peace the President proposes.

What, then, are these works of peace?

First of all, we should remember that what has now been proposed does not stand alone, that we have already made very great contributions to development in Southeast Asia.

Our military assistance in keeping the area from being converted into a small morsel to be gobbled up by the hungry communism of Asia is undoubtedly the biggest single assistance we have given. Without it today South Vietnam, and much if not all of the rest of the area, would lie stripped and impoverished in the poorhouse that is Asian communism, deprived even of the right to use its own resources for its own benefits.

But we have not only been preserving the resources of Southeast Asia. We have also been adding to them in very great measure. American economic assistance has gone to many countries of Southeast Asia, including Burma, Indonesia, Laos, the Philippines, Thailand and Vietnam, over most of the past two decades. The single biggest recipient of our economic assistance in this area has been Vietnam.

It is in this setting that the President proposes an accelerated program of development assistance in Southeast Asia. In proposing this program last April as the pattern for peace in that troubled and for the most part impoverished part of the world, the President said:

"The first step is for the countries of Southeast Asia to associate themselves in a greatly expanded cooperative effort for development. We would hope that North Vietnam would take its place in the common effort just as soon as peaceful cooperation is possible"

As part of the cooperative action of the Southeast Asian people themselves, President Johnson has accepted, and has proposed United States participation in, the Asian Development Bank that is now being brought together. I had the pleasure of attending a meeting at Washington earlier this week at which representatives from the Philippines, South Vietnam, India, Pakistan and Iran explained their plans for the bank to United States officials. I have rarely, if ever, attended a meeting more full of enthusiasm, and I may say, of more promise in the approach to a great task. I think it is a project that will succeed. To help it succeed, the President has proposed not only United States financial participation, but has designated Eugene Black to serve as his personal representative, and to share with the Asian organizers of the Bank the vast experience Mr. Black accumulated as President of the World Bank for 15 years.

Subject to Congressional approval, the United States will subscribe some $200 million to the capital of the Asian Development Bank. This would be 20 percent of the proposed capital of the Bank. The Asian countries are to contribute some $600 million altogether and others -- including, if they will come in, the USSR -- are to put up $200 million.

The Asian Development Bank is thus to be not only Asian in concept and in management, and for the benefit of Asia, but is also to be mainly Asian financed. It will cut across the world's main geographic and cultural dividing lines. In these ways, the Asian Development Bank holds promise of serving not only Asia, but of performing a signal long-term service to the world as a whole. And from our point of view, we would be joining hands with the Asians in their own chosen project.

Here we see the beginning of a web that with patience and prudence -- and the more quickly and the more surely if we can move from the battlefield to the conference table in Vietnam -- can be developed into the same kind of strong fabric of lasting peace and progress that has been woven so swiftly in the Free World since we turned our back on our battlefields, and turned our faces to the building of a world in which humanity can begin to realize its untold potential.

As President Johnson has said, and has emphasized and re-emphasized, "We will not be defeated" in Vietnam, "we will not grow tired, and we will not withdraw either openly or under the cloak of a meaningless agreement."

But we are willing to enter into "unconditional discussions" for an honorable peace, "with any government, at any place, at any time."

In stating this, the President said, when making known his Pattern for Peace in Southeast Asia: "This generation of the world must choose: destroy or build, kill or aid, hate or understand . . . Well, we will choose life. And in doing so, we will prevail over the enemies within man, and over the natural enemies of all mankind."

No nation ever fought with more resolution than we fight in Vietnam. No nation ever fought with less desire for conflict, and less liking for the use of force. And no nation ever offered a brighter peace.

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It is anticipated that whatever agreement on withholding tax rates is reached in the negotiations now underway, the rates will apply retroactively from January 1, 1966 in the case of the United States, and from April 6, 1966 in the case of the United Kingdom. If withholding takes place at the statutory rates prior to these dates, appropriate refunds will be made.

The notification for termination of the dividend article which the United States has given to the United Kingdom is thereféoe not with the intent of eliminating reduced rates of withholding tax but rather to facilitate a transition from the existing treaty provisions on dividends to whatever new rates may be arrived at in the current negotiations.

The text of a memorandum of understanding between the two countries on this subject is attached.

Modification of the existing agreement is required by the fact that the new British system will impose -- effective April 6, 1966 -- a new corporation tax on company profits and in addition, a withholding tax of 41¼ percent on all dividends paid by United Kingdom companies, including those paid to residents abroad as well as to residents in the United Kingdom.

If notice to terminate the dividend article were not given, the United States withholding tax rate next year would continue to be frozen at the rates of 5 and 15 percent, but the United Kingdom would be free to impose the 41¼ percent withholding tax.

Termination of the existing dividend article allows both countries the necessary flexibility to arrive at mutually acceptable withholding tax rates.

any additional tax on dividends received by individuals resident in the United States from United Kingdom companies -- apart from the tax imposed at the company level.

The United States withholding tax is now limited by Article VI to 5 percent on dividends paid by United States companies to United Kingdom parent companies and to 15 percent to other United Kingdom shareholders.

Unless a new agreement is concluded and ratified before January 1, 1966, the statutory withholding rate of 30 percent imposed under the Internal Revenue Code will apply from that date to all dividends paid to United Kingdom shareholders. If an agreement is ratified after January 1, it is contemplated that the reduced rates in the agreement will be made retroactive to that date.

Final

~~DRAFT~~ PRESS RELEASE
FOR MORNING ~~PAPERS OF WEDNESDAY~~, JULY 14, 1965

U.S. AND U.K. AGREE ON TEMPORARY CHANGE
IN WITHHOLDING TAX RATES ON DIVIDENDS

The Treasury today announced that for technical reasons the United States and the United Kingdom have agreed to termination, effective January 1, 1966 for the United States and April 6, 1966 for the United Kingdom, of Article VI of the existing income tax treaty between the two countries which deals with taxes on dividends.

Consequently, and in accordance with terms of the Article, the United States has given notice of termination. This does not affect any other articles of the treaty.

Article VI limits the rate of United States withholding tax on dividends paid to United Kingdom recipients by United States companies.

Article VI also prohibits the United Kingdom from imposing

# TREASURY DEPARTMENT

WASHINGTON, D.C.

July 30, 1965

FOR IMMEDIATE RELEASE

MEETING OF THE CANADIAN FINANCE MINISTER AND
THE UNITED STATES SECRETARY OF THE TREASURY

The Canadian Embassy and the United States Treasury issued the following joint communique today:

Canadian Finance Minister Walter L. Gordon and United States Treasury Secretary Henry H. Fowler today discussed Canadian-United States cooperation in economic affairs, as well as such matters of mutual interest as their balance of payments and the international monetary system.

The meeting took place in Secretary Fowler's office, with a small group of advisers. It began at 3:00 P.M. Mr. Gordon was to be Secretary Fowler's guest at dinner.

Mr. Fowler noted during the meeting that the United States payments position had improved considerably under the influence of measures in the President's program announced on February 10. However, he emphasized that continued strong efforts would be required to secure and maintain balance in the country's international payments.

Mr. Gordon expressed his appreciation of the importance of a continuing United States program that would achieve sustainable equilibrium in the transactions of the United States with the rest of the world, since this would be an important contribution to international financial stability, and to the improvement of international monetary arrangements.

Mr. Gordon described the economic situation in Canada and its relation to the Canadian balance of international payments, especially vis-a-vis the United States. He emphasized the importance in this connection of an adequate flow of capital from the United States to Canada.

(OVER)

Secretary Fowler reaffirmed the intention of the United States to make new Canadian securities sold to U. S. residents exempt from the Interest Equalization Tax, and Finance Minister Gordon restated Canada's intention to avoid increasing its foreign exchange reserves through the proceeds of borrowing in the United States. These commitments were first expressed in the joint U. S.-Canadian communique of July 21, 1963. Secretary Fowler noted that the February 10, 1965 balance of payments program of the United States also recognizes the need of Canada for access to U. S. capital.

There was an exchange of views on the announcement by Secretary Fowler on July 10 that the United States is prepared to participate in an international monetary conference that would consider what steps might be taken to secure substantial improvement in international monetary arrangements. Both Secretary Fowler and Finance Minister Gordon indicated they intended to consult with ministers of other nations before making firm decisions on procedural or other steps to be taken. Secretary Fowler said he would visit Europe in the near future as part of such consultations.

The Ministers agreed that the unique financial relationships of the two nations made essential continued and close economic consultation and cooperation between the two countries. In this respect, they welcomed the establishment of a joint U. S.-Canadian balance of payments committee. Their representatives on this committee reported on the initial meeting of the group, held in Washington July 26, 1965.

Finance Minister Gordon was accompanied on his visit to the Treasury by Deputy Finance Minister Robert Bryce and Assistant Deputy Finance Minister Alan Hockin. Joseph W. Barr, Under Secretary of the Treasury, Frederick L. Deming, Under Secretary of the Treasury for Monetary Affairs, and Merlyn N. Trued, Assistant Secretary for International Affairs, participated with Treasury Secretary Fowler.

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