United States Savings Bonds Issued and Redeemed Through July 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	10	.20
Series F & G-1941 - 1952	29,521	29,435	85	.29
Series J and K - 1952	400	389	11	.28
UNMATURED				
Series E: 3/				
1941	1,847	1,586	261	14.13
1942	8,154	7,028	1,126	13.81
1943	13,123	11,342	1,781	13.57
1944	15,300	13,096	2,204	14.41
1945	11,994	10,030	1,964	16.37
1946	5,401	4,303	1,098	20.33
1947	5,097	3,892	1,205	23.64
1948	5,258	3,916	1,342	25.52
1949	5,179	3,775	1,404	27.11
1950	4,522	3,227	1,295	28.64
1951	3,915	2,790	1,125	28.74
1952	4,099	2,880	1,219	29.74
1953	4,670	3,159	1,511	32.36
1954	4,750	3,092	1,658	34.91
1955	4,949	3,057	1,893	38.25
1956	4,721	2,887	1,834	38.85
1957	4,437	2,653	1,785	40.23
1958	4,298	2,434	1,864	43.37
1959	4,022	2,246	1,776	44.16
1960	4,011	2,110	1,901	47.39
1961	4,029	1,960	2,069	51.35
1962	3,877	1,784	2,093	53.99
1963	4,299	1,711	2,588	60.20
1964	4,200	1,406	2,794	66.52
1965	1,683	246	1,437	85.38
Unclassified	415	480	-64	-
Total Series E	138,250	97,091	41,159	29.77
Series H (1952 - Jan. 1957) 3/	4,238	1,925	2,314	54.60
H (Feb. 1957 - 1965)	6,312	891	5,421	85.88
Total Series H	10,550	2,816	7,735	73.32
Total Series E and H	148,800	99,907	48,894	32.86
Series J and K (1953 - 1957)	3,330	2,105	4/ 1,225	36.77
All Series: Total matured	34,924	34,817	106	.30
All Series: Total unmatured	152,130	102,012	50,119	32.94
All Series: Grand Total	187,054	136,829	50,225	26.85

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 July 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
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Series F & G-1941 - 1952	29,521	29,435	85	.29
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1945	11,994	10,030	1,964	16.37
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1947	5,097	3,892	1,205	23.64
1948	5,258	3,916	1,342	25.52
1949	5,179	3,775	1,404	27.11
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	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	29,437	83	.28
Series J and K - 1952	400	390	10	2.50
UNMATURED				
Series E: 3/				
1941	1,847	1,588	259	14.02
1942	8,157	7,038	1,119	13.72
1943	13,127	11,357	1,770	13.48
1944	15,307	13,116	2,191	14.31
1945	11,998	10,052	1,946	16.22
1946	5,404	4,311	1,092	20.21
1947	5,100	3,901	1,199	23.51
1948	5,262	3,926	1,336	25.39
1949	5,184	3,786	1,398	26.97
1950	4,526	3,237	1,289	28.48
1951	3,919	2,799	1,119	28.55
1952	4,105	2,890	1,215	29.60
1953	4,675	3,173	1,503	32.15
1954	4,755	3,108	1,647	34.64
1955	4,953	3,081	1,873	37.82
1956	4,727	2,898	1,829	38.69
1957	4,443	2,664	1,779	40.04
1958	4,304	2,445	1,858	43.17
1959	4,028	2,258	1,769	43.92
1960	4,017	2,123	1,894	47.15
1961	4,035	1,976	2,059	51.03
1962	3,883	1,801	2,082	53.62
1963	4,306	1,738	2,568	59.64
1964	4,206	1,464	2,741	65.17
1965	2,069	351	1,719	83.08
Unclassified	372	417	-44	-
Total Series E	138,708	97,498	41,209	29.71
Series H (1952 - Jan. 1957) 3/	3,670	1,768	1,903	51.85
H (Feb. 1957 - 1965)	6,926	1,087	5,839	84.31
Total Series H	10,596	2,854	7,742	73.07
Total Series E and H	149,304	100,353	48,951	32.79
Series J and K (1953 - 1957)	3,331	2,128	4/ 1,204	36.15
All Series: Total matured	34,923	34,820	104	.30
All Series: Total unmatured	152,635	102,480	50,155	32.86
All Series: Grand Total	187,559	137,300	50,259	26.80

1/ Includes accrued discount.
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BUREAU OF THE PUBLIC DEBT

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BUREAU OF THE PUBLIC DEBT

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, August 3, 1965.

August 2, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series Treasury bills, one series to be an additional issue of the bills dated May 6, 1965, the other series to be dated August 5, 1965, which were offered on July 28, were ope at the Federal Reserve Banks on August 2. Tenders were invited for $1,200,000,000, 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 November 4, 1965		:	182-day Treasury bills maturing February 3, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equi Annual Rate
High	99.037	3.810%	:	98.028	3.901%
Low	99.028	3.845%	:	98.008	3.940%
Average	99.031	3.832 1/	:	98.015	3.927% 1/

41% of the amount of 91-day bills bid for at the low price was accepted
42% of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 22,136,000	$ 12,136,000	:	$ 26,003,000	$ 26,003,0
New York	1,399,596,000	789,181,000	:	1,152,068,000	711,348,0
Philadelphia	33,746,000	21,746,000	:	11,487,000	3,487,0
Cleveland	22,593,000	22,593,000	:	24,981,000	24,981,0
Richmond	16,215,000	16,215,000	:	3,032,000	3,032,0
Atlanta	43,548,000	27,399,000	:	25,114,000	12,214,0
Chicago	261,514,000	125,974,000	:	234,281,000	94,281,0
St. Louis	64,918,000	53,561,000	:	16,512,000	12,512,0
Minneapolis	20,914,000	20,324,000	:	10,731,000	10,731,0
Kansas City	29,110,000	29,110,000	:	14,617,000	14,617,0
Dallas	28,357,000	21,357,000	:	9,792,000	9,792,0
San Francisco	87,780,000	60,855,000	:	105,297,000	77,777,0
TOTALS	$2,030,427,000	$1,200,451,000 a/		$1,633,915,000	$1,000,775,0

a/ Includes $251,281,000 noncompetitive tenders accepted at the average price of 99.0
b/ Includes $84,135,000 noncompetitive tenders accepted at the average price of 98.0
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 3.92%, for the 91-day bills, and 4.06%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

F-149

August 3, 1965

FOR RELEASE AT 12:00 NOON, EDT
TUESDAY, AUGUST 3, 1965

~~DRAFT~~

LESTER D. JOHNSON SWORN IN AS COMMISSIONER OF CUSTOMS

Secretary of the Treasury Henry H. Fowler today ~~(August 3)~~ administered the oath of office to Lester D. Johnson as U. S. Commissioner of Customs at a ceremony in the Department of the Treasury. Mr. Johnson was named to the office by Secretary Fowler on July 20.

Commissioner Johnson has been acting commissioner since October 1, 1964 when his predecessor Philip Nichols, Jr. was named judge in the U. S. Customs Court by President Johnson. Mr. Johnson had been assistant commissioner since January, 1964.

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 3, 1965

FOR RELEASE AT 12:00 NOON, EDT
TUESDAY, AUGUST 3, 1965

LESTER D. JOHNSON SWORN IN AS
COMMISSIONER OF CUSTOMS

Secretary of the Treasury Henry H. Fowler today administered the oath of office to Lester D. Johnson as U. S. Commissioner of Customs at a ceremony in the Department of the Treasury. Mr. Johnson was named to the office by Secretary Fowler on July 20.

Commissioner Johnson has been Acting Commissioner since October 1, 1964 when his predecessor Philip Nichols, Jr. was named judge in the U. S. Customs Court by President Johnson. Mr. Johnson had been Assistant Commissioner since January, 1964.

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F-150

~~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 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

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 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 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 12, 1965 (16), in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 12, 1965 (17). 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

Exhibit 2-A

BETA - MODIFIED

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 4, 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 August 12, 1965 (3), in the amount of $ 2,202,265,000 (4), as follows:

92 (5) -day bills (to maturity date) to be issued August 12, 1965 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated May 13, 1965 (8), and to mature November 12, 1965 (9), originally issued in the amount of $ 1,000,857,000 (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 August 12, 1965 (13), and to mature February 10, 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, Monday, August 9, 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 decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 4, 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 12,1965, in the amount of $2,202,205,000, as follows:

92-day bills (to maturity date) to be issued August 12, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated May 13, 1965, and to mature November 12,1965, originally issued in the amount of $1,000,857,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated August 12,1965, and to mature February 10, 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.

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 12,1965,in cash or other immediately available funds or in a like face amount of Treasury bills maturing August 12,1965. 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 Merlyn N. Trued
Assistant Secretary for International Affairs
Before the Subcommittee on Foreign Economic Policy
House Foreign Affairs Committee
August 4, 1965, 10:00 A.M.

Mr. Chairman and Members of the Committee:

The Committee has already received statements and supporting materials covering the composition and present uses of our foreign currency holdings. I will, therefore, confine my opening remarks to certain aspects of the role of the Treasury Department which may be of interest to this Committee.

The Treasury's primary responsibility in this area was defined in Executive Order 10488 of September 23, 1953. This Executive Order provided that ". . . the purchase, custody, transfer, or sales of foreign exchange (including credits and currencies) by any executive department or agency of the United States shall be administered under such regulations . . . as may be issued by the Secretary of the Treasury . . ."

Following the promulgation of this Executive Order the Secretary of the Treasury, on October 19, 1953, issued Treasury Department Circular No. 930. This Circular, which has since been amended several times, requires (1) that all collections of foreign currencies by any department or agency be deposited into the custody of the Treasury, (2) that foreign currencies may be withdrawn from Treasury custody only for sale for dollars, or for expenditure by agencies without payment of dollars if specifically authorized by law, and (3) that agencies must purchase foreign currencies from the Treasury rather than in the market whenever Treasury has the needed currencies available for sale.

Another Treasury responsibility in the management of U.S.-owned foreign currencies is the determination of what currencies are in excess of requirements for payment of U.S. obligations abroad. This responsibility was delegated to the Secretary of the Treasury by Executive Order 10973 of November 3, 1961. I would like to go into this in a bit more detail.

Excess Currency Determination:

For most of the 81 different currencies coming into Treasury accounts, holdings are much smaller than estimated requirements for U.S. Government payments in those currencies for a reasonable period in the future. But in the case of but less than three years' estimated requirements, the currency may or may not be listed as "excess," depending on such factors as estimated future accruals, possible depreciation of the currency, and the trend of agency requirements. If more than three years' estimated requirements are on hand, the currency would normally be considered in excess.

The determination obviously cannot be a mechanical one since it depends in part on estimates of future developments. It is considered reasonable to have two or three years' estimated requirements on hand before declaring the currency in excess. Otherwise, contingencies could cause a shortfall in availabilities for priority uses and the Treasury might be forced to cover the requirements for such uses by purchases with dollars in the foreign countries involved. This would be undesirable for U.S. balance-of-payments reasons.

Once it is compiled, the list of "excess" currency countries for the following fiscal year is used by the Budget Bureau as a basis for inviting agencies to propose projects which would not be approved by Budget for regular dollar appropriations. The BOB considers that the projects proposed should be of a quality justifiable for inclusion in the agency's regular dollar budget, but that they may be of lower priority than projects included in the dollar estimates. When such projects or programs are approved, appropriations are requested from the Congress for dollars restricted to the purchase of currencies declared "excess" by the Treasury Department.

The Treasury does not, however, have responsibility in the approval of programs for the utilization of "excess" currencies by agencies having statutory authority for such programs. This is a function of the Bureau of the Budget. Of course, the Treasury, as a matter of international financial policy, has a continuing interest in proposals for the utilization of "excess" currencies, particularly where these proposals bear on our balance of payments.

It has been possible to make certain arrangements for further use of our excess holdings of local currency. These arrangements are summarized in a letter of May 27, 1965 to Senator Byrd, which has been published in the Congressional Record. They include, for example, greater use of such currencies for official travel in lieu of dollars, for

Government procurement for use outside of the host country by the United States or for third countries and sale to tourists and other private U.S. citizens. Other possibilities are always examined, but because of the difficult economic situation in the countries involved, these arrangements of necessity have limited potential.

Program Coordination:

I should also mention that Treasury participates with other agencies on the Interagency Staff Committee for Surplus Agricultural Disposal, known as the ISC, which formulates U.S. negotiating positions for prospective Title I sales agreements with foreign countries. The Treasury role on this Committee - whose functions were discussed with you by the representative of the Department of Agriculture - is to furnish information and advice on the requirements of the U.S. for the currencies of the respective countries which bear on the amount of foreign currencies which should be earmarked for U.S. use under the prospective P.L. 480 agreement. Treasury also assists in preparing Title IV sales agreements by furnishing information and advice concerning appropriate rates of interest and maturities, and other terms and conditions.

In summary, I should say that we at the Treasury have certain specific functions in the handling of local currencies which I have described and a related interest in the use of such currencies as they bear on our balance of payments. In this latter connection, it may be of interest to recall the fact that local currency uses in both excess and non-excess currencies have directly saved the U. S. balance of payments about $300 million annually.

Thank you, Mr. Chairman.

JUL 12 1965

Assistant Secretary for Administration

SUBJECT: Recognition of Members and Professional Staff of the Customs Survey Group

In keeping with our recent discussion, I have processed a group Special Act or Service Award for subject personnel. An award of $500 has been authorized for each member of the Survey Group listed below and an amount of $200 for each professional staff member listed.

MEMBERS OF SURVEY GROUP

Office of the Secretary

J. Elton Greenlee, Chief, Management Analysis Division
George S. Maharay, Deputy Director of Personnel
Robert L. Skinner, Management Analyst
Edward J. Widmayer, Senior Budget Analyst

Bureau of Customs

Glenn R. Dickerson, Assistant Deputy Commissioner
Raymond N. Marra, Assistant Deputy Commissioner

PROFESSIONAL STAFF

Office of the Secretary

Alvin W. Norcross, Assistant to the Director of Personnel
Mrs. Jane E. Spear, Management Analyst

Bureau of Customs

Albert J. Frances, Jr., Liaison Officer
James E. Townsend, Operations Officer

Because of the significance of the Customs Study, the certificates given in conjunction with the group award have been prepared for your signature. Also attached for your signature is the Exceptional Service Award certificate for James H. Stover, the Project Leader.

Latham Ex. Sec.

Members of the Survey Group and staff are as follows:

MEMBERS OF SURVEY GROUP

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George S. Maharay, Deputy Director of Personnel
Robert L. Skinner, Management Analyst
Edward J. Widmayer, Senior Budget Analyst

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Mrs. Jane B. Spear, Management Analyst

Bureau of Customs

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James E. Townsend, Operations Officer

The Secretary pointed out that "the results of the Survey Group's work under James Stover's guidance, when put into effect, will enable the Bureau of Customs to administer the Customs laws more effectively with significant annual savings to the taxpayer."

The Secretary also commended the members of the Survey Group, and of its Professional Staff, who received the Special Act or Service Award -- a cash award -- from the Assistant Secretary for Administration, A. E. Weatherbee. The Award was made in the amounts of $500 to each member of the Survey Group and of $200 to each member of the professional staff.

August 5, 1965

FOR RELEASE AT 3:00 P.M., EDT
THURSDAY, AUGUST 5, 1965

~~DRAFT PRESS RELEASE~~

SECRETARY FOWLER CONFERS EXCEPTIONAL
SERVICE AWARD UPON JAMES H. STOVER

Treasury Secretary Henry H. Fowler, at a ceremony in the Treasury Building, conferred an Exceptional Service Award upon James H. Stover, Director of the Office of Management and Organization, for his outstanding effort in directing a two-year study of the Customs Bureau.

That study -- conducted by a special Treasury Survey Group under Mr. Stover's leadership -- resulted in a comprehensive report with 230 recommendations for a thorough Customs modernization program.

In his citation, Secretary Fowler praised Mr. Stover's "handling of this difficult and complex assignment."

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 5, 1965

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James E. Townsend, Operations Officer.

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 6, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN JULY

During July 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 $145,870,000.00.

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F-154

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 6, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN JULY

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F-154

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

August 6, 1965

PRELIMINARY RESULTS OF TREASURY'S CURRENT EXCHANGE OFFERING

Preliminary figures show that about $7,032 million, or 96.8%, of the $7,268 million Treasury notes maturing August 13 have been exchanged for the two issues included in the current exchange offering. Exchanges include about $5,148 million for the new 4 percent notes maturing February 15, 1967, and $1,884 million for the 4 percent bonds maturing February 15, 1969. About $236 million, or 3.2%, of the maturing notes remain for cash redemption.

Subscriptions reported above include $3,051 million by the Federal Reserve Banks and Government accounts for the 4% notes and $1,076 million for the 4% bonds. Of the maturing notes held outside such accounts $2,097 million were exchanged for the 4% notes and $808 million for the 4% bonds, leaving $236 million, or 7.5%, unexchanged.

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

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F-155

TREASURY DEPARTMENT

WASHINGTON, D.C.

R RELEASE A.M. NEWSPAPERS,
esday, August 10, 1965.

August 9, 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 May 13, 1965, and e other series to be dated August 12, 1965, which were offered on August 4, were opened the Federal Reserve Banks on August 9. Tenders were invited for $1,200,000,000, or ereabouts, of 92-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:	92-day Treasury bills maturing November 12, 1965		:	182-day Treasury bills maturing February 10, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.021	3.831%	:	98.010	3.936%
Low	99.014	3.858%	:	98.002	3.952%
Average	99.017	3.846% 1/	:	98.004	3.948% 1/

89% of the amount of 92-day bills bid for at the low price was accepted
36% 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	$ 22,255,000	$ 12,255,000	:	$ 29,787,000	$ 4,787,000
New York	1,416,024,000	761,884,000	:	1,455,136,000	782,833,000
Philadelphia	29,768,000	17,768,000	:	15,260,000	6,760,000
Cleveland	37,107,000	37,107,000	:	30,519,000	21,511,000
Richmond	14,365,000	14,365,000	:	8,973,000	3,345,000
Atlanta	40,031,000	27,673,000	:	22,963,000	11,963,000
Chicago	275,053,000	145,393,000	:	274,601,000	66,451,000
St. Louis	39,729,000	31,619,000	:	13,640,000	9,640,000
Minneapolis	22,793,000	21,573,000	:	9,858,000	5,718,000
Kansas City	33,158,000	32,158,000	:	19,588,000	14,813,000
Dallas	30,390,000	22,280,000	:	12,383,000	7,383,000
San Francisco	101,774,000	76,849,000	:	107,374,000	64,820,000
	$2,062,447,000	$1,200,924,000 a/		$2,000,082,000	$1,000,024,000 b/

Includes $256,652,000 noncompetitive tenders accepted at the average price of 99.017
Includes $91,072,000 noncompetitive tenders accepted at the average price of 98.004
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.94%, for the 92-day bills, and 4.08%, 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

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IMMEDIATE RELEASE
WEDNESDAY, AUGUST 11, 1965

F-157

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to July 31, 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 31, 1965
Buttons	510,000	Gross	257,933
Cigars	120,000,000	Number	4,968,147
Coconut oil ...	268,800,000	Pound	Quota filled*
Cordage	6,000,000	Pound	4,440,889
Tobacco	3,900,000	Pound	3,275,818

*Approximately 283,370,743 pounds entered through July 31, 1965.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, AUGUST 11, 1965

F-157

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*Approximately 283,370,743 pounds entered through July 31, 1965.

Commodity	Period and Quantity		Unit of Quantity	Imports as of July 31, 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
	12 mos. from August 1, 1965	1,709,000	Pound	494,334 1/

1/ Imports as of August 9, 1965.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
WEDNESDAY, AUGUST 11, 1965

F-158

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 31, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports as of July 31, 1965
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	641,028
Whole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	42
Cattle, 700 lbs. or more each (other than dairy cows) ...	July 1, 1965 - Sept. 30, 1965	120,000	Head	14,148
Cattle, less than 200 lbs. each	12 mos. from April 1, 1965	200,000	Head	58,358
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	24,618,503
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, AUGUST 11, 1965

F-158

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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
	12 mos. from August 1, 1965	1,709,000	Pound	494,334 1/

1/ Imports as of August 9, 1965.

TREASURY DEPARTMENT
Washington, D. C.

F-159

IMMEDIATE RELEASE
WEDNESDAY, AUGUST 11, 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 – August 6, 1965 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	2,255,444	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***3,196,701
Bolivia	5,040,000	***823,971	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	5,912,120	66,480,000	66,480,000	37,840,000	***36,276,473
Italy	-	-	-	-	-	-	3,600,000	***1,102,300
Mexico	-	-	36,880,000	15,086,316	70,480,000	26,770,364	6,320,000	***4,181,179
Peru	16,160,000	***10,484,943	12,880,000	1,400,041	35,120,000	7,320,771	3,760,000	1,308,390
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	***3,251,844
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***4,654,049	-	-	-	-
All other countries (total)	6,560,000	***2,626,611	6,080,000	***3,782,377	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of August 9, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, AUGUST 11, 1965

F-159

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 - August 6, 1965 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds)	Imports	ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	2,255,444	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***3,196,701
Bolivia	5,040,000	***823,971	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	5,912,120	66,480,000	66,480,000	37,840,000	***36,276,473
Italy	-	-	-	-	-	-	3,600,000	***1,102,300
Mexico	-	-	36,880,000	15,086,316	70,480,000	26,770,364	6,320,000	***4,181,179
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Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	***3,251,844
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Yugoslavia	-	-	15,760,000	***4,654,049	-	-	-	-
All other countries (total)	6,560,000	***2,626,611	6,080,000	***3,782,377	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of August 9, 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, 19[illegible], to August 9, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 19[illegible] to [illegible]
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
WEDNESDAY, AUGUST 11, 1965

F-160

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 - August 2, 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	2,761,983	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.

Staple Length	Allocation	Imports Year ended July 31, 1965	Imports Aug. 1, 1965 to Aug. 9, 1965
1-3/8" or more	39,590,778	39,590,778	25,993,017
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	33,759	6,722
1-1/8" or more and under 1-3/8"	4,565,642	2,722,731	65,942

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
WEDNESDAY, AUGUST 11, 1965

F-160

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 - August 9, 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	2,761,983
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.

Staple Length	Allocation	Imports Year ended July 31, 1965	Imports Aug. 1, 1965 to Aug. 9, 1965
1-3/8" or more	39,590,778	39,590,778	25,993,017
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	83,759	6,722
1-1/8" or more and under 1-3/8"	4,565,642	2,722,731	65,942

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 August 9, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1964 to August 9, 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.

August 11, 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 19, 1965, in the amount of \$2,201,249,000, as follows:

91-day bills (to maturity date) to be issued August 19, 1965, in the amount of \$1,200,000,000, or thereabouts, representing an additional amount of bills dated May 20, 1965, and to mature November 18, 1965, originally issued in the amount of \$1,001,778,000, the additional and original bills to be freely interchangeable.

182-day bills, for \$1,000,000,000, or thereabouts, to be dated August 19, 1965, and to mature February 17, 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 16, 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 Bank on August 19, 1965, cash or other immediately available funds or in a like face amount of Treasury bills maturing August 19, 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.

August 11, 1965

FOR IMMEDIATE RELEASE

STATEMENT BY TREASURY SECRETARY HENRY H. FOWLER
ON REORGANIZATION OF TREASURY LAW ENFORCEMENT,
AND APPOINTMENT OF DAVID C. ACHESON

In connection with the establishment in the Treasury of the new office of Special Assistant to the Secretary (for Enforcement), and the appointment of David C. Acheson to fill the new post, announced today by the White House, Treasury Secretary Henry H. Fowler said:

"I have reorganized the supervision of Treasury law enforcement, and named Mr. Acheson to direct or coordinate all Treasury law enforcement activities as part of the President's war on crime in the United States.

"Full and active Treasury participation in the President's program to abate crime at all levels is of particular importance because the Treasury has the most extensive law enforcement establishment in the Federal government.

"Like the President, I view the prevention and reduction of crime as one of our most important national tasks. It is clear, as the President has indicated, that this involves a throughgoing attack on crime in all its aspects, including the coordination of enforcement activities, study of the causes of crime as one of the most important ways of preventing crime, study of ways to rehabilitate those who have set their foot on the pathways of crime, better understanding of how to punish crime, and assistance by Federal agencies to state and local law enforcement.

"As the first occupant of the new office of Special Assistant to the Secretary (for Enforcement), Mr. Acheson will be charged with seeing to it that the Treasury does everything within its powers to cooperate with the President's Commission on Law Enforcement and the Administration of Justice, in the discharge of its great tasks. It is likewise his task to ensure that the Treasury does all that it can, within its own means, to reduce and prevent crime, and to cooperate with other law enforcement agencies, including state and local law enforcement."

The Treasury Secretary gave the following list of the principal duties of the new Office of Special Assistant to the Secretary (for Enforcement):

The new Special Assistant to the Secretary shall have direct supervision over the following:

United States Secret Service;

Bureau of Narcotics;

Office of Law Enforcement Coordination (including the Treasury Enforcement School).

He will also:

Serve as principal advisor to the Secretary on all law enforcement matters;

Inform the Secretary fully of all significant developments relating to Presidential protection;

Coordinate all enforcement activities of the Treasury and provide policy and technical guidance to the Bureau of Customs, United States Coast Guard, and Internal Revenue Service enforcement activities as required to assure optimum benefits from joint and cooperative utilization of law enforcement resources;

Appraise Treasury enforcement agencies with respect to merit of programs and the overall efficiency, effectiveness and integrity of personnel and activities;

Formulate basic law enforcement policy, program, organizational and procedural proposals to effectively and efficiently carry out the Department's national and international law enforcement responsibilities; and

Strengthen relationships with Federal, state, and local enforcement agencies.

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The reorganization of the structure of the Customs Bureau will be accompanied by introduction over the next two years of automatic data handling and other measures to gear customs services to the rapidly expanding business of the Bureau brought about by the growth of travel and of trade. The Customs Bureau ~~expects to~~ collect over $2 billion for the first time this fiscal year. The speed with which demands upon the Bureau are increasing is indicated by the fact that customs collections first reached $1 billion in 1957.

The Customs Bureau has 9,300 employees throughout the United States, primarily at border and seaport points.

The Treasury Progress Report describes steps taken to increase the efficiency, convenience and economy of customs services, in line with recommendations made by a Treasury Survey Group. Action has been taken on 85 of some 230 recommendations. The new arrangements will expedite the entry and clearance of vessels and of imported merchandise, simplify the clearance of persons and their effects, reduce backlogs and eliminate delays.

Under the Reorganization Plan, the 53 Customs offices formerly filled by Presidential appointments are to be abolished. Holders of these offices will be afforded an opportunity for employment in the Customs Service for which they can qualify under the Civil Service laws.

The regional organization of the Customs Bureau will consolidate the present 25 major collection districts, 22 smaller collection districts, 42 appraisement districts and 9 laboratory districts, all of which have reported separately to Washington. This organization grew up piecemeal over the span of the nation's history, with services and districts added as the nation and its international business grew.

Announcement of the selection of regional headquarters sites was part of a progress report issued today by the Treasury on modernization of the Customs Service. Organization of the Customs Bureau into nine regions is the most extensive change in the 176-year-old history of the Bureau. It follows up Reorganization Plan No. 1 of 1965, which became effective May 25. The ~~P~~lan authorized the President to place the fast growing Customs Service upon a career basis.

The regional headquarters will come into being at different times over the next 12 months. The new structure will be initiated with the establishment of Region VIII headquarters at San Francisco in November. Region

at — will be established

VII, Los Angeles will follow, in January; Region IV at Miami and Region V at

at — in — at

New Orleans in February 1966; Region IX, Chicago, March; Region III, Balti-

in — at — at — in

more, April; Region VI, Houston and Region I, Boston, May; and Region II, at

will come into being in

New York City, June, 1966.

[redacted]

CHANGES IN THE CUSTOMS BUREAU

Assistant Secretary of the Treasury James A. Reed announced today that Baltimore, Houston, and Los Angeles have been added to the cities scheduled to become regional Customs headquarters.

It had previously been announced that new regional Customs headquarters would be established in the near future at Boston, Chicago, Miami, Fla., New Orleans, New York and San Francisco.

"The choice of headquarters sites has been made with painstaking care," Assistant Secretary Reed said. "The sites were chosen with the objective of providing the public with good service on an efficient basis. We have been guided in our choices by considerations of public convenience, economy and efficiency."

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 12,1965

ADVANCE FOR RELEASE AT 12 NOON, EDT.
THURSDAY, AUGUST 12, 1965

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F-163

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Customs Regional and District Headquarters

Locations together with Ports of Entry Included Therein

Established by Treasury Department Order No. 165-17

dated August 10, 1965

egion and eadquarters	District and Headquarters	Ports of Entry
I - Boston, Mass.	Portland, Me.	Portland, Maine Bangor, Maine Bar Harbor, Maine Bath, Maine Belfast, Maine Bridgewater, Maine Calais, Maine Eastport, Maine Fort Fairfield, Maine Fort Kent, Maine Jackman, Maine Houlton, Maine Jonesport, Maine Limestone, Maine Madawaska, Maine Portsmouth, N. H. Rockland, Maine Van Buren, Maine Vanceboro, Maine
	St. Albans, Vt.	St. Albans, Vermont Alburg, Vermont Beecher Falls, Vermont Burlington, Vermont Derby Line, Vermont Highgate Spring, Vermont Island Pond, Vermont Newport, Vermont North Troy, Vermont Richford, Vermont
	Boston, Mass.	Boston, Massachusetts Fall River, Massachusetts Gloucester, Massachusetts Lawrence, Massachusetts New Bedord, Massachusetts Plymouth, Massachusetts Salem, Massachusetts Springfield, Massachusetts Worcester, Massachusetts
	Providence, R. I.	Providence, Rhode Island Newport, Rhode Island

Region and Headquarters	District and Headquarters	Ports of Entry
	Bridgeport, Conn.	Bridgeport, Connecticut Hartford, Connecticut New Haven, Connecticut New London, Connecticut
	Ogdensburg, N. Y.	Ogdensburg, New York Alenandria Bay, New York Cape Vincent, New York Champlain, New York Chateaugay, New York Clayton, New York Fort Covington, New York Massena, New York Mooers, New York Morristown, New York Rouses Point, New York Trout River, New York Waddington, New York
	Buffalo, N. Y.	Buffalo, New York Niagara Falls, New York Rochester, New York Oswego, New York Sodus Point, New York Syracuse, New York Utica, New York
II - New York City	New York City, N. Y.	New York, New York Albany, New York Perth Amboy, New Jersey
III - Baltimore, Maryland	Philadelphia, Pa.	Philadelphia, Pennsylvania Chester, Pennsylvania Erie, Pennsylvania Pittsburgh, Pennsylvania Wilmington, Delaware
	Baltimore, Md.	Baltimore, Maryland Annapolis, Maryland Cambridge, Maryland Crisfield, Maryland Washington, D. C.
	Norfolk, Va.	Norfolk and Newport News, Virginia Alexandria, Virginia Cape Charles City, Virginia Petersburg, Virginia Reedville, Virginia Richmond, Virginia

gion and adquarters	District and Headquarters	Ports of Entry
IV - Miami, Fla.	Wilmington, N. C.	Wilmington, North Carolina Beaufort-Morehead City, North Carolina Charlotte, North Carolina Durham, North Carolina Elizabeth City, North Carolina Elkin, North Carolina Reidsville, North Carolina Winston-Salem, North Carolina
	Charleston, S. C.	Charleston, South Carolina Georgetown, South Carolina
	Savannah, Ga.	Savannah, Georgia Atlanta, Georgia Brunswick, Georgia
	Tampa, Fla.	Tampa, Florida Bocagrande, Florida Fernandia Beach, Florida Jacksonville, Florida Port Canaveral, Florida St. Augustine, Florida St. Petersburg, Florida
	Miami, Fla.	Miami, Florida Key West, Florida Port Everglades, Florida West Palm Beach, Florida
	San Juan, P. R.	San Juan, Puerto Rico Aguadilla, Puerto Rico Fajardo, Puerto Rico Guanica, Puerto Rico Humacao, Puerto Rico Jobos, Puerto Rico Mayaguez, Puerto Rico Ponce, Puerto Rico
	Charlotte Amalie, St. Thomas, V. I.	Charlotte Amalie Cruz Bay Coral Bay Christiansted Frederiksted

Region and Headquarters	District and Headquarters	Ports of Entry
V - New Orleans, La.	Mobile, Ala.	Mobile, Alabama Apalachicola, Florida Birmingham, Alabama Carrabelle, Florida Gulfport, Mississippi Panama City, Florida Pascagoula, Mississippi Pensacola, Florida Port St. Joe, Florida
	New Orleans, La.	New Orleans, Louisiana Baton Rouge, Louisiana Chattanooga, Tennessee Greenville, Mississippi Memphis, Tennessee Morgan City, Louisiana Nashville, Tennessee
VI - Houston, Texas	Port Arthur, Texas	Port Arthur, Texas Beaumont, Texas Lake Charles, Louisiana Orange, Texas Sabine, Texas
	Galveston, Texas	Galveston, Texas Corpus Christi, Texas Freeport, Texas Port Lavaca, Texas
	Houston, Texas	Houston, Texas Dallas, Texas Fort Worth, Texas
	Laredo, Texas	Laredo, Texas Brownsville, Texas Del Rio, Texas Eagle Pass, Texas Hidalgo, Texas Rio Grande City, Texas Roma, Texas San Antonio, Texas
	El Paso, Texas	El Paso, Texas Columbus, New Mexico Denver, Colorado Fabens, Texas Presidio, Texas

ion and iquarters	District and Headquarters	Ports of Entry
II - Los Angeles, Calif.	Nogales, Arizona	Nogales, Arizona Douglas, Arizona Lukeville, Arizona Naco, Arizona San Luis, Arizona Sasable, Arizona
	San Diego, Calif.	San Diego, California Andrade, California Calexico, California Tecate, California
	Los Angeles, Calif.	Los Angeles, California Port San Luis, California
III - San Francisco Calif.	San Francisco, Calif.	San Francisco-Oakland, California Eureka, California
	Honolulu, Hawaii	Honolulu, Hawaii Hilo, Hawaii Kahului, Hawaii Nawiliaili-Port Allen, Hawaii
	Portland, Oregon	Portland, Oregon Astoria, Oregon Coos Bay, Oregon Longview, Washington Newport, Oregon
	Seattle, Washington	Seattle, Washington Aberdeen, Washington Anacortes, Washington Bellingham, Washington Blaine, Washington Danville, Washington Everett, Washington Ferry, Washington Friday Harbor, Washington Laurier, Washington Lynden, Washington Metaline Falls, Washington Neah Bay, Washington Nighthawk, Washington Northport, Washington Olympia, Washington

Region and Headquarters	District and Headquarters	Ports of Entry
		Oroville, Washington Port Angeles, Washington Port Townsend, Washington South Bend-Raymond, Washington Spokane, Washington Sumas, Washington Tacoma, Washington
	Juneau, Alaska	Juneau, Alaska Anchorage, Alaska Fairbanks, Alaska Ketchikan, Alaska Kodiak, Alaska Pelican, Alaska Petersburg, Alaska Sand Point, Alaska Sitka, Alaska Skagway, Alaska Wrangell, Alaska
	Great Falls, Montana	Great Falls, Montana Del Bonita, Montana Eastport, Idaho Morgan, Montana Opheim, Montana Piegan, Montana Porthill, Idaho Raymond, Montana Rooseville, Montana Scobey, Montana Sweetgrass, Montana Turner, Montana Whitetail, Montana Whitlash, Montana
IX - Chicago, Illinois	Chicago, Illinois	Chicago, Illinois Omaha, Nebraska Peoria, Illinois
	Pembina, North Dakota	Pembina, North Dakota Ambrose, North Dakota Antler, North Dakota Baudette, Minnesota Carbury, North Dakota Dunseith, North Dakota Fortuna, North Dakota Hannah, North Dakota Hansboro, North Dakota Maida, North Dakota Neche, North Dakota Noonan, North Dakota Northgate, North Dakota

Region and Headquarters	District and Headquarters	Ports of Entry
		Noyes, Minnesota Pinecreek, Minnesota Portal, North Dakota Roseau, Minnesota Sarles, North Dakota Sherwood, North Dakota St. John, North Dakota Walhalla, North Dakota Warroad, Minnesota Westhope, North Dakota
	Minneapolis, Minn.	Minneapolis, Minnesota St. Paul, Minnesota
	Duluth, Minn.	Duluth, Minnesota and Superior, Wis. Ashland, Wisconsin Grand Portage, Minnesota International Falls-Ranier, Minn.
	Milwaukee, Wisconsin	Milwaukee, Wisconsin Green Bay, Wisconsin Manitowoc, Wisconsin Marinette, Wisconsin Racine, Wisconsin Sheboygan, Wisconsin
	Cleveland, Ohio	Cleveland, Ohio Akron, Ohio Ashtabula, Ohio Cincinnati, Ohio Columbus, Ohio Conneaut, Ohio Dayton, Ohio Evansville, Indiana Indianapolis, Indiana Lawrenceburg, Indiana Louisville, Kentucky Sandusky, Ohio Toledo, Ohio

Region and Headquarters	District and Headquarters	Ports of Entry
	St. Louis, Missouri	St. Louis, Missouri Kansas City, Missouri St. Joseph, Missouri
	Detroit, Michigan	Detroit, Michigan Muskegon, Michigan Port Huron, Michigan Saginaw-Bay City, Michigan Sault Ste. Marie, Michigan South Haven, Michigan

Status Report on Recommendations

Relating to

Management and Operations

of the

Bureau of Customs

STATUS REPORT OF RECOMMENDATIONS

I. Recommendations which have been implemented

II. Recommendations which have been partially implemented

III. Recommendations which have been rejected

IV. Recommendations under consideration

RECOMMENDATIONS WHICH HAVE BEEN IMPLEMENTED

1. Recommendation	Reorganize Bureau headquarters along functional lines to provide better functional supervision of all major field programs.
Action Taken:	Implementing memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964.
2. Recommendation	Establish four major offices in the headquarters. These are Offices of Assistant Commissioner for: (1) Enforcement; (2) Administration; (3) Technical; and, (4) Operations.
Action Taken:	Title of offices changed as follows: "Investigations" instead of Enforcement; "Regulations and Rulings" instead of Technical.
3. Recommendation	Redefine responsibilities of the Office of the Chief Counsel to clarify certain divided responsibility on legislation, court decisions, and judicial liaison.
Action Taken:	Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 21, 1964. Bureau instructions issued in Office Memorandum MAN-6-cc, 9/21/64.
4. Recommendation	Assign to the Office of Assistant Commissioner (Enforcement) functions now assigned to the present Division of Investigations and Enforcement, except personnel security activities.
Action Taken:	Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964. Name of office changed to "Investigations" and title of head retained as "Deputy" for present.

<u>Recommendation</u>

Assign to the Office of Assistant Commissioner (Administration) functions now assigned to the present Division of Management and Controls.

<u>Action Taken:</u>

Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964. Title of head changed to "Deputy" for present.

<u>Recommendation</u>

Transfer operating functions to the proposed Office of Assistant Commissioner (Operations). (Relates to the transfer of operating functions from the former Division of Management and Controls to the new Office of Operations).

<u>Action Taken:</u>

Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964. Title of position changed to "Deputy" for present.

<u>Recommendation</u>

Rearrange functions of the Office of Assistant Commissioner (Administration) to provide four divisions. These are: (1) Personnel Management; (2) Fiscal Management; (3) Management Analysis; and, (4) Administrative Services.

<u>Action Taken:</u>

Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964. It provides for five sections, as follows: Budget and Management Analysis; Fiscal Management; Administrative Services; Personnel Management; and Audits.

<u>Recommendation</u>

Assign to the Office of Assistant Commissioner (Technical) functions now assigned to the divisions of (1) Classification and Drawbacks; (2) Entry, Value, and Penalties; and, (3) Marine Administration.

<u>Action Taken:</u>

Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964. Name of office changed to Regulations and Rulings.

<u>Recommendation</u>

Transfer operating functions to the proposed Office of Assistant Commissioner (Operations). (Relates to the transfer of operating functions from the divisions of Classification and Drawbacks; Entry, Value and Penalties; and Marine Administration to the new Office of Operations.)

Action Taken: Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964.

10. Recommendation: Assign to the new Office of Assistant Commissioner (Operations) functional supervision of all field operations and all operating functions now performed in present divisions except Investigations and Enforcement.

Action Taken: Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964. Title of position changed to "Deputy Commissioner" for present.

11. Recommendation: Additional personnel should be assigned to the audit staff so that it can adequately perform the functions transferred from the Agency Service.

Action Taken: Implemented by letter to comptrollers, file PEC 161.1 R, dated July 8, 1964.

12. Recommendation: Operational functions now performed in the Division of Management and Controls (such as conducting field inspections and supervising export control activities) should be transferred to the proposed Office of Assistant Commissioner (Operations) and a Management Analysis Division should be established in the proposed Office of Assistant Commissioner (Administration) to deal with forms and reports management and to provide an effective management analysis program for all Customs activities, including appraisers' offices, laboratories, and the Customs Agency Service.

Action Taken: Implemented by recommended transfers and by establishing recommended divisions.

13. <u>Recommendation</u>

The Quota Unit should be in the proposed Office of the Assistant Commissioner (Operations) as proposed in Section IV.

<u>Action Taken:</u>

Implementing memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964. Title of head of office changed to "Deputy Commissioner" for present.

14. <u>Recommendation</u>

In order to reduce the backlog of unappraised entries, administrative instructions should be issued to appraise all such entries made prior to August 31, 1963, on the basis of best available information, except entries withheld pending court decision and entries withheld under the provisions of the Antidumping Act.

<u>Action Taken:</u>

Implemented September 14, 1964.

15. <u>Recommendation</u>

Public information efforts should be strengthened as follows: a. Place greater emphasis on informing the public of the entire program and the requirements of Customs. b. Create enthusiasm for good public relations among the rank and file employees through suoh techniques as a monthly publication, training programs, and employee conferences.

<u>Action Taken:</u>

Implemented by following the recommendations.

16. <u>Recommendation</u>

A joint study should be made by the Bureaus of Budget, Census, and Customs to determine if statistical verification can be satisfactorily accomplished by a system of selective sampling.

<u>Action Taken:</u>

The study by the joint sub-committee has been completed. It was found that while statistical verification cannot be effectively accomplished at this time by a system of selective sampling there are several ways present procedures can be improved. These changes are underway and will be implemented by July 1, 1965.

17. Recommendation

Assign responsibility for direct supervision of the Customs Information Exchange (New York City) to the Assistant Commissioner (Operations).

Action Taken:

Implementation memorandum forwarded to Secretary on August 26, 1964, and approved September 18, 1964.

18. Recommendation

Appointment of a coordinating committee for implementation of recommendations;

Action Taken:

Committee established by Commissioner on July 24, 1964.

19. Recommendation

Deferment of filling vacancies of positions to be affected by the reorganization;

Action Taken:

Implemented by internal controls.

20. Recommendation

Qualification standards should be applied uniformly in both competitive and non-competitive actions.

Action Taken:

Implemented by Bureau circular on March 26, 1964, which removed the waiver of the Federal Service Entrance Examination.

21. Recommendation

Areas of competition for reassignment or promotion should encompass all employees in a geographic area, such as the proposed regions, or all employees in the Customs Service, depending upon the grade and organizational level of the position involved.

Action Taken:

Reassignments and promotions to key positions are now filled by servicewide recruitment. This procedure has been partially in effect since 1960 but by Bureau circular of May 25, 1964, it was further changed by increasing the number of positions covered and by redefining Bureau policy in filling such vacancies.

22. Recommendation

The Bureau should make a comprehensive inventory of training needs to determine priority requirements, and develop specific plans for meeting those requirements on a time-phased basis.

Action Taken:

Was implemented as a provision of the charter of the Training and Career Development Council which was established by Bureau Memorandum of November 30, 1964. Members of this Council have been appointed and the recommended inventory of training needs is being given priority attention.

23. Recommendation

An advisory high-level Employee Development Council should be established to assist the Commissioner of Customs, his Personnel Officer and the Employee Development Officer in planning and carrying out a Bureau-wide career development program and executive development program.

Action Taken:

Was implemented by Bureau memorandum of November 30, 1964, which established a Training and Career Development Council.

24. Recommendation

The Bureau should devote more attention to the training implications of long and short range plans affecting its organization, procedures, and staffing (including plans for the application of ADP).

Action Taken:

Was implemented by incorporating in the charter of the Training and Career Development Council the responsibility for advising on the best means for determining and defining the total training needs of the Customs Service.

25. Recommendation

Efforts should be continued to obtain additional staffing for the mail divisions.

Action Taken:

Implemented in 1966 budget.

6. Recommendation — As a part of the total reorganization of the Customs Service, action should be taken to: d. Streamline and reorganize the headquarters Personnel Section by: (3) Consolidating the total incentive awards program under the Personnel Section;

Action Taken: Implemented by memorandum from Deputy Commissioner, Division of Management and Controls to Commissioner of Customs.

7. Recommendation — The Bureau should move faster with feasibility studies and acquisition of automatic data processing equipment.

Action Taken: Implemented.

8. Recommendation — Responsibility for development and installation of automatic data processing should be placed under the Fiscal Management Officer.

Action Taken: Implemented.

9. Recommendation — Computer systems analysts and staff should be employed to install automated systems and train employees in the use of the systems. This would be a continuing staff for maintenance and improvement of the automatic data processing system, including studies extending its use to other activities to insure maximum benefits and use from the installation.

Action Taken: Implemented.

). Recommendation — Increase the present $20,000 limitation on the Commissioner's authority to remit or mitigate penalties to $100,000.

Action Taken: Implemented, see T. D. 56276.

.. Recommendation — Require the Assistant Secretary or other official designated by the Secretary of the Treasury to sign cases which continue to be referred for review to the Office of the Secretary.

Action Taken: Implemented, see T.D. 56276.

2. Recommendation

Permit collectors of customs to delegate to deputy collectors of customs in charge of subports as much of the authority as they now have, or a lesser amount as they see fit, in the case of fines, penalties, and forfeitures as set forth in Section 23.25 of the Customs Regulations.

Action Taken: Implemented.

3. Recommendation

Authorize collectors of customs to mitigate or remit any liquidated damages that do not aggregate over $20,000 in any one case, when the collector is satisfied that such liquidated damages occurred in circumstances justifying mitigation or remission.

Action Taken: Implemented, see T.D. 56202 and CR 23.25.

4. Recommendation

Appointment of a selection committee to recommend employees for key positions.

Action Taken: Implemented by Bureau Circular PER-12-PER, April 9, 1965, which established an Executive Evaluation Board composed of Customs and Treasury officials to be responsible for evaluation of applicants for customs positions in grade GS-14 and higher and to make recommendations for those considered best qualified.

5. Recommendation

Recruitment and training of management interns for field administrative jobs.

Action Taken: Implemented by Bureau Circular PER-3-PED, dated June 4, 1965

6. Recommendation

Propose that the Department of Commerce and/or the United States Tariff Commission undertake a study to determine the effect of drawback on American businesses engaged in foreign trade, with a view toward proposing new legislation which might be more effective and less costly to administer.

Action Taken: Implemented by Treasury action.

37\. <u>Recommendation</u>

In order to reduce the backlog of unliquidated entries, all unliquidated entries for which there is no change in the amount of duty due as a result of the appraiser's and inspector's reports should be considered liquidated "as entered" without going through the full process of liquidation.

<u>Action Taken:</u>

Was implemented by Bureau Circular LIQ-1-CO of November 27, 1964, which directed that all formal consumption entries which were ready for tentative liquidation with no change in value, classification, or quantity were to be liquidated as entered without formal processing except for a random and judgment sampling totaling 5 percent of the backlog. As a result, it is anticipated that the backlog will be eliminated during the current quarter. In order to prevent a reoccurrence, probably necessitating a similar drastic solution, a study of the whole problem has been made by a select group of Bureau and field officers with entry, appraisement, and liquidation backgrounds. The recommendations of this group will soon be tested at several ports and if found to be as practical as is now believed will enable Customs to liquidate entries on a current basis for the first time in approximately 10 years.

38\. <u>Recommendation</u>

The Bureau of Customs should continue to work closely with the Customs Section of the Office of the Assistant Attorney General to provide for vigorous prosecution and speedy disposition of cases pending before the Customs Court.

<u>Action Taken:</u>

Implemented by continuing such liaison.

39\. <u>Recommendation</u>

Reorganize the Division of Investigations and Enforcement

<u>Action Taken:</u>

Implemented.

40. Recommendation

A policy on participation in professional societies and attendance at professional meetings should be formulated to encourage personnel to keep abreast of scientific developments.

Action Taken:

Implemented by Bureau letter of January 26, 1965, file TS 180.744 V to each Chief Chemist.

41. Recommendation

Determination of legislative requirements, if any, for reorganization.

Action Taken:

Implemented by submission of Reorganization Plan No. 1 of 1965 to the Congress.

42. Recommendation

Establish regional offices with headquarters at cities which are convenient from the standpoint of Customs administration.

Action Taken:

Treasury Order prepared by Chief Counsel establishing nine regional offices with headquarters at Boston, New York, Baltimore, New Orleans, San Francisco, Chicago, Los Angeles, Miami and Houston.

43. Recommendation

Specific assignment of responsibility for implementation to appropriate Bureau officials after reorganization of the Bureau headquarters.

Action Taken:

Commissioner of Customs Memorandums and Customs Delegation Order No. 21, September 25, 1964.

44. Recommendation

Breadth of experience should be emphasized and be made a prime consideration for entrance into key positions in the field and in the headquarters.

Action Taken:

Bureau Circular PER-3-PED, dated June 4, 1965.

45. Recommendation

Action should be taken to clarify and strengthen the role of the Employee Development Officer, issue more comprehensive policy and guidance concerning training responsibilities, and provide adequate staffing and budgetary support for the training function.

Action Taken:

Bureau Memorandum, November 30, 1964.

46. Recommendation

The requirements in section 14.3 of the Customs Manual for reporting shipments subsequent to initial ones should be liberalized to the maximum extent possible consistent with the principle of uniformity.

Action Taken:

Substantially implemented by Bureau Memorandum, September 17, 1964.

RECOMMENDATIONS WHICH HAVE BEEN PARTIALLY IMPLEMENTED

1. Recommendation

A means of more closely controlling compliance with Bureau policy on overtime should be installed to insure: (1) all non-reimbursable tours of duty that are not vital are eliminated; (2) adequate tours of duty are provided in lieu of reimbursable assignments where this is justified; and, (3) the extent of overtime worked by any employee does not impair his efficiency during the regular tour of duty. This can be done by improved reporting to the Bureau, giving more responsibility to field auditors, and by assigning functional supervision of inspectional activities to operations divisions at regional offices.

Action Taken:

Was implemented by Bureau Circular of October 15, 1964, which clarified and revised the Bureau's policies and objectives in the assignment of personnel to inspectional activities, including those performed while in an overtime status. This circular also provided field officers with added authority and responsibility for administration of such Bureau policy.

2. Recommendation

Effect a major reorganization of the Bureau headquarters and field service.

Action Taken:

Implemented by Secretary's memorandum of September 18, 1964, and Treasury Order No. 165 - prepared by the Chief Counsel.

3. Recommendation

Establish two major divisions in the Office of Operations: (1) Divisions of Entry and Appraisement; and, (2) Divisions of Inspection and Control.

Action Taken:

Partial implementation memorandum approved by Secretary on September 18, 1964. On an interim basis it establishes a somewhat different organizational alignment from that which was recommended. The procedure under which subsequent steps will be taken is under active study. Whatever procedure is put into effect will be given an initial field trial.

Recommendation

The Bureau headquarters should provide stronger leadership, direction, coordination, and evaluation of training programs in the field and increased staff assistance to field officials in carrying out their basic responsibilities for employee development.

Action Taken:

Was implemented in a number of ways. The authorities and responsibilities of the Career Development Officer have been enlarged. The Training and Career Development Council was established. There will be a continuing effort to provide the recommended headquarters attention to field training programs. One of the early programs will be a new chapter in the Customs Personnel Manual to define training policies and responsibilities. This chapter has been drafted and should be issued in the next few months.

Recommendation

The laboratories should be placed under the direction of the proposed Assistant Commissioner (Operations) and Assistant Regional Commissioners (Operations) in order to make this advisory service responsible to the organization that it principally serves.

Action Taken:

Memorandum to Secretary on August 26, 1964, contained implementing recommendation placing Division of Laboratories under Office of Operations. Balance of recommendations dependent upon administration decision. Memorandum approved by Secretary September 18, 1964.

Recommendation

Transfer the responsibility for auditing customs brokers' records to the proposed offices of the Assistant Regional Commissioners (Audit).

Action Taken:

Implemented by T.D. 56201, dated June 25, 1964, and Customs Manual Amendment X-785, dated June 30, 1964.

<u>Recommendation</u> Follow-up and evaluate to insure understanding, acceptance, and carrying out of the ideas that are communicated.

<u>Action Taken:</u> Partially implemented. Remainder will be accomplished in carrying out other recommendations.

<u>Recommendation</u> Include and stress principles in Bureau headquarters issuances in order to: (a) get understanding and acceptance on the part of employees; (b) enable employees to better exercise judgment when judgment is called for; and (c) enable employees to better explain their actions and activities to the public.

<u>Action Taken:</u> Partially implemented. Remainder will be accomplished in carrying out other recommendations.

<u>Recommendation</u> Designate as public information aid one qualified and trained employee in each proposed region and district, with responsibility for assisting principal officers in appropriately informing the public.

<u>Action Taken:</u> Implemented by appropriate designations.

<u>Recommendation</u> Emphasize use of the spoken word as a means of communication, i.e., much more needs to be done in the way of training and conferences.

<u>Action Taken:</u> Partially implemented. Remainder will be accomplished in carrying out other recommendations.

<u>Recommendation</u> Distribute information on the basis of known needs of the field for such information, i.e., there should be reasonable assurance on the basis of experience or knowledge that a field office needs, or will need, issuances before those issuances are sent to that office.

<u>Action Taken:</u> Partially implemented. Remainder will be accomplished in carrying out other recommendations.

12.	<u>Recommendation</u>	Continue efforts to obtain legislation permitting the establishment of a single form for all documentation, the document to be renewed annually.
	<u>Action Taken:</u>	Implemented by continuing such efforts.
13.	<u>Recommendation</u>	Continue efforts to obtain legislation which will permit the establishment of fees for issuing documents on a cost recovery basis.
	<u>Action Taken:</u>	Implemented by continuing such efforts.
14.	<u>Recommendation</u>	Continue to work through IMCO to bring about a simplified system for determining tonnages for passenger and cargo vessels in international trade.
	<u>Action Taken:</u>	Implemented by continuing such efforts.
15.	<u>Recommendation</u>	Continue efforts to obtain legislation permitting the adoption of a simple formula to determine the size capacity of vessels not engaged in international trade.
	<u>Action Taken:</u>	Implemented by continuing such efforts.
16.	<u>Recommendation</u>	The overall problem of expediting clearance of cargo merits thorough joint study by Customs and the transportation industries; Customs should give increased impetus to such studies.
	<u>Action Taken:</u>	Implemented in part by establishment of Air Cargo Committee.
17.	<u>Recommendation</u>	A joint project should be undertaken in conjunction with the Post Office Department to consolidate to the extent feasible the many small mail divisions into larger ones.
	<u>Action Taken:</u>	Implemented by establishing joint study.

18.	Recommendation	All mail divisions should be placed under the appraiser.
	Action Taken:	Implemented on an individual consideration basis. Philadelphia converted. Remainder under study.
19.	Recommendation	The verification of liquidations by the comptroller should be discontinued; such verification to be replaced by a system of internal control and post facto review by the regional audit division.
	Action Taken:	Will be accomplished by placement of audit functions in Office of Regional Commissioner where final liquidation of "change" entries will also be done as recommended elsewhere.
20.	Recommendation	Establish a Regional Commissioner in each region to direct all customs activities in each region.
	Action Taken:	Treasury Order No. 165- prepared by Chief Counsel.
21.	Recommendation	Abolish positions of comptrollers of customs as vacancies occur.
	Action Taken:	Will be accomplished under President's Reorganization Plan No. 1 of 1965.
22.	Recommendation	Abolish the comptroller's office in Philadelphia.
	Action Taken:	Will be accomplished under President's Reorganization Plan No. 1 of 1965.
23.	Recommendation	Abolish positions of collectors of customs as vacancies occur.
	Action Taken:	Will be accomplished under President's Reorganization Plan No. 1 of 1965.
24.	Recommendation	Abolish small collection districts and consolidate them with larger districts.
	Action Taken:	Will be accomplished under President's Reorganization Plan No. 1 of 1965.

25.	Recommendation	Establish an office of District Director in each of the remaining collection districts to supervise all activities within the district except investigations and enforcement.
	Action Taken:	Will be accomplished under President's Reorganization Plan No. 1 of 1965.
26.	Recommendation	Abolish the remaining positions of collector, appraiser, and surveyor as vacancies occur.
	Action Taken:	Will be accomplished under President's Reorganization Plan No. 1 of 1965.
27.	Recommendation	Install the reorganization in two phases. The first phase should include reorganization of Bureau headquarters and establishment of regional offices. The second phase should include abolition of small collection districts and establishment of district director offices.
	Action Taken:	Will be accomplished under President's Reorganization Plan No. 1 of 1965 and Treasury Order No. 165- prepared by Chief Counsel.
28.	Recommendation	Develop a plan for implementation of the proposed reorganization.
	Action Taken:	Treasury Order No. 165- prepared by the Chief Counsel.
29.	Recommendation	Installation of a single test region.
	Action Taken:	Region VIII (San Francisco), September 1, 1965.
30.	Recommendation	Installation of all additional regions after 6 months' operation of test region.
	Action Taken:	Additional regions will be established as previously announced, the last being Regions I and II on June 1, 1966.
31.	Recommendation	Delineation of the responsibilities and authorities of key officials at all levels of the organization.
	Action Taken:	Accomplished for Bureau headquarters officials and draft version prepared for field officers.

32. Recommendation

Establishment of priorities and schedules for implementing actions.

Action Taken:

Has been established through effective dates of last regions in June 1, 1966.

33. Recommendation

Selection boards should be utilized in making selections for key positions in lower organizational levels; e.g., a headquarters selection board of top career employees should screen and nominate candidates for key positions in regions.

Action Taken:

Executive Evaluation Board established by Bureau Circular PER-12-PER of April 9, 1965

34. Recommendation

Immediately assign a team of top level headquarters and field personnel to the job of planning a system of communication that will meet Bureau needs at all organizational levels. Once planned, immediate action should be taken, and resources drawn from field and headquarters, to put the system into effect.

Action Taken:

Study completed. Recommendation made. Will be accomplished early in next fiscal year when funds permit.

35. Recommendation

Retain at the district level under the proposed organization the authority presently delegated to collectors of customs, together with the additional authority recommended above for collectors, with authority to redelegate as much as circumstances indicate is desirable to subports within the district.

Action Taken:

Will be accomplished by Commissioner of Customs delegation order now in draft form.

RECOMMENDATIONS WHICH HAVE BEEN REJECTED

1. Recommendation	Delegate authority above the $100,000 level, in addition to the 32 types now specified in Treasury Order No. 165, to the Commissioner in penalty cases which do not present policy issues of significance.
Actinn Taken:	Not adopted in considering T. D. 56276.
2. Recommendation	Abandon the present policy of 100 percent examination of passenger baggage and replace it with selective spot-check examinations. The goal to be sought is a generally accepted program of voluntary compliance by the traveling public, supported by an effective enforcement program to discourage would-be smugglers and to apprehend actual violators.
Action Taken:	Rejected by Secretary after consultation with Secretary of Agriculture and Members of Congress.
3. Recommendation	Abolish laboratories in Philadelphia, Savannah, and Los Angeles.
Action Taken:	Rejected by Secretary after consultation with Members of Congress.
4. Recommendation	The number of field laboratories should be reduced in two phases as follows: Make the nine laboratory districts conform to the proposed six-region pattern, with a laboratory at each regional headquarters. This would eliminate the laboratories in Savannah, Philadelphia, and Los Angeles.
Action Taken:	Rejected by Secretary after consultation with Members of Congress.

RECOMMENDATIONS UNDER CONSIDERATION BY COORDINATION COMMITTEE

1. Retitle the position of Assistant Commissioner as Deputy Commissioner and the position of Deputy Commissioner for Policy Planning as Special Assistant to the Commissioner

2. Assign responsibility for direct supervision of senior customs representatives (foreign) to the Assistant Commissioner (Enforcement).

3. After reorganization, initiate a detailed study of the office of operations to determine appropriate internal organizational arrangements; and, relationships and coordination required with other offices.

4. Establish four major divisions in each region: (1) Enforcement; (2) Audit; (3) Administration; and, (4) Operations.

5. Establish a position of Regional Counsel in each region.

6. Assign to the Assistant Regional Commissioner (Enforcement) functions now performed in the offices of the regional supervising customs agents.

7. Abolish positions of regional supervising customs agent.

8. Discontinue regional office designations of Rome and Tokyo offices.

9. Assign to the Assistant Regional Commissioner (Audit) functions now performed by comptrollers of customs and functions now performed by the Customs Agency Service in connection with drawback claims and examination of broker's records.

10. Transfer from local principal field officers and assign to the Assistant Regional Commissioner (Administration) responsibility for maintaining adequate personnel, budget, fiscal, management analysis, and facilities programs for the entire region.

11. Assign to the Assistant Regional Commissioner (Operations) responsibility for functional supervision of all district operations (except enforcement) throughout the region.

12. Establish two major sections to supervise regional operating functions and provide functional supervision of district operations. These are: (1) Classification and Value Section; and, (2) Collection and Control Section.

13. Transfer to the Assistant Regional Commissioner (Operations) from local principal field officers functions of: (1) liquidation of "change" entries; (2) processing of drawback claims; (3) accounting for collections and refunds and appropriation accounting; and, (4) regional customs laboratories.

14. Realign district activities into two major divisions: (1) Classification and Value Division; and (2) Collection and Control Division.

15. Establish an Enforcement Division in each collection district under the direct supervision of the Assistant Regional Commissioner (Enforcement) to supervise all investigative and enforcement activities throughout the district.

16. Abolish the positions of customs agents in charge now located at the 25 proposed district headquarters.

17. Customs should make full use of its relatively favorably salary position by increasing the competition for appointment and promotion, to the technical positions, GS-5 and above.

18. Qualification standards for technical positions should be reevaluated in the light of actual job requirements. In the event the FSEE is not the most appropriate test of essential skills and abilities for entry into these occupations, other examinations should be developed to obtain high quality personnel.

19. Nationwide examining should be conducted for initial appointment to technical positions in the Customs Service.

20. A review should be made of present administrative policies to determine if further reduction in reimbursable overtime can be accomplished within the framework of present legislation. Review should be made to determine if additional tours of duty can be justified to:

21. a. Provide additional tours of duty at airports to service private aircraft arrivals where the volume of contemplated arrivals based on experience or valid projections will generally occupy an employee's time;

22. b. Provide tours of duty at seaports outside regular hours if a regular-recurring need can be shown based on experience.

23. The Treasury Department should request the Bureau of Budget to seek legislation which would:
a. Clearly set a uniform Government-wide policy on reimbursements for inspectional services;

24. b. Establish uniform charges for those services for which charges are made;

25. c. Establish Government-wide definitions of overtime for inspectional services;

26. d. Set uniform rates for overtime and holiday pay for inspectional services;

27. e. Provide equitable treatment, with appropriate savings provisions where necessary, for employees concerned.

28. The Bureau should establish nationwide recruitment, examination, selection, training, and initial assignment programs for inspectors similar to those programs in the U.S.D.A. Plant Quarantine Division, the Immigration and Naturalization Service, and the Public Health Service, Foreign Quarantine Division.

29. b. Effective use should be made of the peak workload season in the port of New York to provide a combination of classroom instruction and on-the-job training for new appointees.

30. Needed training manuals and guides should be developed to insure the effectiveness of on-the-job instruction and this method and programmed correspondence courses should be used to full advantage in meeting the training requirements of the Service.

31. The Service should accelerate its effort to develop, in coordination with other pertinent agencies, adequate training programs for personnel involved in mutual activities such as multiple-screening, or where Customs acts for another agency in carrying out the mission, and support these programs with essential policy, guidance, and manpower resources.

32. As a part of the total reorganization of the Customs Service, action should be taken to:

a. Establish regional personnel offices and eliminate personnel offices at lower levels;

33. b. Make the regional personnel office equally responsible to, and responsive to, all key field officials;

34. c. Delegate authority to carry out the personnel program in the field, retaining only that degree of control deemed absolutely necessary;

35. d. Streamline and reorganize the headquarters Personnel Section by:

(1) Making it basically a staff organization;

36. (2) Separating out the headquarters operating work in a unit reporting to the personnel officer;

37. (4) Transferring the safety function to the organizational element responsible for facilities management and increase emphasis on safety facilities and equipment.

38. A budget analyst with adequate staff should be assigned to each Assistant Regional Commissioner (Administration) to coordinate the development, formulation, and execution of regional budget estimates and financial plans.

39. It is recommended that:

a. The formal allotment of funds should be held to the level of the regional commissioners;

40. b. Regional commissioners should make suballotments but should permit field offices to operate on allowances supported by financial plans.

41. To alleviate some of the financial problems, the Bureau should assign priorities to implementation of key proposals.

42. The accounting functions should be consolidated into nine regions under the direction of the Assistant Regional Commissioner (Operations), and these accounting functions should provide supporting information for appropriation accounting and budgeting.

43. The Director of Audits and the Assistant Regional Commissioners (Audit) should continue to be apprised of, and participate actively in, studies of ADP systems being considered for adoption so that adequate provisions can be considered to assure that the systems will lend themselves to an effective and economic audit program.

44. At the regional level it is recommended that the Assistant Regional Commissioner (Administration) be responsible for a management analysis program and be provided with a staff adequate for this purpose.

45. Each regional office should establish a long-range plan for replacing equipment and furnishings. These regional plans should be consolidated into an overall plan for the Bureau. Such a plan should establish priorities which would be submitted for departmental and Bureau of the Budget approval. Annual adjustments would be made for changing conditions and situations.

46. Central direction for liaison with the General Services Administration for long-range space planning, for construction of joint Customs-Immigration border stations, and for establishing minimum standards for inspection facilities should be provided by a Facilities Management Section.

47. The Bureau should seek clear legislative authority to set standards for space for customs inspection and clearance operations at docks and airports. The legislation should specify that such standards should be adhered to at the expense of either local authorities or the United States Government.

48. A training program for entry officers should be initiated. The program should include temporary detailing to the appraiser's staff for training in classification and value.

49. There should be a stricter enforcement of entry requirements with less emphasis on minor infractions and more emphasis on the major ones.

50. There should be a continuing program to educate brokers in the proper preparation of entries.

51. Appraisement personnel should be detailed to the entry division for the purpose of reviewing the more complex entries.

52. The time limit for filing the Special Customs Invoice required at the time of entry should be reduced to 3 months.

53. The time limit for filing other documents required for entry should be reduced to 3 months, which time limit the collector, at his discretion, may extend for further periods of 3 months each, not to exceed a total of 1 year.

54. The function of processing entries in bond for transportation, for transportation and exportation, and for exportation should be transferred from the entry division to the outside division.

55. Payment of duties should be deferred for a specified period of time (20 to 30 days) after entry has been made. Duties would then be deposited on the basis of a tentative return by the appraiser.

56. The functions of the entry division should be transferred to the Classification and Value Division.

57. Section 498(a)(1) of the Tariff Act of 1930 should be amended to provide that the value limitation for informal entries be changed to $500, or preferably that the Secretary of the Treasury be authorized to establish in his discretion the value limitation from time to time as conditions warrant.

58. Artistic antiquities, imported for personal use and not for sale, and valued at $500 or less, should be cleared by informal entry at all ports.

59. Shipments of personal effects and noncommerical shipments of a value not in excess of $500 should be cleared at the port of arrival by a simple form of entry similar to that used for clearance of mail packages on customs Form 3419. Upon delivery of the merchandise the carrier would collect the duty and taxes due and make remittance to the port of first arrival.

60. Processing at ports of arrival should be handled in the same manner at all ports. All mail entries should be completely processed at the first port of arrival and placed with the postmaster for collection. This would eliminate a second handling at small interior ports and would free personnel at those locations for more complete examination of mail received at those ports.

61. Customs should be permitted to estimate Internal Revenue taxes collected on mail entries rather than making a separate accounting of them.

62. Section 321(a)(2)(c) of the Tariff Act of 1930 should be amended to provide that customs officers shall pass free of duty and internal revenue tax any importation on which the total duty and tax does not exceed $1.

63. The Bureau of Customs should initiate efforts to persuade interested agencies to withdraw quotas that are not serving a useful purpose.

64. Legislation should be introduced to Congress to eliminate section 402a (old law) as a basis of appraisement for imported merchandise.

65. Authority to ascertain and fix the rates of duty applicable to imported merchandise should be delegated to the appraiser.

66. Legislation should be introduced to amend the definitions of export value and foreign value in section 402 and 402a of the tariff act to provide that in all cases the value of merchandise appraised under these definitions would be the f.o.b. port of shipment value.

67. A thorough study of section 402 should be made for the purpose of further simplification to help speed up appraisement.

68. The value requirement of $250 in section 14.3 of the Customs Manual for reporting initial shipments to the C.I.E. should be charged to at least $500.

69. A thorough study should be made of the procedures of the Customs Information Exchange to determine the feasibility of using automatic data processing equipment to facilitate the dissemination of information.

70. Section 8.29(c) of the Customs Regulations should be amended to provide that if a change in rate of duty, or value, or quantity results in an increase of 5 percent or more of the duty, but not less than $30, the appraiser shall so notify the importer. In any case, notice shall be given if the increase in duty is more than $100.

71. By attrition the merchandise samplers should be replaced by trainee examiners to be known as wharf examiners.

72. In those cases where the appraiser is able to complete his appraisement without the Special Customs Invoice, he should be permitted to waive production of such document. If time and experience show that the Special Customs Invoice is not needed for a particular commodity, that commodity should be added to the list of exceptions in section 8.15 of the Customs Regulations.

73. Where appraisement cannot be completed without the Special Customs Invoice, and such document is not produced within the specified time limitation, the penalty for nonproduction should not be mitigated to less than $100.

74. Authority should be delegated to the appraiser to determine the marking requirements of imported merchandise in accordance with section 304 of the tariff act.

75. When merchandise is found to be not legally marked, an affidavit that it has been marked should be accepted in lieu of actual customs supervision of the marking, subject to production of a marked sample, or a spot-check examination after the fact.

76. Centralized appraisement should be extended to the extent feasible within districts.

77. A comprehensive study should be made of the results of centralized appraisement with the view toward extending it to the maximum degree possible within regions and within the Customs Service as a whole. The study should also encompass the feasibility and potential benefits of using automatic data processing equipment for appraisement purposes.

78. The system by which samples are selected for analysis should be studied with a view toward more concentration on high-duty or problem areas and reducing the number of repetitive samples.

79. The function of advising on the design and maintenance of small border stations should be transferred to the proposed Facilities Management Section of the Assistant Commissioner (Administration).

80. The possibility and feasibility of closer collaboration with laboratories of the Alcohol and Tobacco Tax Division of the Internal Revenue Service should be studied.

81. Responsibility for planning and coordinating a research program should be fixed in one person, who should devote full time to these efforts.

82. The possibility of applying work measurement techniques to laboratory work should be explored.

83. Part of the liquidating staff should be transferred to the appraiser's office to assist in the appraisement function and to make the necessary computations for the tentative liquidation of "no change" entries.

84. All entries for which there will be a change in the amount of duty due as a result of the report of the appraiser and/or the inspector, or for any other reason, should be liquidated at the regional headquarters.

85. Section 321(a)(1) of the Tariff Act of 1930 should be amended to change from less than $3, to less than $5, the limit in the difference in duties or taxes which the Secretary of the Treasury is authorized to disregard.

86. The appraiser should be authorized by regulation to designate as "no change" entires those entries which, as a result of his appraisement report, result in a difference of duties due less than the statutory limit provided for in section 321(a)(1) of the Tariff Act of 1930; such entries to be considered liquidated "as entered."

87. A copy of the entry with appropriate notations as to the changes, if any, made in liquidation should be furnished the broker or importer as an unofficial notice of liquidation; the posted bulletin notice of liquidation would be the official notice required by law.

88. All protests received within a region should be reviewed by the Office of the Assistant Regional Commissioner (Operations).

89. Section 501 of the Tariff Act of 1930 should be amended to authorize the appriser, upon appeal by the importer of an adverse appraisement, to review such appraisement and to modify it in whole or in part, or to affirm it within 90 days of the appeal. Any change in appraisement involving substantial amounts of duty should be subject to approval by the regional commissioner.

90. Section 501 of the Tariff Act of 1930 should be amended to provide that appeals to reappraisement be accompanied by payment of additional duties due as a result of appraisement.

91. Sections 501 and 514 of the Tariff Act of 1930 should be amended to provide that a combined notice of appraisement and liquidation be given the importer, such notice to be final upon the importer unless appealed and/or protested within 90 days after the date of notice.

92. Assign responsibility for the administration of the drawback program to the proposed Assistant Commissioner (Operations).

93. Strengthen the staff in the drawback program by the addition of one industrial economist and one industrial cost accountant.

94. Provide legal advice and assistance in the drawback program by using the legal staff of proposed Assistant Commissioner (Technical).

95. Assign responsibility for field aspects of drawback to the proposed regional commissioners.

96. Reduce costs of administration and time elements involved by redesigning procedures and revising requirements on drawback.

97. To the extent that the measures taken in drawback fail to reduce the costs to the amount now retained by the Government increase the percentage retained.

98. Eliminate the initial investigations of applications for a drawback rate conducted by the Agency Service.

99. Make companies responsible for preparing their own applications for drawback.

100. Strengthen the review of drawback entries by requiring increased emphasis on audit of "first time" entries. Require audit type investigations of selected companies, on a sampling basis, in connection with requests for refunds.

101. Eliminate requirement for return to customs custody of merchandise failing to conform to specification.

102. A sampling basis procedure should be used in audit of drawback entries, with special attention being given to full coverage of first entries.

103. Explore the feasibility of partial prepayment of involved drawback claim, the maximum amount of the prepayment to be limited to those items regarding which there are no questions as to the amount of refund due the claimant.

104. Establish procedures which would require manufacturers to submit certificates of manufacture and drawback entries on a consolidated basis covering quarterly periods.

105. Make vessel builders and owners responsibile for certifying for customs and Coast Guard purposes the correct tonnage of all privately-owned vessels.

106. After a system of simplified tonnage determination is established, give Coast Guard the responsibility for such verification and enforcement of the admeasurement requirements as is necessary to prevent abuses.

107. The entrance and clearance requirements and procedures for vessels need to be thoroughly revised and simplified. As examples of needed actions, the following are suggested:

a. Simplify the requirements of stores' lists and crew purchase lists (curio lists);

b. Modernize the inward manifest form;

c. Revise permit to proceed in order to eliminate other forms;

d. Revise outward manifest form and clearance form;

e. Discontinue the 10-cent fees for entering vessels on the "waters of the northern frontiers."

108. A thorough review should be made to determine the Federal Government's responsibility to record mortgages and liens on vessels for private parties. To the extent such service is to be continued, it should be performed on a cost recovery basis.

109. Increase efforts to establish unified direction for primary screening at border ports where multiple screening is carried out.

110. Develop more adequate standards for staffing inspection activities.

111. Encourage the establishment of landing facilities for private aircraft adjacent to border ports of entry.

112. A thorough study should be made to determine customs proper role in the control of merchandise. The basic determination to be made is whether Customs should attempt to exercise complete physical control over merchandise or should exercise primarily documentary control.

113. When at all possible in overtime inspection situations, a single customs official should be authorized to perform all customs functions.

114. Cease investigating initial applications for a drawback rate as soon as revised procedures for processing drawback are established. Additionally, the verification of selected drawback claims should be transferred to the Assistant Regional Commissioner (Audit).

115. Assign coordination of liaison with other agencies to the Commissioner's office. (This function should be assigned by the Commissioner to one of his staff assistants.)

116. Assign specific responsibility to appropriate Bureau headquarters offices of maintaining liaison with the agencies with which Customs deals. The establishment of an Operations Division in the headquarters office will do much to permit specific liaison responsibilities on operating matters.

117. Insure adequate interest and liaison on international matters.

118. Initiate close liaison with other agencies to insure that Customs had adequate and clear expression of policy and procedural instructions for guidance of field offices.

119. Critically analyze and question: (1) the propriety of the assignment to Customs of the many other-agency assignments it now has or is asked to assume; (2) the policies of these agencies and the feasibility of their enforcement; (3) the balance between performance of work for other agencies as against accomplishment of the basic customs mission; and, (4) whether other agencies are satisfied with the job Customs is doing.

120. Establish procedures to insure that all instructions to field offices are issued by the Bureau headquarters, or if issued by the agency concerned, are received and approved by the Bureau headquarters.

121. Initiate a joint study to determine feasibility and possible advantages to be gained from consolidation of of functions of the Alcohol and Tobacco Tax Division of the Internal Revenue Service and the Bureau of Customs.

122. Review policy relationships between Customs and the Treasury offices of Foreign Assets Control and Domestic Gold and Silver Operations with a view to delegation of more authority for handling cases to Customs.

123. Develop a uniform system of providing information to the field in a usable form. This entails: (a) central control and coordination of all issuances in the Bureau headquarters, (b) preparation of material so that it is easily understood; and, (c) consolidating and arranging the material so that it is readily usable (i.e., easily located when needed).

124. Require that all issuances from other agencies be coordinated with or approved by Bureau headquarters. Issuances should either be incorporated into the Customs issuance system or countersigned by the Commissioner or his designee. Distribution of all material should be prescribed by Customs headquarters.

125. Adopt a single consolidated bond for use in lieu of separate bonds presently required and specify in Customs Regulations the conditions and terms of the bond as applicable to various principals.

126. Permit term bonds to be renewed periodically and continue in effect until terminated by any party to the contract.

127. Broaden coverage of bonds filed by importers to cover most frequently encountered situations which now require separate bonds.

128. Permit one-time, infrequent, and small quantity importers who desire to prepare their own entries to file bonds without surety where the value of the shipment does not exceed $1,000 and the estimated duties are collected at the time of entry.

129. Permit customs brokers to obtain General Term Bonds including all those conditions specified for importers and also including conditions contained in the Carrier's Bond (cF 3587) and Customs Cartman or Lighterman Bond (cF 3855) where applicable.

130. Broaden coverage to principals in the capacity of domestic carriers to include conditions and terms now included in the Common Carrier Bond and Customs Cartmen or Lighterman Bond and eliminate separate bonding provisions for customs cartmen or lightermen.

131. Eliminate the extra information required to be filed by motor carriers with their applications relating to description of equipment, ownership, employers, list of routes, etc.

132. Broaden coverage for all principals on bonds in the capacity of international carriers to include the responsibilities and obligations presently covered in the Consolidated Aircraft Bond (cF 7605), and, in addition, the activities covered by (Term) Temporary Importation Bonds (cF 7563-A), the Landing Bond (cF 7593), and the Bond for the Free Withdrawals of Distilled Spirits (cF 7603).

133. Specify for principals on customs bonds in the capacity of warehouse proprietors the responsibility and obligations in the Proprietor's Warehouse Bond (cF 3581), Proprietor's Manufacturing Warehouse Bond (cF 3583), and the Bond of Customs Cartmen and Lightermen (cF 3855) (if otherwise qualified).

134. Make proprietors of class 2 and 3 bonded warehouses responsible for safekeeping and condition of imported merchandise.

135. Permit class 2 and 3 bonded warehouses to operate without customs supervision or the use of customs padlocks.

136. Prescribe penal provisions calling for the payment by proprietors of amounts equal to the duty on merchandise destroyed or damaged due to negligence or stolen.

137. Remove the present legal restriction against the manufacture in bond of articles made in whole or in part of imported materials for domestic consumption; consolidate class 6 and 8 bonded warehouses into a single class 6; and eliminate class 8 as a separate class of warehouse.

138. Send informal notices of amounts due to the principals after 20 days and a formal demand for payment on cF 4619 at the end of 45 days.

139. Prepare a manual for the guidance of customs field officers in the handling of penalty matters.

140. Impose a standard penalty in a reasonable amount for failure to produce a missing document in lieu of imposing a penalty equal to the value of the merchandise.

141. Delegate to each of the regional commissioners under the proposed new organization all the authority presently delegated to the Commissioner of Customs in subparagraph (h) of Treasury Order No. 165.

142. Develop a system for exchange of penalty information among regional commissioners under the proposed reorganization.

143. Propose legislation to amend section 610 of the tariff act to give the Secretary of the Treasury administrative authority to set the value of seized merchandise which must be condemned or forfeited by court proceedings.

144. Review existing penalty provisions and attempt to obtain legislation for more realistic penalties or which will give the Secretary of the Treasury more administrative discretion in assessing amounts of penalties.

145. Following the installation of an improved system for the selection of samples, consider such factors as workload pattern, possible areas of additional specialization, transportation costs, time lags, benefits of modernization and the like with a view to achieving optimum facilities for laboratory service which would cover the entire United States effectively and economically.

Cross reference between numbers in the attached list of recommendations and recommendations of the Survey Group Report dated December, 1964 entitled "Customs--An Evaluation of Mission Organization Management." *

Recommendations which have been implemented:

1. IV-2-a
2. IV-2-b
3. IV-3-b
4. IV-4-a
5. IV-5-a
6. IV-5-b
7. IV-5-c
8. IV-6-a
9. IV-6-b
10. IV-7-a
11. V-27
12. V-29
13. VI-16
14. VI-29
15. XII-1
16. VI-28
17. IV-7-c
18. IV-18-a
19. IV-18-b
20. V-3
21. V-5
22. V-12
23. V-15
24. V-17
25. VI-11-b
26. V-19-d(3)
27. V-24
28. V-25
29. V-26
30. XIII-12
31. XIII-14
32. XIII-16
33. XIII-17
34. IV-18-d
35. IV-18-c
36. VII-6
37. VI-40
38. VI-48
39. X-1
40. VI-36
41. IV-18-f
42. IV-8-a
43. IV-18-e
44. V-7
45. V-14
46. VI-21-b

Recommendations which have been partially implemented:

1. V-8
2. IV-1
3. IV-7-b
4. V-18
5. VI-31
6. X-2
7. XII-4
8. XII-5
9. XII-2
10. XII-3
11. XII-7
12. VIII-1
13. VIII-2
14. VIII-3
15. VIII-4
16. IX-6
17. VI-11-a
18. VI-12
19. VI-43
20. IV-8-b
21. IV-10-a
22. IV-10-c
23. IV-13
24. IV-14
25. IV-15-a
26. IV-15-c
27. IV-17
28. IV-18
29. IV-18-g
30. IV-18-h
31. IV-18-i
32. IV-18-j
33. V-6
34. XII-9
35. XIII-20

Recommendations which have been rejected:

1. XIII-13
2. IX-1
3. IV-12-d
4. VI-32-a

*Note: Implemented or partially implemented actions have in some cases varied from the recommendation of the Survey Group report as is indicated in rough outline in the text under "action taken." The listed "recommendations under consideration" differ from those in the Survey Group Report to the extent that provision is made for a nine region rather than a six region establishment.

Recommendations under consideration by Coordination Committee:

1. IV-3-a
2. IV-4-b
3. IV-6-c
4. IV-8-c
5. IV-8-d
6. IV-9-a
7. IV-9-b
8. IV-9-c
9. IV-10-b
10. IV-11
11. IV-12-a
12. IV-12-b
13. IV-12-c
14. IV-15-b
15. IV-16-a
16. IV-16-b
17. V-1
18. V-2
19. V-4
20. V-9
21. V-9-a
22. V-9-b
23. V-10-a
24. V-10-b
25. V-10-c
26. V-10-d
27. V-10-e
28. V-11-a
29. V-11-b
30. V-13
31. V-16
32. V-19-a
33. V-19-b
34. V-19-c
35. V-19-d(1)
36. V-19-d(2)
37. V-19-d(4)
38. V-20
39. V-21-a
40. V-21-b
41. V-22
42. V-23
43. V-28
44. V-30
45. V-31
46. V-32
47. V-33
48. VI-1
49. VI-2-a
50. VI-2-b
51. VI-3
52. VI-4-a
53. VI-4-b
54. VI-5
55. VI-6
56. VI-7
57. VI-8
58. VI-9
59. VI-10
60. VI-13
61. VI-14
62. VI-15
63. VI-17
64. VI-18
65. VI-19
66. VI-20-a
67. VI-20-b
68. VI-21-a
69. VI-22
70. VI-23
71. VI-24
72. VI-25-a
73. VI-25-b
74. VI-26-a
75. VI-26-b
76. VI-27-a
77. VI-27-b
78. VI-30
79. VI-33
80. VI-34
81. VI-35
82. VI-37
83. VI-38
84. VI-39
85. VI-41-a
86. VI-41-b
87. VI-42
88. VI-44
89. VI-45
90. VI-46
91. VI-47
92. VII-1-a
93. VII-1-b
94. VII-1-c
95. VII-1-d
96. VII-2-a
97. VII-2-b
98. VII-3-a
99. VII-3-b
100. VII-3-c
101. VII-4
102. VII-5-a
103. VII-5-b
104. VII-5-c
105. VIII-5
106. VIII-6
107. VIII-7
108. VIII-8
109. IX-2
110. IX-3
111. IX-4
112. IX-5
113. IX-7
114. X-3
115. XI-1
116. XI-2-a
117. XI-2-b
118. XI-3
119. XI-4
120. XI-5
121. XI-6
122. XI-7
123. XII-6
124. XII-8
125. XIII-1-a
126. XIII-1-b
127. XIII-2
128. XIII-3
129. XIII-4
130. XIII-5
131. XIII-6
132. XIII-7
133. XIII-8
134. XIII-9-a
135. XIII-9-b
136. XIII-9-c
137. XIII-10
138. XIII-11
139. XIII-15
140. XIII-18
141. XIII-19
142. XIII-21
143. XIII-22
144. XIII-23
145. VI-32-a

TREASURY DEPARTMENT
Washington

STATEMENT OF THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS
IN SUPPORT OF THE EMPLOYMENT SECURITY AMENDMENTS OF 1965
AUGUST 11, 1965, 10 A.M. EDT

Mr. Chairman and Members of the Committee:

I am pleased to be able to appear before this Committee to express the Treasury Department viewpoints on the bill H.R. 8282, which contains the Administration's program to modernize the Federal-state unemployment insurance system.

We support this legislation. Many features of the legislation, of course, deal with specific aspects of the operation of the unemployment compensation system in which we have no particular expertise. These matters have been dealt with in considerable detail in the testimony of the Department of Labor and the Department of Commerce. I would like to discuss in broad terms the fiscal policy aspects of this bill.

A basic point that I would like to make is that future fiscal policy decisions, in which the Treasury Department will be particularly concerned, will be more manageable if we have an unemployment insurance system in this country that operates effectively.

One important dimension of this unemployment insurance system is its function in providing an automatic stabilizer to deal with problems of recession. Our ability to time changes precisely to meet the requirements of future variations in business activity is limited, and it is important to supplement the role of discretionary actions, such as tax reductions, with effective automatic stabilizers.

The potential of unemployment compensation as a stabilizer will be considerably strengthened under this bill through the provisions for higher benefit standards and for increased coverage, and as well by the provisions for extended benefits and assistance to states with high compensation costs.

Another aspect of the concern with unemployment insurance from a fiscal policy standpoint is that we recognize now that one appropriate method of dealing with the recession problem is through the provision of tax reduction. Tax reduction, of course, does not directly increase the take home pay of those who are without a job, although it does greatly help in reducing the unemployment. In the first instance, however, under tax reduction the increased purchasing power goes to those who have taxable income, and these, by and large, are people who are still employed. The overall effectiveness of efforts to deal with the problem of recession is considerably increased if at the same time we have an adequate unemployment insurance system to help directly with the needs of unemployed workers.

Unemployment insurance cannot deal with the entire problem of replacing lost income since clearly workers should get higher incomes for being employed than they get for being unemployed. A general consensus seems to have developed that an unemployment benefit structure which provides unemployment benefits of something like 50 percent of the individual's average wage for most workers does not impede the return to employment when opportunities are available. The difficulty is that in recent years too small a proportion of the workers have been able to get this kind of unemployment benefits. Strengthening the unemployment compensation system will, therefore, make our response to recession more equitable as well as more automatic.

In addition to the general strengthening of the system, there are a number of features of the present bill that will serve to make the process of re-employing workers more efficient and to this extent cut down on the problems of fiscal policy. One important step in this direction is the strengthening of the employment services. Another step is the tie-in between the extended benefits and retraining. Another is the requirement for treatment of interstate claims that will make it easier for workers to go to places where jobs can be found.

The aspect of the current bill which is particularly within the interest of the Treasury Department is the provision for financing of the Federal unemployment adjustment benefits and the matching grants to states for excess benefit costs. As you know, these provisions under the bill are to be financed by a combination of an additional 0.15 percent tax on employers subject to the FUTA and an equal amount to be appropriated from general revenues. The new feature in this financing arrangement is the provision for some contribution from general revenues.

The provisions involved are the extended benefits program and the matching grants program. To summarize briefly, the extended benefits program applies only to workers with a solid attachment to the labor force measured over the preceding three years. Additional benefits up to 26 weeks would be paid to these workers out of a new special "Federal Adjustment Account." Beneficiaries would be disqualified if they refuse to take or continue training to which they may be referred.

The matching grant program would provide that in a state meeting the Federal benefit standards, if the annual costs of benefits exceed 2.0 percent of the total covered wages, then two-thirds of the excess would be paid from the Federal Adjustment Account. This will lessen the variation in tax rates between states.

The extended benefits program and the matching grants program will be in effect continuously, although the amount of payments out of the Federal Adjustment Account for these programs will vary with economic conditions. Roughly, in a year like 1964 when the national rate of insured unemployment was about 3.8 percent, it is estimated that the payments under the new programs would be slightly under $0.5 billion. The rate of insured unemployment in the past few months has been about 3.0 percent, which is already considerably below the 1964 rate.

For the foreseeable future it is reasonable to expect the payments under these special accounts to remain well under $0.5 billion. This is less than the amount that would be provided by the employer tax of 0.15 percent and a matching amount from general revenues. As has been explained, when the surplus in the Federal Adjustment Account builds up, the additional employer tax is reduced and the potential Federal grant from general revenues is also reduced.

It is significant that the items involved with general revenue financing under H.R. 8282 are also somewhat separable from the basic unemployment insurance coverage which at the present time is financed entirely by payroll taxes. Both the extended benefits provision and the provision for matching grants to states with excess benefit costs involve costs which are much less readily identified with the previous employer than is true for normal unemployment benefits.

In the extended benefits situation the data indicate that as workers are unemployed for relatively long periods it becomes less likely that they will be re-employed by the previous employer. Also, long periods of unemployment are particularly likely to be associated with a relative decline in a particular industry, or with a high national rate of unemployment.

Similar observations are applicable to the appearance of excess benefit costs in particular states. These are characteristically associated with things like a general decline in the demand for the product of some key industry in a state. Forcing all of the unemployment benefit costs back upon the business firms in that state simply makes it harder for the state to make the necessary economic adjustments for this change in demand.

In these programs of extended benefits and matching grants this distinctive character is recognized by the provision for general revenue participation in the financing. I should say initially that this Committee has in the present session made one provision for general revenue financing in relation to what is basically a social insurance program, namely, the voluntary program for physician care in the recent Social Security Act. The Congress saw fit to distinguish that coverage as a separate program from the part of social security benefits which were to be financed entirely by payroll taxes.

We believe that from a long-run standpoint basic reliance on payroll tax financing in social security is sound. The importance of the payroll taxes in maintaining unemployment benefits and also old age benefits as a matter of right is important. We do not want these programs to have benefits which involve a means test. Any changes in payroll tax financing must be examined with the greatest care.

The provision in this bill is reasonable in that in the long run one-half of the costs of these additional programs will be met through employer contributions in the increase of 0.15 percent in the Federal unemployment tax rate and one-half will be met from the general revenues. This recognizes the increasing interdependence of our economy in which the continuing success of a business firm depends partly upon what that firm does and partly upon general conditions elsewhere.

However, I want to express the opinion of the Treasury Department that the general principle of financing the cost of social insurance programs from the general revenues of the United States constitutes an abrupt departure from our national tradition. While I will repeat that in this instance and in the case of the voluntary program for physician care, it can be justified, still we feel that the Congress should examine all such excursions into the general revenues with great care.

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TREASURY DEPARTMENT
Washington

Statement on the U.S. - Thai Income Tax Convention
by
Stanley S. Surrey, Assistant Secretary of the Treasury
before the Subcommittee on Tax Conventions of the
Senate Committee on Foreign Relations, August 11, 1965

Mr. Chairman:

I welcome this opportunity to discuss the pending income tax convention with Thailand. Since this is the first time this Subcommittee is considering tax conventions, you may find it helpful if I were to review the general objectives of our income tax treaty program and then discuss the specific tax convention that is now before you. Since there are also pending treaties with two other less developed countries, Israel and the Philippines, where appropriate I will refer to these treaties since they, together with the Thailand treaty, indicate the general procedure and standards being followed with respect to the negotiation of tax treaties with less developed countries.

As in the case of other industrialized countries, the United States has found it useful to enter into income tax treaties for the purpose of eliminating some of the troublesome tax problems that arise out of various types of international transactions. These problems may arise, for example, when sales take place between an enterprise in one country and an enterprise in another country, or when individuals from one country travel for business or cultural purposes to another country. They may arise when income is generated in one country as a result of investments made by individuals or corporations of another country, or as a result of services rendered by residents of one country to persons in another. The resulting problems of double taxation exist for all countries, and particularly industrialized countries.

These transactions cause international tax problems since each of the two - or more - countries involved in the transaction may lay claim to an income tax on the income or profits produced by the transaction. Conflict is thus inevitable.

Most of the industrialized countries have found it appropriate to include unilateral measures in their tax laws to cope with these double taxation problems. In the United States, principal reliance in meeting these problems is placed on the foreign tax credit mechanism. Under domestic law, the United States allows a credit to its taxpayers for the taxes imposed by a foreign country on income derived from that country. In a sense, we treat taxes paid to a foreign country as if they had been paid to the United States and thus, as offsetting our income tax claim against the taxpayer. Some other countries, such as the United Kingdom, also use this tax credit approach to deal with international double taxation. Other countries, however, exempt foreign income in varying ways and degrees from their tax system. But even though the industrialized countries thus employ various unilateral measures to cope with these problems, virtually all industrialized countries have found it necessary to supplement these measures by entering into a network of tax treaties with their principal commercial partners and other countries with whom their taxpayers are concerned in trade or investment.

There are a number of factors responsible for this, which I can illustrate by reference to the experience of the United States. There are, to begin with, differences among countries concerning the scope of their income taxes. If the United States is to give a credit for taxes imposed by a foreign country, surely it must be only for taxes imposed on income which we consider has a source outside the United States. But if our concept of source differs from the other country's, the credit mechanism will not be adequate to the problem -- the other country will tax the income, we will not allow the credit, and the income involved will bear a tax considerably higher than either country alone would impose. If, for example, a foreign country considers the earnings from the rendition of personal services by a United States individual to have its source where the enterprise paying for the services is located, while the United States considers the source to be where the services are rendered, then our unilateral credit mechanism will not eliminate double taxation since no credit will be allowed for the foreign tax. Consider another example: One country may regard the source of income from a sales transaction to be the place where the order is accepted. The United States considers it to be the place where title to the property passes. Again the tax credit mechamism may not provide appropriate relief from double taxation. Still another example, more important, perhaps, than the others arises when two countries utilize different methods for determining the amount of income allocable to each country from transactions between related enterprises, such as a parent corporation in one country and the subsidiary in the other country. The result may be that a segment of income is taxed in both countries, with neither giving any recognition to the tax imposed by the other. Tax treaties deal with these problems by reaching mutually acceptable rules regarding the source of income and allocations of income.

There are other tax issues which often are best solved through one of the countries granting complete exemption from tax through tax treaties. For example, a businessman from the United States who temporarily visits another country for the purpose of exploring business opportunities or to consult with associates and employees on the spot is often in a difficult position from a tax standpoint. It is not merely that he may have to pay taxes in that country on his income during his stay in that country, such as a pro rata part of his annual salary. Often the filing of a tax return may constitute a more serious irritant to the conduct of business in that country than the payment of tax. The individual involved may be able to claim a credit against his U.S. tax for taxes paid in that country but that would not eliminate the annoyance and inconvenience, not to speak of the consequences of erroneous interpretations or inadvertent errors, which compliance with the unfamiliar tax laws of a foreign country may involve. These problems are not limited to businessmen, but involve many types of visitors such as teachers, students, entertainers, professional persons and so on. This type of problem is generally eliminated in tax treaties by reciprocal exemption of residents of one country who visit the other for limited periods of time.

Another tax difficulty facing international business which our unilateral tax credit mechanism does not solve relates to various types of fees and royalties. It is common for a country to levy tax on outgoing payments, such as royalties, rents, or technical fees, on a gross basis. In the United States a tax of 30 percent is levied on the gross amount of such payments. A foreign tax at that rate on, say, a royalty paid to a U.S. licensor of a patent may be considerably higher than our 48 percent corporate tax on the net amount earned by the licensor after taking account of the costs incurred in earning that royalty. It may represent the equivalent of a 55 percent or 60 percent tax on the net income from the royalty. The excess foreign tax in such a case could not be absorbed through our unilateral tax credit mechanism. However, a reduction in the foreign withholding tax rate, if sufficiently large, could bring the effective tax rate on the net income down to a level which would be absorbed by the U.S. tax. Or the difficulty could be met by having the foreign tax apply on a net income basis rather than on gross income. These are the approaches generally used in tax treaties.

A somewhat similar problem relates to the determination by a foreign country of the amount of income earned therein by a branch of a U.S. enterprise. In some countries, the costs allowed as a deduction in arriving at the taxable income of a branch of a foreign-owned enterprise are limited to those incurred within the foreign country itself. Thus overhead costs incurred in the United States which are allocable to the activities of the branch may not be allowed as a deduction in computing taxable profits. The result is that the tax to that extent is on gross income rather than net income. Here tax treaties generally meet the problem by obligating a country to allow costs incurred abroad but allocable to the branch within its borders as a deduction for purposes of its tax.

There are situations which may involve a combination of problems. An American firm seeking to enter a market in another country may not only be confronted with the difficulties of complying with unfamiliar tax laws, but it may also be confronted with a foreign tax burden that is unrelieved by the foreign tax credit provision in our law because of differing tax concepts. The so-called permanent establishment provisions of our income tax conventions seek to cope with such cases. They describe certain types of activity which, when carried on in a foreign country by an American firm, are regarded as not constituting a permanent establishment within that country, and therefore any profits earned through such activity are not taxable in that country. Thus a firm in one country may send out salesmen to the other in an effort to penetrate a particular market without becoming subject to the tax laws of the latter country. Other types of activities, some involving the maintenance of a definite place of business, may also be carried on without constituting a permanent establishment for tax purposes. These include such activities as a purchase of goods or merchandise, the storage of merchandise, the conduct of advertising, and the use of commission agents. This article may be of special significance in treaties with less developed countries, where it is not uncommon to assert tax on a nonresident company which sells goods <u>to</u> a local firm even though it is not actually engaged in business <u>in</u> that country.

Still another case where a unilateral provision such as our foreign tax credit is inadequate to deal with international tax problems is the relatively simple one where foreign tax rates are higher than our tax on the same income, so that an unused tax credit is generated. This problem arises most frequently where direct foreign investment is involved. Like the United States, many foreign countries impose not only a corporation tax on profits but in addition they also levy a withholding tax on the dividends paid to the shareholders whether at home or abroad. Ordinarily, no distinction is drawn between the types of dividend recipients abroad. One recipient may be a parent corporation owning all or a major part of the company paying the dividends. Another may be an individual or corporation owning only a few shares in the company. The statutory withholding tax on both is likely to be at the same rate. Under these circumstances the total taxes payable with respect to the profits earned through direct investment and transmitted to the United States in the form of dividends may be considerably above the 48 percent rate imposed by the United States. Private investment abroad will thus be handicapped, as compared with domestic investment. To solve this difficulty, our tax conventions seek to arrive at mutually acceptable adjustments in the withholding tax rates on dividends paid by the companies in each country to shareholders in the other. We have tried to secure reciprocal withholding tax rates on dividends which differentiated between a parent corporation and other shareholders. Most of our treaties provide for a 15 percent withholding rate on dividends generally and a 5 percent rate on dividends received by a parent corporation, which are the rates recommended in the OECD model convention. In our conventions with less developed countries, we have taken the view that withholding tax rates on dividends paid to parent companies should be reduced only to the point where the total taxes imposed on the profits earned in the foreign country and remitted to the United States do not exceed the U.S. tax on corporate income generally. This objective is consistent with the policy of eliminating tax obstacles to the flow of private capital into the less developed countries.

Our tax conventions also seek to assure nondiscrimination in tax treatment for American individuals and business ventures abroad. It is not uncommon for nationals of one country to find themselves subject to heavier taxes in a foreign country in which they are residing than the nationals of that country. Through tax conventions we have been able to secure commitments from other countries that U.S. citizens will get the same tax treatment as nationals of the country in which they are living.

One of the important contributions of tax conventions to international trade and investment is that they open the door to consultations between the tax authorities of the signatory countries. The creation of this consultative machinery offers the enterprises of a country some assurance that where appropriate there will be official discussions on a technical level with the authorities of the other country to secure a reasonable determination of taxable income. And perhaps even more important is the tacit assurance that in appropriate cases there will be the same determination reached in each country as to the amount of the taxable income present, so that tax would not be imposed by both countries on the same items of income without each recognizing that a tax has been imposed by the other. Closely related to the consultation provisions are those concerning exchanges of information between tax authorities, which afford them a means for improving enforcement of their tax laws. This involves primarily the routine transmission to one country of data on income received by its taxpayers from the other country. In selected cases more elaborate information may also be transmitted.

These in general are the objectives of the 22 income tax conventions now in existence between the United States and foreign countries. They are also the objectives of the 150 or 200 income tax treaties entered into by the other countries of the world with each other. They are the objectives of the Model Convention adopted by the OECD. Their general purpose, I repeat, is to encourage international trade, investment and cultural intercourse through the elimination of tax barriers and irritants that can arise from the application of the tax laws of two or more countries to the same transactions. They represent the principal achievements in the three tax conventions now pending before the Committee. Of course, as in our existing treaties, there are variations among the particular provisions depending on the concerns that the other countries bring to the negotiation of the conventions. I shall develop some of the specific clauses to demonstrate how these objectives are attained and to show how we have moved forward in some respects from the treaties now in effect. But before doing so, I would like to stress that the three pending treaties are with less developed countries, Thailand, Israel, and the Philippines, and therefore in some instances involve different problems and consequently require somewhat different solutions from our treaties with industrialized countries.

The transactions which take place between the United States and less developed countries ordinarily produce a flow of income from those countries to the United States, but not the reverse. Dividends flow from investments in these countries to the United States, royalties come from foreign licensees to the United States; American businessmen go abroad to these countries; American manufactures are sold to these countries. In contrast, the movement of such goods and services from the less developed countries to the United States is generally quite limited. Under these circumstances, less developed countries are reluctant to enter into the standard type of tax treaty even though the rules are eminently reasonable and equitable, because those rules involve a revenue loss to them without an adequate offset. Their need for revenues is so pressing that nearly always they seek a recognition of their problems that goes beyond the usual tax treaty pattern and thus compensates for the difficulties they face in entering into any agreement involving a revenue loss for them, no matter how small.

Since their need for foreign capital is usually urgent, this search by the less developed countries for a different pattern in their tax treaties is generally centered on seeking an approach which will move the industrialized countries in the direction of incorporating a provision which presents a reasonable likelihood of increased capital flows to the less developed countries.

As a consequence, the other industrialized countries entering into tax treaties with less developed countries - and there appear to be over 30 of these treaties - have found it necessary to incorporate a provision which the less developed countries consider a stimulus to capital in-flows in order to obtain a treaty with them. One approach followed involves exemption by the industrialized country of various forms of income received by its taxpayers from activities in the less developed country. Another approach is the so-called "tax sparing credit". In treaties incorporating such a provision, the capital exporting country agrees to allow a credit against its tax, not only for the taxes actually paid to the less developed country, but also for the taxes that would have been paid to the less developed country if that country had not reduced its income taxes under some special tax concessions scheme. Thus, all of the treaties entered into with industrialized countries by Israel, and this includes the United Kingdom, France, Italy, Germany and Sweden, involve either an exemption clause or a tax sparing credit granted by the industrialized country. This is also true of the two treaties which Thailand has with Japan and Sweden. There appear to be some twenty "tax sparing" treaties in force between industrialized countries and the less developed countries.

In our view these approaches are undesirable. Thus, tax exemption of income derived from investment in less developed countries would be viewed as a highly inequitable provision by American taxpayers engaged in business in the United States and would have a highly erratic effect on the relative tax burden of foreign producers as compared with those engaged in domestic production. It would be basically inconsistent with the principle of the foreign tax credit which seeks to maintain uniformity in tax burdens as between domestic and foreign economic activities.

A tax sparing credit would operate capriciously, providing the largest tax benefits to investors in countries having the highest nominal tax rates and without any necessary relationship to the fundamental economic needs of a country or to such policies as the "Alliance for Progress". Moreover, it would stimulate the rapid repatriation of profits from less developed countries rather than the reinvestment of profits in those countries.

When the Kennedy Administration came into office in 1961, there were pending in the Senate three income tax conventions with less developed countries -- India, Israel, and the United Arab Republic -- which contained "tax sparing" clauses. The Administration was convinced for the reasons I have stated, and others that could be added, that such tax sparing clauses were not in the best interests of the United States and of economic development in less developed countries. Moreover, it will be recalled that this Committee had entered a reservation to the tax sparing clause in the Pakistan treaty in 1958. Those three treaties lay dormant for several years and were withdrawn by the Administration from consideration by the Senate in 1964.

The Administration was desirous, however, of negotiating tax treaties with less developed countries for it regarded tax treaties as beneficial to both the United States and the less developed countries. Indeed, the Congress expressly declared this policy in the Foreign Assistance Act of 1961 when it directed the President to "accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to, and its equitable treatment in, friendly countries and areas participating in programs under this Act." Moreover, the other industrialized nations have been following such a course and extending their network of treaties to include less developed countries.

The question presented was whether a suitable approach could be found which would give recognition to the requirements of the less developed countries for provisions looking to the encouragement of capital inflows to those countries and at the same time did not run counter to settled tax policies of the United States. Fortunately, developments in our tax law as a result of the Revenue Act of 1962 and later legislation pointed the path to an appropriate answer.

As a result of the Revenue Act of 1962, our present tax law now provides a credit - the investment tax credit - against U.S. income tax of 7 percent of the amounts spent for machinery and equipment for use in the United States. Since this credit did not extend to investment abroad, that Act established in effect a preference for domestic investment as compared with foreign investment. Such a policy is understandable with respect to investment in other industrialized countries. Looked at from the standpoint of the less developed countries, however, this provision would be regarded as presenting an impediment to investment in those countries. Consequently, the extension of the 7 percent investment credit by treaty to these countries offers itself as a fitting approach to the recognition those countries seek with respect to the encouragement of capital inflows.

It would, so far as the United States is concerned, remove an impediment to investment in less developed countries and thereby in this respect establish a general parity of treatment between domestic investment and investment in the less developed country. In establishing this parity and thus assisting investment in these countries, we would also be pursuing a policy reflected in other tax legislation recently adopted by Congress. Thus, the Revenue Act of 1962, which was directed at "tax-haven" or "base" companies abroad, contains a number of provisions favorable to investment in less developed countries as compared with industrialized nations. Moreover, under the Interest Equalization Tax, loans made to enterprises in less developed countries and investments therein are treated in the same way as domestic loans and investments and thus are exempt from the tax.

Extension to the less developed countries of incentives granted to domestic investment is in keeping with a policy recently favored in a Report of the OECD Fiscal Committee on "Fiscal Incentives for Private Investment in Developing Countries, 1965":

> "Inadequate recognition of foreign taxes is not the only feature of the tax systems of industrialized countries which tends to produce discrimination in favor of domestic investment compared with investment in developing countries. Many industrialized countries grant tax benefits to their taxpayers in the form of accelerated depreciation, initial allowances and investment allowances or credits, but grant them only with respect to domestic investments and deny them for investment abroad even though they tax income from foreign investment. The result is, of course, a tax

advantage for domestic investment. If capital exporting countries using such allowances also granted them with respect to investment in developing countries, they would be taking another important step toward promoting increased investment in developing countries."

Moreover, the investment credit approach is far more appropriately suited to less developed countries than the tax sparing approach or the exemption of income approach, from the standpoint of equity, efficiency and administration. Since the investment credit operates on the act of investment, it eases the risk of investment at the very outset. Since the credit does not turn on the receipt of income in the United States from the foreign investment, as do tax sparing and tax exemption,it does not encourage quick repatriation of profits. Since the credit does not turn on foreign tax concessions, as does tax sparing, it does not have the capriciousness of that device nor does it transfer from the United States to a foreign country the decision as to whether a tax benefit is to be conferred and if so, the extent of such benefit. Since the extension of the investment credit to less developed countries would but follow the treatment accorded domestic investment, it does not involve the treaty process in favoring the foreign investor as against the domestic investor in a matter closely linked to the rates of tax, as did tax sparing.

With our basic tax laws thus providing an approach that could be adapted to a less developed country in the negotiation of a tax treaty so that the United States would not be at a disadvantage compared with the other industrialized countries in this endeavor, we proceeded once more to enter on a program of negotiation. We felt obliged to renegotiate the agreements with the three countries which had bean withdrawn, Israel, India and the United Arab Republic. Of the three, the treaty with Israel, the first to respond, is before you, and negotiations with India are virtually concluded.

The less developed countries with whom we have had discussions have responded favorably to our suggestion that extension of the 7 percent investment credit is a recognition of their desire for an encouragement to capital inflows. Thus the treaties with Thailand and Israel now before you contain this extansion of the investment credit. Whether the less developed countries will in their other treaties adopt this approach instead of tax sparing, we cannot tell. Yet it seems clear that they find it at least a satisfactory alternative viewed from their side of the negotiation, so that tax treaty discussions with the United States can once more proceed.

It must be recognized that the United States in these negotiations is quite clear on its view that extension of the investment credit is appropriate only where the other country is receptive to U.S. investment and where its tax system, taken as a whole, does not involve measures that can be regarded as significantly working at cross purposes with such investment. In many cases the existing tax systems of less developed countries do not meet this standard. But the treaty process itself permits the foreign country to modify its system through the treaty and thus deal with the contradictions and with provisions which act as disincentives to investment from the United States. For example, the existence of a complex of corporate taxes and withholding taxes on dividends in a less developed country, which brings the effective rate of tax on profits earned there above the general level of the U.S. corporate tax, creates a tax barrier to U.S. investment in such countries. It would generally be difficult to justify a tax credit for U.S. investment in such a country unless that country is prepared to reduce its taxes to the level prevailing in the United States. This can be done by a treaty but not otherwise, since that country may not be prepared to reduce its taxes on its own nationals or those of third countries.

The treaty process also permits complementary modifications where appropriate in the tax laws of the other country which are conducive to improved international trade. Where the other country is not yet ready to make certain modifications, or is more concerned with continuing a somewhat restrictive approach to foreign investors, then the investment credit need not be extended. While it may well be that in most of these cases a treaty may presently not be negotiable, this need not always be the result, as the Philippine treaty before you indicates. That treaty - unlike the treaties with Thailand and Israel now before you and the treaty with India which is nearing conclusion - does not contain an extension of the investment credit. Certainly the United States seeks no overreaching of any less developed country, and to the contrary is understanding of their problems and their desires to conserve revenues. The treaties before you evidence the recognition of these attitudes and the basic truth that a tax treaty is a negotiation in the true sense of the term, and one that will be satisfactory and worthy of the United States only if each country genuinely believes its policies and problems have been fairly handled.

Turning now to the specific provisions of the convention with Thailand, I should like to point out how some of the more important provisions achieve the objectives that I previously discussed. The first of these is Article 3 dealing with the definition of a permanent establishment. It contains the rules in most of our other tax treaties which permit a firm in one country to engage in certain activities in the other without thereby acquiring a permanent establishment. I want to take special note of a provision of Thai law which is altered by the tax convention, because it deals with a problem that we find exists in other less developed countries. Under Thai law, an American firm which sells its products to a Thai enterprise through a commission agent or broker and without in any way engaging directly in business in Thailand is nevertheless subject to tax in Thailand at the regular rates applicable to any Thai enterprise. Because the Thais are unable to arrive at the net income which the American enterprise may derive from such a sale, they arbitrarily assess a 2-percent tax on the gross amount received by the American firm from the transaction. The tax is required to be paid over by the commission agent, presumably by withholding that amount from the price due the American firm. This frequently creates difficulties in trading activities, since the American seller may not be aware of this liability and the amount of tax may be relatively high. Under the convention, the tax is eliminated in such cases where the commission agent is an independent agent thus removing these difficulties. However, an agent acting "exclusively" or "almost exclusively" for the American firm is not treated in the convention as an independent agent. The position of Thailand is that a nominally independent broker operating in Thailand is not really independent if his business depends on a single firm, and therefore, as where it acts through a dependent agent, the firm should be considered to have a permanent establishment in Thailand. A similar provision is to be found in the tax convention between Thailand and Japan.

Article 4 of the Thai convention deals with the determination of business profits and, in addition to its principal operative provision that a company not be taxed on business profits unless it has a permanent establishment in the country, it provides that in computing the industrial or commercial profits of the permanent establishment there shall be allowed all deductions reasonably connected with those profits. This has been a problem for companies operating in Thailand, because administrative costs incurred in the United States by the home office on behalf of a Thai branch have been disallowed by Thailand as a deduction in computing the profits of the branch. Under the convention, this will no longer occur.

I have already discussed the investment credit provisions which are in Article 5 of the draft. Additional details are contained in the technical memorandum which has been transmitted to the Staff of the Joint Committee on Internal Revenue Taxation and which we shall submit for the record. The revenue effect of this provision would be quite small, since the flow of U.S. investment to Thailand is limited. Based on the average net capital movement to Thailand in the last few years, and ignoring capital repatriation to the United States, the cost would have been less than $150,000 annually. I should like also to point out that this article may be terminated by the United States after five years, without such termination ending the entire treaty.

One of the special needs of less developed countries is the technical knowledge and skill which have been developed in the industrialized countries of the world. Companies which have developed such skills may sometimes be prepared to supply them to less developed countries in exchange for stock in new enterprises provided such an exchange does not require them to make cash contributions to the venture abroad as well. Unfortunately such transfers of technical knowledge, know-how, and skills in exchange for stock must frequently be accompanied by cash outlays in the form of tax payments on the income resulting from the stock received in the exchange. This is true under U.S. law and it is also true under foreign tax laws. Article 6 of the convention with Thailand seeks to remedy this difficulty by deferring tax on such transfers until the stock received by a transferor is disposed of. This article in the convention alters both U.S. and Thai law in this respect. Under U.S. law, tax on transfers may be deferred only if the United States company has an 80 percent interest or more in the foreign corporation to which it transfers the know-how and if the know-how constitutes property. These requirements may be appropriate in many cases. However, insofar as less developed countries are concerned there is great need for services as well as property and for encouraging joint ventures where the American company may not necessarily possess even a majority of the stock, let alone 80 percent. Under Thai law, no deferral is granted irrespective of the ingredients of the exchange or of how much stock in the acquiring corporation the donor company has. The tax deferral provided by Article 6 cannot be effectively granted as a unilateral measure since deferral by the United States would be of little use if tax is imposed by the foreign country. Accordingly, the tax convention is a uniquely appropriate method for matching the tax laws of the two countries with respect to this important problem. The United States or Thailand may also terminate this article after five years. I should like to add that the treaty provision is not intended to be a substitute for existing statutory provisions but a supplement to them.

To turn to another provision, international transportation enterprises face unusual tax burdens by virtue of the fact that their income may be derived from many places and the tax laws of various countries which they touch may vary significantly. As a result it has become an objective for most countries to seek reciprocal exemption of the profits, if any, earned by their international transport enterprises. Tax exemption also assures that such enterprises will not be taxed by some countries if their overall operations turn out to be unprofitable, as is freqnently the case. Article 7 of the convention provides for complete exemption of aircraft operations in international traffic. The Thais were not prepared to agree, however, to full exemption of shipping, partly because of the lesser likelihood that they would acquire international shipping lines going to the United States to offset the loss derived from their exemption of

American shipping firms. Nevertheless, the Thais did agree to reduce the tax payable by shipping enterprises to one-half the amount that would otherwise be payable. While this provision does not relieve American shipping companies of the necessity to comply with the Thai tax laws, it does reduce the likelihood that they would pay taxes to Thailand which could not be credited against their U.S. tax liability.

The dividend article in the Thai convention, Article 9, provides that the maximum rate of tax that would be imposed on dividends paid by a corporation in one country to a parent corporation in the other would not exceed 20 percent. The Thai tax on dividends is graduated from 15 to 25 percent, and most dividends are subject to the 25 percent rate. At that rate, the Thai tax on profits derived in Thailand by an American parent through a Thai subsidiary combined with the Thai tax on the dividends transmitted by the Thai subsidiary exceeds the U.S. corporate tax on the same income. By reducing the withholding tax from 25 to 20 percent, the total combined Thai tax is kept slightly below the level of U.S. tax on remitted profits, so that no excess credit is generated in Thailand. As a matter of reciprocity, which the Thais desired, the U.S. tax on dividends leaving the United States is also limited to 20 percent.

The tax on interest is not affected by the convention, except in the case of interest received by the respective governments or their instrumentalities, in which case exemption is granted at the source. This provision, Article 10, eliminates the uncertainty which in some cases has surrounded United States governmental lending programs in Thailand.

Article 11 of the convention deals with royalties and provides that the maximum withholding tax rate on royalties will be 15 percent compared with the Thai statutory rate of 25 percent and the U.S. statutory rate of 30 percent. The reduction in the rate of withholding on royalties is a reflection of the view that a high rate of tax on the gross amount of royalties will frequently result in a higher rate on the net earnings and lead to an unused tax credit. The reduced rate is thus a device to compensate for the fact that costs have been incurred in developing and administering patents, films, and other property rights which costs are not given any recognition when gross royalties are the basis for the tax.

Article 13 of the convention deals with income from personal services and makes it possible for American firms to send their employees to Thailand for periods up to 6 months instead of 3 months without their becoming subject to tax in Thailand. The value of this provision is that greater flexibility in assigning technical personnel is attained by firms which find it necessary to have such persons temporarily stationed in Thailand. The article also provides exemption of entertainers. However, in these cases the exemption applies only if the earnings do not exceed $100 a day or an aggregate of $3,000 for the entire period the entertainer is in Thailand.

As in the case of most of our other tax conventions, this one with Thailand contains provisions designed to promote cultural exchanges. Thus, under Article 14 teachers from one country may go to the other for a period of two years and remain exempt from the tax of the latter country during that period. Similarly, under Article 15, students and trainees may come from one country to the other and be tax-exempt in the latter country for varying periods of time, depending on the circumstances involved.

Article 18 of the convention deals with charitable contributions. Under that article, American citizens and corporations may take a deduction in computing their U.S. income tax for contributions made to a Thai organization provided it qualifies as a charitable organization under our law. Of course it also provides that the organization must be exempt from tax under Thai law. Similar provisions are included in the income tax conventions with Honduras and with Canada, although in the latter treaties the maximum deduction is based upon the amount of income derived within the respective countries. This article reflects the fact that American citizens and companies in Thailand feel an obligation to participate in community affairs and that charitable contributions are an important part of such participation. The United States may also terminate this article after five years.

Since the convention provides that Thailand will impose a tax on the commercial and industrial profits of American firms only if they have a permanent establishment in Thailand deriving income from sources within Thailand, it becomes important to have rules relating to the source of income. Such source rules are found in U.S. law, but there are none under Thai law. In Article 19 of the convention, the Thai Government has agreed to adopt rules which are embodied in U.S. law. This will introduce a degree of certainty in tax determination for American businessmen engaged in business in Thailand which does not exist at present and to which they attach a good deal of importance. The principal departure from the U.S. source rules relates to interest paid by a U.S. branch in Thailand. Under our law, an American firm paying interest on funds borrowed from a bank, for example, is considered to be paying interest from U.S. sources and therefore must withhold a 30-percent tax even though the borrowing was done by its branch in Thailand and the interest is paid by the branch in Thailand out of its funds. The treaty establishes Thailand as the source in such a case so that our tax would not apply.

Under existing Thai law, no provision is made for allowing taxpayers a credit for taxes imposed on income they receive from sources outside Thailand. The result is that American citizens resident there or branches in Thailand of American companies which derive income from sources outside Thailand may be subject to tax both in Thailand and in the country from which they derive income. Under Article 22 of the convention, the double taxation that now exists for these persons would be eliminated as a result of the credit granted by Thailand for U.S. taxes on U.S. income.

In most of our conventions, the nondiscrimination article applies with respect to individuals from one country who are resident in the other. Many conventions go beyond that and provide that nondiscrimination shall apply in each country to a local branch of a foreign company. Article 23 of this treaty goes even further and makes the nondiscrimination principle applicable to a local corporation of one country which is owned by nationals or corporations of the other. This comprehensive nondiscrimination article represents a marked step forward in securing fair treatment for American interests in foreign countries.

I hope, Mr. Chairman and members of the Committee, that this rather lengthy presentation has served to clarify the nature and purpose of our tax treaty program. We believe this program can make a useful contribution to international trade and investment in less developed countries by eliminating a number of tax problems, introducing sounder tax practices and establishing the basis for cooperation between our tax authorities and those of the foreign countries. This program will enable the United States to develop a network of tax treaties with these countries and thereby permit us to keep pace with the other industrialized countries, who are extensively using tax treaties as a significant means of cementing their economic relationships with the less developed countries of the world.

The Treasury has always maintained close connection with the International Bank, and is fortunate indeed to have Mr. Merchant as the U. S. Executive Director of that Body.

Similarly, as Secretary of the Treasury I am most fortunate because Mr. Merchant's parallel assignment is that of a Special Assistant to the Secretary of the Treasury.

Livy, I know everyone in this room joins me in welcoming you into this new assignment, through which you will continue your great service to our country and thus further draw upon your great talents, judgment, and experience

oOo

financial relationships. His experience spans three continents in times of war, ~~of~~ recovery and ~~in~~ peace.

As is so often the case with men of such outstanding capacity his departure from Government service ~~really~~ never takes place. After his last tour of duty as our Ambassador to Canada, he agreed to serve as a Special Assistant to the Secretary of State for the Multilateral Nuclear Force.

His most recent contribution has been that of joining with a distinguished Canadian colleague in preparing a Special Report for the President of the United States and the Prime Minister of Canada on the subject of U.S. - Canadian Relations.

and in private life which have so well equipped him for this present assignment. After sixteen years of investment banking he joined the Department of State to begin a most distinguished career in the foreign service. After holding important positions during World War II, he became Counselor for our Embassy in Nanking, China. Later he was named Deputy Assistant and subsequently Assistant Secretary of State for European Affairs. He was twice named ~~as~~ our Ambassador to Canada, and has served as Under Secretary of State for Political Affairs.

He has represented the United States in many international meetings of the highest importance. He understands the problems of our foreign policy, not only in their political context, but also in their economic and action by governments for short range political considerations

These thoughts were strongly in the President's mind when he nominated Mr. Merchant as the U. S. Executive Director of the World Bank. This country, and indeed the whole free world, is most fortunate because time and circumstance have made Livingston Merchant available to shoulder this responsibility. The growth of the Bank and the times we live in call for an individual of significant stature in this position, and in Mr. Merchant we have a man most superbly equipped for the part he will play in representing the United States in its share of the process of determining the course of the Bank's future policy.

I am sure that most of this audience is aware of the highlights of Livingston Merchant's background in Government significant process taking place in the ~~free~~ world today. Last year the Bank loaned over $1 billion to its members. The World Bank and the IDA constitute the principal source for multilateral assistance to those countries of the world which are making efforts to improve the lives of their peoples by building stronger and more efficient economies.

We must remember, too, that in addition to the loans it makes, the World Bank takes the initiative in organizing consortia and consultative groups for securing and organizing economic aid for many countries in Asia, South America and Africa which are developing plans for their long range economic growth. It is also taking leadership in divising arrangements under which outside private investment can play an increasing role in this process at less risk from unfair and arbitrary

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT SWEARING-IN CEREMONIES OF LIVINGSTON T. MERCHANT
AS U. S. EXECUTIVE DIRECTOR OF THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT
WEDNESDAY, AUGUST 11, 1965
AT NOON

My friendship with Livingston Merchant goes back many years and my respect and admiration for his abilities and his character increases with ~~those years~~.

I think we ~~all are~~ aware of his great contributions to American foreign policy and to the whole field of foreign service. It is a matter of great pride and satisfaction to me to welcome him to his new duties today.

The past years have seen a great expansion in the influence of the International Bank for Reconstruction and Development. Together with its affiliates, the International Development Association and the International Finance Corporation, the World Bank has ~~truly~~ become a focal point in shaping world poli for economic development -- and I know of no more universally

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TREASURY DEPARTMENT
Washington

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These thoughts were strongly in the President's mind when he nominated Mr. Merchant to be the U. S. Executive Director of the World Bank. This country, and indeed I think the Bank and its constituents throughout the world, is most fortunate because time and circumstance have made Livingston Merchant available to shoulder this responsibility. The growth of the Bank and the times we live in call for an individual of significant stature in this position, and in Mr. Merchant we have a man who is superbly equipped for the part he will play in representing the United States in its share of the process of determining the course of the Bank's future policy.

I am sure that most of this audience is aware of the highlights of Livingston Merchant's background in Government and in private life which have so well equipped him for this present assignment. But let me detail a few of these. After sixteen years of investment banking he joined the Department of State to begin a most distinguished career in the foreign service. After holding important positions during World War II, he becamse Counselor for our Embassy in Nanking, China. Later he was named Deputy Assistant and subsequently Assistant Secretary of State for European Affairs. He was twice named our Ambassador to Canada, and has served as Under Secretary of State for Political Affairs.

He has represented the United States in international meetings, many of the highest importance. He understands the problems of our foreign policy, not only in their political context, but also in their economic and financial relationships. His experience spans three continents in times of war, recovery, and peace.

As is so often the case with men of such outstanding capacity his departure from Government and from public service never really takes place. After his last tour of duty as our Ambassador to Canada, he agreed to serve as a Special Assistant to the Secretary of State for the Multilateral Nuclear Force.

His most recent contribution has been that of joining with a distinguished Canadian colleague in preparing a Special Report for the President of the United States and the Prime Minister of Canada on the subject of U.S. - Canadian Relations.

The Treasury has always maintained very close connection with the Bank, and is fortunate indeed to have Mr. Merchant as the fulltime U. S. Executive Director of that Body.

Similarly, as Secretary of the Treasury I feel particularly fortunate to have him working in parallel as a Special Assistant to the Secretary of the Treasury.

Livy, I know everyone in this room joins me in welcoming you into this new assignment, through which you will continue your great service to our country and thus further draw upon your great talents, judgment, and experience, and it is with very great pleasure that I ask you to come forward and take the oath. Mr. Trued will administer it.

oOo

1/2 million.

Production of the new quarters will begin this month at the Philadelphia Mint. The new coins will be issued late this year, or early in 1966, according to the need for coins.

When facilities for producing clad metal strip at the new Mint to be built at Philadelphia come into being the composite materials for the new coins will be produced there. Facilities for production of clad strip are to be added in the Denver Mint. Procurement of materials for the new coins will continue outside the Mint until facilities for its production become available.

oOo

silver-copper or copper-silver alloy for this coin. They were:

-- A contract for approximately $8 million with Engelhard Industries Inc., of Newark, New Jersey, for production at plants in Newark and in Plainville, Massachusetts.

-- A contract for approximately $3 million with Handy and Harman, of New York City, for production in its plant at Fairfield, Connecticut.

A 13 million contract for the supply of the composite metal strip needed for the new quarter and dime has been signed with Composite Metal Products, Inc., of Eighty-four, Pennsylvania. The new 10 cent and 25 cent pieces will have faces of the same 75 percent copper, 25 percent nickel alloy from which the 5 cent piece is made, bonded to a core of pure copper. On July 27 the Treasury announced the signing of three contracts for this material, amounting to approximately

D R A F T

FOR RELEASE AT 5:30 PM EDT
WEDNESDAY, AUGUST 11, 1965

TREASURY ANNOUNCES ADDITIONAL
CONTRACTS FOR COINAGE MATERIALS

The Treasury today announced signature of the first contracts for procurement of materials for the new silver half dollar, approved in the Coinage Act of 1965. A further contract for procurement of materials for the new quarter and dime has also been completed.

Production of the new half dollar, which will be the silver standard bearer of the new fractional coinage, will be started at the Denver Mint this fall. The new 50-cent piece will be a composite coin, with faces of 80 percent silver and 20 percent copper, bonded to a core of 21 percent silver and 79 percent copper.

Two contracts have been signed for the purchase of the

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 11, 1965

FOR RELEASE AT 5:00 P.M., EDT
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The Treasury today announced signature of the first contracts for procurement of materials for the new silver half dollar, approved in the Coinage Act of 1965. A further contract for procurement of materials for the new quarter and dime has also been completed.

Production of the new half dollar, which will be the silver standard bearer of the new fractional coinage, will be started at the Denver Mint this fall. The new 50-cent piece will be a composite coin, with faces of 80 percent silver and 20 percent copper, bonded to a core of 21 percent silver and 79 percent copper.

Two contracts have been signed for the purchase of the silver-copper on copper-silver alloy for this coin. They were:

-- A contract for approximately $8 million with Engelhard Industries, Inc., of Newark, New Jersey, for production at plants in Newark and in Plainville, Massachusetts.

-- A contract for approximately $3 million with Handy and Harman, of New York City, for production in its plant at Fairfield, Connecticut.

A $3 million contract for the supply of the composite metal strip needed for the new quarter and dime has been signed with Composite Metal Products, Inc., of Eighty-four, Pennsylvania. The new 10 cent and 25 cent pieces will have faces of the same 75 percent copper, 25 percent nickel alloy from which the 5 cent piece is made, bonded to a core of pure copper. On July 27 the Treasury announced the signing of three contracts for this material, amounting to approximately $42 million.

(OVER)

Production of the new quarters will begin this month at the Philadelphia Mint. The new coins will be issued late this year, or early in 1966, according to the need for coins.

When facilities for producing clad metal strip at the new Mint to be built at Philadelphia come into being the composite materials for the new coins will be produced there. Facilities for production of clad strip are to be added in the Denver Mint. Procurement of materials for the new coins will continue outside the Mint until facilities for its production become available.

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

August 12, 1965

SUBSCRIPTION FIGURES FOR CURRENT EXCHANGE OFFERING

The results of the Treasury's current exchange offering of

4% notes dated August 13, 1965, maturing February 15, 1967, and
4% bonds of 1969 dated August 15, 1962, with interest from August 13, 1965, maturing February 15, 1969,

open to holders of $7,268 million of 3-7/8% Notes of Series D-1965 maturing August 13, 1965, are summarized in the table below. Total subscriptions amount to $7,035 million, leaving $233 million, or 3.2%, of the maturing notes for cash redemption. About 7.4% of the public holdings were not exchanged.

Federal Reserve District	Exchanges for the 4% Notes, C-1967	Exchanges for the 4% Bonds of 1969
Boston	$ 82,071,000	$ 26,819,000
New York	4,005,004,000	1,429,003,000
Philadelphia	61,116,000	20,605,000
Cleveland	156,274,000	66,433,000
Richmond	51,943,000	9,640,000
Atlanta	93,342,000	18,193,000
Chicago	211,428,000	134,554,000
St. Louis	68,149,000	17,909,000
Minneapolis	31,723,000	11,886,000
Kansas City	56,229,000	11,487,000
Dallas	117,153,000	12,764,000
San Francisco	197,654,000	125,064,000
Treasury	18,396,000	68,000
Total	$5,150,482,000	$1,884,425,000

F-167

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 12, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON HARDBOARD
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that hardboard from South Africa 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 June 22, 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 October 30, 1964, to date were worth approximately $151,000.

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TREASURY DECISION ON HEADBOARDS
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The Treasury Department has determined that headboards, manufactured of wood, from Yugoslavia, are not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act. A "Notice of Tentative Determination," was published in the Federal Register on June 22, 1965.

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Imports of the involved merchandise received during the period June 1, 1964, through March 31, 1965, were worth approximately $110,000.

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In Viet Nam we take up the arrow of war, so that the olive branch of peace may grow.

In Viet Nam, therefore, we seek only what we seek in all parts of the world -- a just and free peace.

Our supreme purpose -- there, as elsewhere -- is to further that greatest dream of all mankind -- the dream of a world in which all men and nations can live together in peace and prosperity, with freedom and dignity and justice.

That is the dream that President Johnson has surpassingly portrayed and steadfastly pursued, in deed and in word, at home and abroad.

That is all that we seek -- for ourselves, and for others for now, and for all time.

And while thus we labor to build a Great Society at home, we also bear the burden of leadership in pursuing peace and defending freedom abroad. That is why, today, in Southeast Asia we lend arms and men and supplies to help the tiny country of South Viet Nam in its struggle for survival as a free and independent nation.

In Viet Nam, as elsewhere, it is peace that we seek, not war -- cooperation, not conflict.

But in Viet Nam, also, we demonstrate that, while we never seek to provoke, we ever refuse to appease.

In Viet Nam we demonstrate that, while we yield to no nation in the patient pursuit of peace and the works of peace, we have the will and the weapons to fight, if fight we must to defend our freedom and the freedom of our fellow man.

In a record of accomplishment unexampled in our history, the President has proposed and the Congress has passed a host of measures that put us far along the path toward that goal -- no measures more important than those to make our educational system, in the President's words, "equal to our towering expectations of the America that we love and the America that is to come."

More than any in our history, the educational program that President Johnson and the Congress have thus far fashioned 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, in every region, can -- as the President has described it -- "have all of the education, of the highest quality, which his or her ambition demands and his or her mind can absorb."

who leads our nation in the paths of peace and prosperity, of order and justice and freedom, both at home and abroad.

At home, President Johnson has guided us into the greatest period of peacetime prosperity in our history -- by helping bring together all segments of our society, all sectors of our economy, into a dynamic partnership for progress whose constructive potential we have only begun to realize.

He has taken the nation to new heights -- raised anew our eyes to the vision and our energies to the task of fulfilling an age-old American dream -- the dream of a Great Society in whose abundant life every citizen can share to the fullest measure of his capacity and his desire.

2 In doing so, he has given America a goal to inspire the very greatness it demands.

to helping win their hearts and minds to the challenge of building the New South. I speak of Robert E. Lee.

These were men who understood that the future belongs to those who seek to build, not to destroy -- who seek to bind, not to break -- who seek to heal, not to hurt.

These were men who understood that the perpetuation of hatred, and division, and violence could only prevent the South from becoming what all who loved her wanted her to be, and knew she could be -- a region of abounding plenty where men and men's dreams can live and thrive.

Today, it is a man like these -- a son of the South, a man of the spirit and vision of Henry W. Grady and of Robert E. Lee, a man of wisdom and understanding, of reason and moderation --

I speak, first, of Henry Grady -- the distinguished editor
of the Atlanta Constitution -- who in the decades following
the war spoke so eloquently and effectively of a New South --
a South united, not in bitterness and grief, but in the great
and positive purpose of creating an unparalleled prosperity
for all her citizens.

I speak, also, of a man from my own native soil of
Virginia -- the man who led the young men of the South on the
battlefields of war -- and who, once the war was over, assumed
the presidency of a small college in the Virginia ~~hill country~~
known then as Washington College, and known now as Washington
and Lee. There, he devoted the remaining years of his life to
helping lead young men of the South into the works of peace --

would divert your energies and your resources away from the great opportunity before you into the blind and bitter path of divisiveness and of hatred and of fear.

For the South, as for the nation, the closing decades of the Twentieth Century hold forth the promise of progress and prosperity in all spheres of human endeavor of a kind and scale to surpass all we have seen and all we might surmise.

But if that promise is to be fulfilled, then the South must enter the closing decades of this century inspired by the same quality and kind of vision unveiled before the South by two of her greatest sons -- by two of America's greatest sons -- in the period following the War Between the States when the region was torn asunder by war and racial turmoil.

The challenge before you now is to build upon that base -- and thus to move far closer toward the great economic accomplishments that lie well within your grasp, if you are willing to seize them.

To meet that challenge will not be easy.

It will require that men of responsibility here in the South -- the leaders in government, in business, in local and community affairs -- carefully encourage the growth of that same strong partnership for prosperity between all segments of your economy that has worked so well on the national level.

It will require that men of responsiblity here in the South the leaders in government, in business, in local and community affairs -- refuse to relinquish the initiative to those who in Washington and in the State Governments and in the local communities -- that the South has come so far in recent decades, and standssnow on the threshold of an era of enormous economic promise and potential.

The South has a strong nucleus of capital, plant, and technical and business know-how. Its possibilities for development are limited only by the depth of the desire and determination of its people to create the kind of conditions, the kind of climate, the kind of atmosphere -- not only in which this nucleus of native resources can grow and prosper -- but which will draw new capital, new plant, new technology, and new brain-power to the South as a place where both men and industry can flourish.

The South has succeeded thus far in laying a sound and strong economic base.

earned them the highest regard and respect of Americans not only in this state and in this region but throughout the nati

I have spoken of John Sparkman's contributions to nation and international financial affairs. But his concerns and his accomplishments go far beyond purely financial confines. In the field of housing, ~~in the field of health,~~ in the field of small business, in the field of education, in the field of rural electrification -- in ~~all~~ these fields and ~~more~~, the last several decades have seen scarcely a national program to advance the welfare of our citizens which John Sparkman has m strongly supported or which does not bear the mark of his vis and effective leadership.

It is largely through leadership of his kind and caliber

This lesson, this experience -- demonstrated at the national level under the inspired leadership of President Johnson -- has a special relevance to the South.

For the South is a region rich in natural and human resources.

The economy of this state -- the economy of the South as a whole -- have shared, and shared abundantly, in the fruits of that growing partnership for prosperity that has proved so potent a force in our national life.

In large measure, you have shared so fully in that partnership because of men like John Sparkman -- men whose cares of superb and unselfish service to their state and their nation

Over the past four and a half years of uninterrupted prosperity, business, labor, and government have demonstrated that, by pulling together, they can achieve far more than by pulling apart.

They have demonstrated that, by working with each other to create greater abundance for all, they serve their individual self-interests far better than by working against each other to secure some apparent marginal advantage.

This, then, is the lesson to which our unparalleled prosperity bears unimpeachable witness: the lesson that, in economic affairs as in all others, we are strongest when we work to broaden the areas of cooperation -- we are weakest when we seek to widen the areas of conflict.

non-inflationary collective bargaining and pricing processes. In particular, both parties in the steel industry must consider whether they do not carry an added burden of responsibility for avoiding an inflationary settlement which would not only affect that crucial industry, but which could set a pattern for others.

specialized government services benefitting special groups are furnished on a no cost or a highly subsidized basis.

These are some of the hard questions and difficult decisions that President Johnson and his Administration are wrestling with today. They are the counterpart of the questions -- equally hard and difficult -- that labor and business must also ask themselves.

Labor, for example, in its wage decisions -- and industry in its pricing decisions -- must ask themselves whether this is a time, ~~if indeed there ever is~~, when they can safely exceed the quideposts that define the public interest in objectives.

We are asking ourselves whether this is a time when Congress -- and government workers, too -- should reconsider the implications, in terms of the budget and as a precedent for other groups, of a proposed increase in pay for civilian government workers far in excess of both the Administration's request ~~and the wage-price guideposts of the Council of Economic~~ Advisers.

In my own Department, for example, we are rethinking plans and prospects for tax reduction in the light of new priorities. We are also asking ourselves whether this is the time to consider enactment of an omnibus user charge program that would include the proposals made in the President's 1966 Budget and Excise Tax Messages as well as a number of additional areas in which higher budgetary deficit, and expect to finance such a deficit easily without adding excessively to the money supply.

We are asking ourselves whether ~~-- with military spending~~ in this fiscal year rising appreciably above earlier budget estimates -- this is a time when we should try to minimize increases in the budget deficit by accelerating the elimination or reduction of old, outworn and obsolete civilian programs for the current budget -- a process, as I have said, that President Johnson has well underway for future budgets.

We are asking ourselves whether -- looking ahead to fiscal 1967 -- this is a time to stretch out or defer the impact on spending of some of the new and proposed civilian programs, without delaying basic authorizing legislation or otherwise impairing high priority, but longer-run,

1. $19 billions of reductions in income and excise taxes reductions which have helped to keep going the longest peace-time economic expansion in history.

2. Two major civil rights bills -- helping to assure the American Negro his full rights as an American citizen.

3. A Medicare bill which provides far more in medical care for the elderly than its original sponsors dared suggest.

4. An anti-poverty program which has already brought work and education, and above all, hope to millions of the desperately poor.

5. An education bill which, for the first time, clearly breaks through the barriers of tradition to assure more adequate support for elementary and secondary education.

6. A rent supplement proposal which makes it possible to provide decent housing for low-income families on a large scale and in a dignified way.

I believe the reasons for unparalleled success are clear:

<u>First</u>, because we have been able to demonstrate that these are sound, practical, and carefully developed programs which serve the interests of all the people.

<u>Second</u>, and equally as important, because we have made the effort -- a real and convincing effort -- to guarantee the people and the Congress that they are getting full value for every dollar spent. We have shown that compassionate government does not mean imprudent government -- that we are just as interested in rooting out old and inefficient programs as in developing new ones.

Between fiscal 1964 and 1966 we will increase spending on the major Great Society programs by $4-1/2 billion -- a rise of over 60%. But our total budget will go up by only $2 billion. Over half of the new spending is being financed from improved efficiency and reductions in less essential programs.

MORE

(OVER)

. preview. The Budget Director has
... cost of these programs. If, between now and January, program requests are reduced by as much as they were in the same period last year, budget expenditures would still grow at a rate very substantially in excess of the rate of growth in our national economy.

Now I intend to spend whatever is necessary

- to protect the security of the Nation
- to honor our commitments abroad, and
- to achieve the goals of our Society in America.

But I d not intend to spend a penny more than this, and I am absolutely certain that a growth in budget expenditures at the rate indicated is neither necessary nor inevitable.

At the last Cabinet meeting I asked each of the Cabinet members and Agen heads to appoint a task force to identify areas where savings could be made to offset the increased spending from new and expended programs.

I have asked to meet with you, the members of these task forces, to impres on each of you how important I conceive your work to be.

There are a number of principles I think you ought to follow in your deliber ations:

> [redacted] (hold no program sacred. No program -- no matter how long established -- should be free of a cold and searching examination. Let me worry about the political problems -- I'll make those decisio Some decisions may be unpopular for a time -- but sanity and sense v be far more popular in the long run. "
>
> Second, real savings are going to come from reducing or eliminating obsolete programs. While I do want you to find more efficient ways of running existing programs, I don't want you to concentrate so heav on that aspect, that you refrain from asking whether the program its is worthwhile.

MORE

first shown the President what savings can be made in existing programs.

In short, the President will not even consider any requests for new or higher spending until he has first made sure that he has saved every dollar possible on old programs. He has made amply clear his unswerving determination to save everywhere he can in order to spend where he must.

Both within and beyond the boundaries of these consideration the President and his advisers are asking themselves some hard questions -- questions that require hard answers.

We in the national government are asking ourselves whether, with demands for military manpower and material increasing, this is a time when we could reasonably countenance a sharply

~~The President has minced no words in making plain to all members of his Administration that he will accept nothing less than the maximum savings possible.~~

~~In his talk, for example, to the Task Force on Cost Reduction the President directed that in and I quote.~~

Nor has the President minced any words in making ~~it~~ plain to all members of his Administration that his campaign for Federal cost reduction ~~is absolute~~ ~~no includes every single~~ ~~there is no such thing as~~ ~~as=ana ===no=program;=no=agency;=~~ ~~there is no such~~ ~~as a program or an agency thing as~~ will admit of no exceptions whatsoever, but must include every single Federal program. ~~In the~~ As he chargeD HIS ~~the~~ Cabinet Task Force on Cost Reduction -- and I quoTE:

INSERT

On the 16th of last month, he informed his Cabinet Task Force on Cost Reduction -- and I quote:

'Now I intend to spend whatever is necessary

- to protect the security of the Nation,

- to honor our commitments abroad, and

- to achieve the goals of our Society in America.

But I do not intend to spend a penny more than this...

The President has also directed the Director of the Budget, Mr. Charles Schultze:

-- not to consider program increases until he has shown what savings can be made in existing programs to help finance them;

-- not to present recommendations to the President for increases in spending until __after__ he has year -- earned by the continued cooperative efforts of business, labor and government. New needs develop -- and new problems arise -- and they require that business and labor and government continually subject their policies and practices to serious and searching review.

Today, for example, we in the Administration are hard at work considering with President Johnson plans and programs for the fiscal 1967 budget, as well as possible measures for the more immediate future -- measures and programs that will enable this nation to meet both its domestic needs and goals and its international commitments.

No previous Administration has ever had to meet such stern and stringent standards as those President Johnson has set for his Administration.

continues still to display -- a balance that bodes well for the future.

We cannot, of course, blithely assume that the business cycle has been repealed, or that there are not potential trouble spots that bear close watching. We cannot, after all, forestall trouble unless we foresee it.

But -- from our successes over the past four and one half years -- we have learned a great deal about how to sustain strong and steady economic growth. We have also learned a great deal from the failures of prior years. And the one lesson we must bear foremost in mind today is that, if there is one thing which prosperity cannot stand, it is to be taken for granted. It must be earned anew every day, every week, every well as the smaller, but still sizable, declines earlier this year -- the Berlin crisis in 1961 and the Cuban missile crisis in 1963 -- and large variations in our budgetary deficit, which rose to a peak of $8.2 billion in fiscal 1964 before it fell sharply to $3.5 billion only a year later.

These were tests that might easily have tripped up a less viable and durable expansion -- but that we have met and mastered avoiding recession on the one hand and inflation on the other, as business, labor and government have worked together in a climate of mutual cooperation and confidence.

Thus, when we stand back and take a long and close look at our expansion -- at its past and present progress -- we can only be impressed by the high degree of balance which it away by higher prices, with the attendant dangers of pressures on profit margins and of an inflationary and speculative psychology that would distort and impede an orderly growth in real output.

We see the ample fruits of this balance and this restraint in the relative stability of our industrial prices -- which, at the wholesale level, are only one percent higher than they were six years ago.

We see them also in the demonstrated ability of our expansion to adjust to potentially severe disturbances without serious damage or distortion.

For our expansion has not only survived, but surmounted, the sharpest break in stock prices in many years in 1962, as

Even more crucial -- both in terms of sustaining our domestic prosperity and improving our international competitive position -- has been our excellent record of balance between wages and productivity gains.

We can all point to blemishes on that record -- they have been widely publicized, and rightly so. But the key fact is that, for manufacturing as a whole, wage increases since 1960 have remained within the bounds of productivity growth -- and, today, unit labor costs of industry are actually a bit lower than they were four years ago.

We have refused, therefore, to fall prey to that sometimes alluring but always illusionary process by which we force wages up beyond the capacity of the economy to absorb them, only to see the apparent gains in workers' income washed inflationary strains on capacity. But at the same time, they have refrained from building far beyond foreseeable needs -- and thus inviting the inevitable contraction.

Similarly, while inventories have been rising steadily in absolute terms, businessmen have by and large maintained them at conservative levels in relation to the growing volume of sales -- thus forestalling another potential pitfall in the way of continuing economic advance.

A vast growth in internally generated funds has helped assure ample financing for this growth in investment, but the financial community has also demonstrated its ingenuity in drawing upon our enormous potential for saving for funds to meet the financing needs of our businesses, our home buyers and our state and local governments.

For the key to our unexampled economic achievements has not been public policy alone -- although it has been that policy that has created the climate and offered the encouragement and furnished the incentive -- but also the magnificent response to that policy of the private sector of our economy.

It is largely the wise and measured character of that response that has kept our expansion relatively free from the excesses and imbalances that too often in the past have undermined our periods of prosperity.

Businessmen, for example, have greatly enlarged their productive facilities to keep pace with their expanding market potential, thus avoiding bottlenecks in production and investment credit and depreciation reform have done a great deal to help revitalize the textile industry as well as others essential to a healthy Southern economy. In fact, the Treasury Department made more liberal depreciation rates effective for the textile industry in the fall of 1961 -- nine months before they became effective for other industries.

I would venture to say that, at no time in our history, has our national government pursued with such vigor or such success public policies to promote private economic growth than over the last four and a half years. Those years have been equally notable for the extraordinary degree of cooperation, understanding and mutual confidence between the several sectors of our economy -- between business and labor and government.

The investment credit of 1962, the depreciation reform of 1962 and 1965, the income tax cut of 1964 and the excise tax cut enacted this year -- these measures, at next year's levels of income, will add up to a net total of $18 billion worth of annual tax reduction -- a massive stimulus indeed to the private sector of our economy.

These measures also mean dramatic new incentives and opportunities for the private individual and private business to assume the dynamic, constructive role that has characterized our American system since the days of the pioneers. They have measurably eased the burden of oppressive war-time tax rates that were imposed partly to restrain private investment and consumption and allowed to persist long after that need had passed. In particular, the

-- total personal income has grown by 23 percent, compared with 18 percent for the nation as a whole;

-- per capita personal income has grown by 16 percent, compared with 13 percent for the nation as a whole.

This state, therefore -- and this region -- have shared, and shared amply, in the awesome economic advance our nation has made over the past four and a half years.

This advance, as you know, did not simply happen. It is the direct result of public policies designed to foster greater private effort and initiative -- of public policies deliberately fashioned to enlarge and enhance the role of the free enterprise system in the pursuit of our nation economic goals.

is the fact that -- despite the impact of automation -- the number of workers in manufacturing rose sharply last year -- by 720,000 -- and boosted total manufacturing employment to a near record of more than 18 million jobs.

This expansion, in short, has bestowed its benefits liberally upon all segments of our economy. This region -- this state -- have shared fully in these benefits.

Between 1961 and 1964, for example, in the states of the Sixth Federal Reserve District:

-- the total number of nonfarm workers has grown by 8.3 percent, compared with 5.2 percent for the nation as a whole;

-- average weekly earnings of production workers in manufacturing have grown by 12.7 percent, compared with 11.3 percent for the nation as a whole;

the lowest figure in nearly eight years.

What is most impressive about this decline in the unemployment rate is that it has occured at a time when our labor force has been growing at a phenomenal rate -- as the young people born in the early postwar years have entered our work force in enormous numbers.

In the past year, from July 1964 to July 1965, the expansion has created 2.3 million new nonfarm jobs. In other words, in one twelve month span the U.S. economy has provided additional nonfarm jobs equal to the total employed in our eighth largest state -- the state of New Jersey -- or in the entire country of Denmark.

Impressive testimony, also, to the power of this expansion consecutive month of economic expansion -- an expansion remarkable not only for its length, but for its strength, its soundness and its stability.

That expansion has been broadly based, and its benefits have been broadly shared. These benefits include:

-- a 30 percent rise in our total national output;

-- a 28 percent rise in consumer spending;

-- a 40 percent rise in business investment in plant and equipment;

-- a 38 percent rise in manufacturing production;

-- a 38 percent rise in corporate profits <u>after</u> tax

-- a 28 percent rise in personal income.

During that expansion, as well, the unemployment rate had fallen from 6.9 percent in early 1961 to 4.5 percent last month

Reserve District -- the states of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee:

-- between 1929 and 1964, total personal income in these states grew by some 8-3/4 times -- 7 times in Alabama -- compared to a 5-3/4 times for the nation as a whole;

-- during that same period, per capita personal income in these states grew by 5½ times -- nearly 5½ times in Alabama -- compared to nearly 3-3/4 times for the nation as a whole.

Over the last four and a half years, as you know, the nation as a whole has experienced an economic resurgence without rival in our entire peacetime history. We are now in our 54th and international financial affairs as second ranking majority member of the Foreign Relations and Banking and Currency Committees of the United States Senate.

It does not seem long ago--- although more than a quarter of a century has passed -- since President Franklin D. Roosevelt, in a speech in Barnesville, Georgia described the South as the nation's "number one economic problem."

Today the South is on the move -- steadily improving both its economic performance and its position as a region rich in economic promise.

For as the national economy has grown over recent decades, so has the Southern economy.

Look, for example, at the states of the Sixth Federal

FOR RELEASE P.M. NEWSPAPERS
MONDAY, AUGUST 16, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE KIWANIS CLUB OF ALABAMA
AT THE TUTWILER HOTEL, BIRMINGHAM, ALABAMA,
MONDAY, AUGUST, 16, 1965, 12:30 P. M., CST.

I am indeed pleased to be here today with this important group and in this fine state -- a state which I have come to know so well through a close and constant association that began more than thirty years ago when, as a young lawyer, I joined the legal staff of the Tennessee Valley Authority.

I am particularly happy to be here on his home grounds with Senator Sparkman -- and I am very grateful to him for his gracious introduction. I am not only fortunate enough to know him as an old and valued friend, but as Secretary of the Treasury I know firsthand of the constructive and informed contribution he makes to legislation concerning both national

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TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
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I am indeed pleased to be here today with this important group and in this fine state -- a state which I have come to know so well through a close and constant association that began more than thirty years ago when, as a young lawyer, I went to work helping advance and defend the cause of the Tennessee Valley Authority.

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For as the national economy has grown over recent decades, so has the Southern economy.

Look, for example, at the states of the Sixth Federal Reserve District -- the states of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee:

-- between 1929 and 1964, total personal income in these states grew by some 8-3/4 times -- 7 times in Alabama -- compared to a 5-3/4 times for the nation as a whole;

-- during that same period, per capita personal income in these states grew by 5-1/4 times -- nearly 5-1/2 times in Alabama -- compared to nearly 3-3/4 times for the nation as a whole.

Over the last four and a half years, as you know, the nation as a whole has experienced an economic resurgence without rival in our entire peacetime history. We are now in our 54th consecutive month of economic expansion -- an expansion remarkable not only for its length, but for its strength, its soundness and its stability.

That expansion has been broadly based, and its benefits have been broadly shared. These benefits include:

-- a 30 percent rise in our total national output;

-- a 28 percent rise in consumer spending;

-- a 40 percent rise in business investment in plant and equipment;

-- a 38 percent rise in manufacturing production;

-- a 88 percent rise in corporate profits <u>after</u> taxes;

-- a 28 percent rise in personal income.

During that expansion, as well, the unemployment rate has fallen from 6.9 percent in early 1961 to 4.5 percent last month -- the lowest figure in nearly eight years.

What is most impressive about this decline in the unemployment rate is that it has occured at a time when our labor force has been growing at a phenomenal rate -- as the young people born in the early postwar years have entered our work force in enormous numbers.

In the past year, from July 1964 to July 1965, the expansion has created 2.3 million new nonfarm jobs. In other words, in one twelve month span the U. S. economy has provided additional nonfarm jobs equal to the total employed in our eighth largest state -- the state of New Jersey -- or in the entire country of Denmark.

Impressive testimony, also, to the power of this expansion is the fact that -- despite the impact of automation -- employment in manufacturing rose last month to a record high of 18,133,000 on a seasonally adjusted basis -- 19,000 above the previous peak reached in November, 1943, at the height of World War II factory production.

This region -- this state -- have shared fully in these abundant benefits of expansion.

Between 1961 and 1964, for example, in the states of the Sixth Federal Reserve District:

-- the total number of nonfarm workers has grown by 8.3 percent, compared with 5.2 percent for the nation as a whole;

-- Average weekly earnings of production workers in manufacturing have grown by 12.7 percent, compared with 11.5 percent for the nation as a whole;

-- total personal income has grown by 23 percent, compared with 18 percent for the nation as a whole;

-- per capita personal income has grown by 16 percent, compared with 13 percent for the nation as a whole.

This awesome economic advance -- in which all have shared so amply -- did not simply happen. It is the direct result of public policies designed to foster greater private effort and initiative -- of public policies deliberately fashioned to enlarge and enhance the role of the free enterprise system in the pursuit of our national economic goals.

The investment credit of 1962, the depreciation reform of 1962 and 1965, the income tax cut of 1964 and the excise tax cut enacted this year -- these measures, at next year's levels of income, will add up to a net total of $18 billion worth of annual tax reduction -- a massive stimulus indeed to the private sector of our economy.

These measures also mean dramatic new incentives and opportunities for the private individual and private business to assume the dynamic, constructive role that has characterized our American system since the days of the pioneers. They have materially eased the burden of oppressive war-time tax rates that were imposed partly to restrain private investment and consumption and allowed to persist long after that need had passed. In particular, the investment credit and depreciation reform have done a great deal to help revitalize the textile industry as well as others essential to a healthy Southern economy. In fact, the Treasury Department made more liberal depreciation rates effective for the textile industry in the fall of 1961 -- nine months before they became effective for other industries.

I would venture to say that, at no time in our history, has our national government pursued with such vigor or such success public policies to promote private economic growth than over the last four and a half years. Those years have been equally notable for the extraordinary degree of cooperation, understanding and mutual confidence between the several sectors of our economy -- between business and labor and government.

For the key to our unexampled economic achievements has not been public policy alone -- although it has been that policy that has created the climate and offered the encouragement and furnished the incentive -- but also the magnificent response to that policy of the private sector of our economy.

It is largely the wise and measured character of that response that has kept our expansion relatively free from the excesses and imbalances that too often in the past have undermined our periods of prosperity.

Businessmen, for example, have greatly enlarged their productive facilities to keep pace with their expanding market potential, thus avoiding bottlenecks in production and inflationary strains on capacity. But at the same time, they have refrained from building far beyond foreseeable needs -- and thus inviting the inevitable contraction.

Similarly, while inventories have been rising steadily in absolute terms, businessmen have by and large maintained them at conservative levels in relation to the growing volume of sales -- thus forestalling another potential pitfall in the way of continuing economic advance.

A vast growth in the internally generated funds of business has helped assure ample financing for this growth in investment. But, in addition, the financial community has demonstrated its ingenuity in drawing upon our enormous potential for saving for funds to meet the financing needs of our businesses, our home-buyers and our state and local governments.

Even more crucial -- both in terms of sustaining our domestic prosperity and improving our international competitive position -- has been our excellent record of balance between wages and productivity gains.

We can all point to blemishes on that record -- they have been widely publicized, and rightly so. But the key fact is that, for manufacturing as a whole, wage increases since 1960 have remained within the bounds of productivity growth -- and, today factory unit labor costs are actually a bit lower than they were four years ago.

We have refused, therefore, to fall prey to that sometimes alluring but always illusory process by which we force wages up beyond the capacity of the economy to absorb them, only to see the dollar gains in workers' income washed away by higher prices, with the attendant dangers of pressures on profit margins and of an inflationary and speculative psychology that would distort and impede an orderly growth in real output.

We see the ample fruits of this balance and this restraint in the relative stability of our industrial prices -- which, at the wholesale level, are only one percent higher than they were six years ago.

We see them also in the demonstrated ability of our expansion to adjust to potentially severe disturbances without serious damage or distortion.

For our expansion has not only survived, but surmounted, the sharpest break in stock prices in many years in 1962, as well as the smaller, but still sizable, declines earlier this year -- the Berlin crisis in 1961 and the Cuban missile crisis in 1963 -- and large variations in our budgetary deficit, which rose to a peak of $8.2 billion in fiscal 1964 before it fell sharply to $3.5 billion only a year later.

These were tests that might easily have tripped up a less viable and durable expansion -- but that we have met and mastered, avoiding recession on the one hand and inflation on the other, as business, labor and government have worked together in a climate of mutual cooperation and confidence.

Thus, when we stand back and take a long and close look at our expansion -- at its past and present progress -- we can only be impressed by the high degree of balance which it continues still to display -- a balance that bodes well for the future.

We cannot, of course, blithely assume that the business cycle has been repealed, or that there are not potential trouble spots that bear close watching. We cannot, after all, forestall trouble unless we foresee it.

But -- from our successes over the past four and one half years -- we have learned a great deal about how to sustain strong and steady economic growth. We have also learned a great deal from the failures of prior years.

And the one lesson we must bear foremost in mind today is that, if there is one thing which prosperity cannot stand, it is to be taken for granted. It must be earned anew every day, every week, every year -- earned by the continued cooperative efforts of business, labor and government. New needs develop -- and new problems arise -- and they require that business and labor and government continually subject their policies and practices to serious and searching review.

Today, for example, we in the Administration are hard at work considering with President Johnson plans and programs for the fiscal 1967 budget, as well as possible measures for the more immediate future -- measures and programs that will enable this nation to meet both its domestic needs and goals and its international commitments.

No previous Administration has ever had to meet such stern and stringent standards as those President Johnson has set for his Administration.

On the 15th of last month, he informed his Cabinet Task Force on Cost Reduction -- and I quote:

> "Now I intend to spend whatever is necessary
> . to protect the security of the Nation,
> . to honor our commitments abroad, and
> . to achieve the goals of our Society in America.
>
> But I do not intend to spend a penny more than this..."

Speaking of the heads of all departments and agencies, the President has also directed the Director of the Budget, Mr. Charles Schultze:

> -- not to consider program increases until he has shown what savings can be made in existing programs to help finance them;
>
> -- not to present recommendations to the President for increases in spending until <u>after</u> he has first shown the President what savings can be made in existing programs.

Nor has the President minced any words in making plain to all members of his Administration that his campaign for Federal cost reduction will admit of no exceptions whatsoever, but must include every single Federal program. As he charged his Cabinet Task Force on Cost Reduction -- and I quote:

> "... hold no program sacred. No program -- no matter how long established -- should be free of a cold and searching examination. Let me worry about the political problems -- I'll make those decisions. Some decisions may be unpopular for a time -- but sanity and sense will be far more popular in the long run."

No President has ever gone any farther or made any clearer his unswerving determination to save everywhere he can in order to spend where he must.

Both within and beyond the boundaries of these considerations, the President and his advisers are asking themselves some hard questions -- questions that require hard answers.

We are asking ourselves whether this is a time when we should try to minimize increases in the budget deficit by accelerating the elimination or reduction of old, outworn and obsolete civilian programs for the current budget -- a process, as I have said, that President Johnson has well underway for future budgets.

We are asking ourselves whether this is a time when Congress -- and government workers, too -- should reconsider the implications, in terms of the budget and as a precedent for other groups, of a proposed increase in pay for civilian goverment workers far in excess of the Administration's request.

We are also asking ourselves whether this is the time to consider enactment of an omnibus user charge program that would include the proposals made in the President's 1966 Budget and Excise Tax Messages as well as a number of additional areas in which specialized government services benefitting special groups are furnished on a no cost or a highly subsidized basis.

These are some of the hard questions and difficult decisions that President Johnson and his Administration are wrestling with today. They are the counterpart of the questions -- equally hard and difficult -- that labor and business must also ask themselves.

Labor, for example, in its wage decisions -- and industry in its pricing decisions -- must ask themselves whether this is a time when they can safely exceed the quideposts laid down by the Council of Economic Advisers to define the public interest in non-inflationary collective bargaining and pricing processes. In particular, both parties in the steel industry must consider whether they do not carry an added burden of responsibility for avoiding an inflationary settlement which would not only affect that crucial industry, but which could set a pattern for others.

Over the past four and a half years of uninterrupted prosperity, business, labor, and government have demonstrated that, by pulling together, they can achieve far more than by pulling apart.

They have demonstrated that, by working with each other to create greater abundance for all, they serve their individual self-interests far better than by working against each other to secure some apparent marginal advantage.

This, then, is the lesson to which our unparalleled prosperity bears unimpeachable witness: the lesson that, in economic affairs as in all others, we are strongest when we work to broaden the areas of cooperation -- we are weakest when we seek to widen the areas of conflict.

This lesson, this experience -- demonstrated at the national level under the inspired leadership of President Johnson -- has a special relevance to the South.

For the South is a region rich in natural and human resources.

The economy of this state -- the economy of the South as a whole -- have shared, and shared abundantly, in the fruits of that growing partnership for prosperity that has proved so potent a force in our national life.

In large measure, you have shared so fully in that partnership because of men like John Sparkman -- men whose careers of superb and unselfish service to their state and their nation has earned them the highest regard and respect of Americans not only in this state and in this region but throughout the nation.

In the field of housing, in the field of small business, in the field of education, in the field of rural electrification -- in these fields and many more that go beyond his contribution to foreign and financial affairs that I mentioned earlier, the last several decades have seen scarcely a national program to advance the welfare of our citizens which John Sparkman has not strongly supported or which does not bear the mark of his wise and effective leadership.

The South has a strong nucleus of capital, plant, and technical and business know-how. Its possibilities for development are limited only by the depth of the desire and determination of its people to create the kind of conditions, the kind of climate, the kind of atmosphere -- not only in which this nucleus of native resources can grow and prosper -- but which will draw new capital, new plant, new technology, and new brain-power to the South as a place where both men and industry can flourish.

The South has succeeded thus far in laying a sound and strong economic base.

The challenge before you now is to build upon that base -- and thus to move far closer toward the great economic accomplishments that lie well within your grasp, if you are willing to seize them.

To meet that challenge will not be easy.

It will require that men of responsibility here in the South -- the leaders in government, in business, in local and community affairs -- carefully encourage the growth of that same strong partnership for prosperity between all segments of your economy that has worked so well on the national level.

It will require that men of responsibility here in the South -- the leaders in government, in business, in local and community affairs -- refuse to relinquish the initiative to those who would divert your energies and your resources away from the great opportunity before you into the blind and bitter path of divisiveness and of hatred and of fear.

For the South, as for the nation, the closing decades of the Twentieth Century hold forth the promise of progress and prosperity in all spheres of human endeavor of a kind and scale to surpass all we have seen and all we might surmise.

But if that promise is to be fulfilled, then the South must enter the closing decades of this century inspired by the same quality and kind of vision unveiled before the South by two of her greatest sons -- by two of America's greatest sons -- in the period following the War Between the States when the region was torn asunder by war and racial turmoil.

I speak, first, of Henry W. Grady -- the distinguished editor of the Atlanta Constitution -- who in the decades following the war spoke so eloquently and effectively of a New South -- a South united, not in bitterness and grief, but in the great and positive purpose of creating an unparalleled prosperity for all her citizens.

I speak, also, of a man from my own native soil of Virginia -- the man who led the young men of the South on the battlefields of war -- and who, once the war was over, assumed the presidency of a small college in the Shenandoah Valley of Virginia known then as Washington College, and known now as Washington and Lee. There, he devoted the remaining years of his life to helping lead young men of the South into the works of peace -- to helping win their hearts and minds to the challenge of building the New South. I speak of Robert E. Lee.

These were men who understood that the future belongs to those who seek to build, not to destroy -- who seek to bind, not to break -- who seek to heal, not to hurt.

These were men who understood that the perpetuation of hatred, and division, and violence could only prevent the South from becoming what all who loved her wanted her to be, and knew she could be -- a region of abounding plenty where men and men's dreams can live and thrive.

Today, it is a man like these -- a son of the South, a man of the spirit and vision of Henry W. Grady and of Robert E. Lee, a man of wisdom and understanding, of reason and moderation -- who leads our nation in the paths of peace and prosperity, of order and justice and freedom, both at home and abroad.

At home, President Johnson has guided us into the greatest period of peacetime prosperity in our history -- by helping bring together all segments of our society, all sectors of our economy, into a dynamic partnership for progress whose constructive potential we have only begun to realize.

He has taken the nation to new heights -- raised anew our eyes to the vision and our energies to the task of fulfilling an age-old American dream -- the dream of a Great Society in whose abundant life every citizen can share to the fullest measure of his capacity and his desire.

In doing so, he has given America a goal to inspire the very greatness it demands.

In a record of accomplishment unexampled in our history, the President has proposed and the Congress has passed a host of measures that put us far along the path toward that goal -- no measures more important than those to make our educational system, in the President's words, "equal to our towering expectations of the America that we love and the America that is to come."

More than any in our history, the educational program that President Johnson and the Congress have thus far fashioned 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, in every region, can -- as the President has described it -- "have all of the education, of the highest quality, which his or her ambition demands and his or her mind can absorb."

And while thus we labor to build a Great Society at home, we also bear the burden of leadership in pursuing peace and defending freedom abroad. That is why, today, in Southeast Asia, we lend arms and men and supplies to help the tiny county of South Viet Nam in its struggle for survival as a free and independent nation.

In Viet Nam, as elsewhere, it is peace that we seek, not war -- cooperation, not conflict.

But in Viet Nam, also, we demonstrate that, while we never seek to provoke, we ever refuse to appease.

In Viet Nam we demonstrate that, while we yield to no nation in the patient pursuit of peace and the works of peace, we have the will and the weapons to fight, if fight we must to defend our freedom and the freedom of our fellow man.

In Viet Nam we take up the arrow of war, so that the olive branch of peace may grow.

In Viet Nam, therefore, we seek only what we seek in all parts of the world -- a just and free peace.

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 16, 1965

FOR IMMEDIATE RELEASE

ANTIDUMPING PROCEEDING ON
SHOES

On July 16, 1965, the Commissioner of Customs received information in proper form pursuant to the provisions of section 14.6(a) of the Customs Regulations indicating a possibility that shoes, leather (other than men's and boys' of welt construction), imported from Rumania 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 received from sources within the Customs Service.

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 period April 1, 1964, through March 31, 1965, were worth approximately $100,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, August 17, 1965.

August 16, 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 May 20, 1965, and the other series to be dated August 19, 1965, which were offered on August 11, were opened at the Federal Reserve Banks on August 16. 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 November 18, 1965		:	182-day Treasury bills maturing February 17, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.041	3.794%	:	98.023	3.911%
Low	99.033	3.825%	:	98.012	3.932%
Average	99.036	3.813% 1/	:	98.017	3.923% 1/

91 percent of the amount of 91-day bills bid for at the low price was accepted
19 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	$ 29,201,000	$ 19,001,000	:	$ 26,764,000	$ 26,764,000
New York	1,360,060,000	785,195,000	:	1,189,906,000	714,656,000
Philadelphia	30,980,000	18,980,000	:	13,161,000	5,161,000
Cleveland	25,003,000	25,003,000	:	33,354,000	28,354,000
Richmond	16,291,000	16,291,000	:	4,772,000	4,367,000
Atlanta	43,796,000	33,616,000	:	22,217,000	12,217,000
Chicago	275,466,000	144,466,000	:	271,997,000	111,497,000
St. Louis	38,127,000	29,857,000	:	16,208,000	14,208,000
Minneapolis	20,776,000	19,686,000	:	13,470,000	12,065,000
Kansas City	28,892,000	27,892,000	:	11,576,000	11,076,000
Dallas	21,543,000	18,363,000	:	10,642,000	9,832,000
San Francisco	83,733,000	62,103,000	:	77,535,000	50,055,000
TOTALS	$1,973,868,000	$1,200,453,000 a/		$1,691,602,000	$1,000,252,000 b/

a/ Includes $254,481,000 noncompetitive tenders accepted at the average price of 99.036
b/ Includes $99,350,000 noncompetitive tenders accepted at the average price of 98.017
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.90%, for the 91-day bills, and 4.06%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 17, 1965

FOR IMMEDIATE RELEASE

STATEMENT OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT A NEWS CONFERENCE ON THE BALANCE OF PAYMENTS,
AUGUST 17, 1965

We are pleased that our balance of payments for the second quarter of the year shows a surplus of $132 million on regular account, seasonally adjusted. This compares with a deficit of $756 million in the first quarter.

We do not take it as a sign that we have turned the corner from balance of payments deficits to balance of payments surpluses.

The period of surplus is too short for that, and there were too many special factors affecting it.

What we do conclude from the second quarter performance is that the President's program for correcting the deficit in our transactions with the rest of the world is working, and that we should press ahead with it in all respects, without relaxing anywhere. We intend to press ahead, we do not intend to relax our efforts at any point in the program, and we are not going to be misled or waylaid by tentative and incomplete results.

This, I confidently believe, will make it possible for us to bring our accounts with the rest of the world into an equilibrium that can be sustained.

But the following special features relating to our second quarter surplus indicate clearly that we can not yet take the view that we have reached that path, even though we may be, as I am convinced, approaching it.

First: We are reporting a surplus for one quarter only. This is far too short a time period to be taken as establishing a new trend, especially since it is the first quarter since late 1957 when we have had a surplus.

Second: The dock strike of January and February delayed until the second quarter a large volume of exports that would otherwise have been made in the first three months of the year. Imports were of course also affected, but not as greatly as exports. As may be seen in the figures made available today by the Department of Commerce, this improved the second quarter balance by some $300 million or more. That is greater than the entire surplus reported today.

Third: There was an exceptionally large outflow of funds from banks and other lenders in the first weeks of this year, just prior to announcement of the President's balance of payments program and his call upon the business community to reduce their outlays of dollars abroad. Most of the subsequent excellent response to the voluntary program came in the second quarter. The result was that a large <u>out</u>flow of bank credit in the first quarter was replaced by a large <u>in</u>flow in the second quarter. This, again, tended to make for a fortuitously good second quarter.

Fourth: It must be remembered that some of the results of the voluntary program are of a one-time character. That is to say, we may already have reaped most of the balance of payments benefits we can reasonably expect to get from the reduction of bank credits flowing abroad, and from the repatriation of liquid balances held abroad by business firms, under the terms of the existing program. Inflows of funds from these sources contributed to the good second quarter results, but we cannot expect to continue indefinitely to get like favorable effects.

Fifth: There are factors that will count <u>against</u> us in the months ahead. For one thing,more American tourists are abroad this year than ever before. Their spending will show up as a balance of payments cost in accounts for the third quarter. For another, the step-up in our participation in the defense of South Vietnam will result in some costs that will be reflected in our balance of payments, although there is no indication that it will be so large as to throw us off our course. Finally, our imports are tending to rise, while our exports, partly due to the dock strike, have failed to keep pace during the year.

Let me refer to one other factor that I regard as a strong reminder that we must not relax our efforts to balance our international payments. This is the fact that official foreign holders of dollars still preferred in the second quarter to cash in some 330 million of their reserve dollars for gold. These were dollars that could otherwise have been used to earn interest. The choice of gold instead showed clearly that these foreign monetary authorities believe there are still more dollars abroad than are needed.

The conversion of the $330 million, and of $811 million in the first quarter reduced by $1.1 billion the liquidity available for trade and development in the free world. This is the process that must be arrested if existing liquidity is to be maintained.

Let me just add that, as you know, we have been considering within the Government the use of a second concept for measuring the deficit known as the official settlements concept. It differs from our present concept by excluding changes in our dollar liabilities to private foreign holders from the measurement of our deficit; in other words, the changes taken into account are with respect only to our liabilities to foreign official monetary authorities. On this official settlements basis, the first quarter deficit figure was $738 million and the second quarter surplus was $229 million.

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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 fro all taxation now or hereafter imposed on the principal or interest thereof by any Sta or any of the possessions of the United States, or by any local taxing authority. Fo purposes of taxation the amount of discount at which Treasury bills are originally so by the United States is considered to be interest. Under Sections 454 (b) and 1221 (of the Internal Revenue Code of 1954 the amount of discount at which bills issued her under are sold is not considered to accrue until such bills are sold, redeemed or oth 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 amo 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 Rese 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 tende will be advised of the acceptance or rejection thereof. The Secretary of the Treas 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 reserva- tions, 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 Fede Reserve Bank on August 26, 1965, in cash or other immediately available f or in a like face amount of Treasury bills maturing August 26, 1965. 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.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 18, 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 August 26, 1965 , in the amount of $2,203,043,000 , as follows:

92 -day bills (to maturity date) to be issued August 26, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated May 27, 1965 , and to mature November 26, 1965 , originally issued in the amount of $ 1,000,735,000 , the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,000,000,000 , or thereabouts, to be dated August 26, 1965 , and to mature February 24, 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 amou 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 $1,000,00 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closi hour, one-thirty p.m., Eastern Daylight Saving ~~Standard~~ time, Monday, August 23, 1965 . Tend 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.

August 18, 1965

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for each issue for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids for the respective issues. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Banks on August 26,1965, cash or other immediately available funds or in a like face amount of Treasury bills maturing August 26,1965. 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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EXHIBIT I

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 13, 1965

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TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for $ 1,000,000,000 (2), or thereabouts, of 365 X(3)X -day Treasury bills, for cash and in exchange for Treasury bills maturing August 31, 1965 X(4)X, in the amount of $ 1,000,439,000 X(5)X, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated August 31, 1965 X(6)X, and will mature August 31, 1966 X(7)X, 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, August 24, 1965 X(8)X. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that these bills will run for 365 X(9)X 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.

August 18, 1965

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT
Washington

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
ON THE UNITED STATES BALANCE OF PAYMENTS
BEFORE THE SUBCOMMITTEE ON INTERNATIONAL FINANCE
OF THE SENATE BANKING AND CURRENCY COMMITTEE
WEDNESDAY, AUGUST 18, 1965
10:00 A. M.

I. Introduction and Summary

I appreciate the opportunity to consider with this distinguished Committee the international financial position of the United States.

Since the crisis affecting the British pound last fall, the return to a very heavy rate of deficit in U. S. payments in late 1964 and early 1965, and the inception of President Johnson's balance of payments program last February, there has been increased interest in, and discussion of, international financial developments. These hearings are a valuable part of the national and international discussion of issues and exchange of opinion now going on in the search for means to improve the workings of the international monetary system.

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The international financial position of the United States is one of the important elements of this problem. The principal aim of my testimony to you today is to place that element of the problem in perspective, because a lack of perspective has characterized much recent comment. I shall try to do so by discussions of the following topics, arriving at conclusions which I have summarized below the topic headings:

> The workings of the U. S. balance of payments program, and what can prudently be concluded about results thusfar.
>
> > The results are good, and encouraging. We achieved a small surplus in our payments in the second quarter of this year. But the period of surplus is too short, and too many special factors contributed to it to justify more than the conclusion that there is every reason to think we are on the right track, but that continued efforts on all fronts will be essential to yield sustained success.

The relationship of the United States balance of payments program to world liquidity and to the economies of other countries.

There is no evidence that the efforts of the United States to bring about an equilibrium in its transactions with the rest of the world, after many years of deficits, is having harmful effects on world trade or liquidity; on the contrary, any tendency of the economies of our trading partners to slow down is due to the conscious decision of their own financial and monetary authorities to avoid or diminish inflationary pressures by domestic restraints, and finally, by protecting the stability of the dollar as the principal world reserve currency, our balance of payments program -- far from reducing liquidity --

is a principal element in preserving existing liquidity. The benefits to the United States, and to every other national economy of maintaining confidence in the dollar are so great as to make confidence in the dollar the goal of highest priority -- and equilibrium in our balance of payments is essential to that confidence.

The objectives of the United States in the development of an improved and strengthened world international finance system.

It is our objective to maintain the liquidity in the Free World monetary system provided by $27 billion in the official reserves and private holdings of foreigners, supported by the strength of the United States economy and secured by healthy economic growth at home and equilibrium in our payments abroad.

At the same time, we seek in cooperation with other friendly nations to find the means to ensure against any future shortfall in the world's money supply, hitherto provided by our deficits.

Let me add, before I proceed to these topics, two comments that are indispensable, but often overlooked, background to all other elements of our discussion. These are, the great underlying strength of the dollar, and, the scope and character of the United States approach to the solution of its balance of payments problem.

Basic Strength of the Dollar

Our balance of payments difficulties are a curable ailment of a very sound economic body. The United States economy and its agent, the dollar, are overwhelmingly strong, at home and abroad. We have in this strength the means to cure the ailment without harm to ourselves and others. But since it is so easy to lose sight of this basic strength in discussion of the balance of payments problem, let me go over the principal facts.

Our productive output is enormous and growing, and our foreign trade surplus is far larger than that of any other country. Our international competitive position is benefitting from sustained cost and price stability relative to other countries. This productive potential and price stability make the dollar the strongest, and the most widely used, currency in the world; it is the only currency freely convertible into gold by foreign governments and central banks. The dollar is backed by the world's largest reserves of gold and is also backed by a large and growing excess of our total assets and claims abroad over our liabilities of all kinds to foreigners. Our official and private holdings of investment assets and other claims on foreigners totalled roughly $100 billion at the end of 1964, exceeding the total of foreign claims on us by some $40 billion. Our private international assets, which exclude all U. S. Government claims on foreigners, exceeded foreign claims on the United States by almost $20 billion, compared to $9 billion at the end of 1961.

The scope and character of the U. S. Program

The great fundamental strength of the dollar allows the United States to approach its balance of payments problem in a manner that is at the same time measured and determined. It is measured, because we recognize the damage that could be done by hasty and ill-conceived action to shut off the flow of capital and trade to the weaker countries, to straight-jacket the dollar in tight controls, or to impair the growth of our own economy. It is determined because we recognize that the strength of the dollar could be eroded away, and with it the underpinnings of the monetary system that has served us so well and upon which we must build in the future.

Our effort is consequently a broad one. It involves many interrelated programs which, in turn, require participation and support by many departments and agencies of Government, and the understanding and cooperation of business, labor and finance.

The role of Congress in this broad-ranging effort has been and remains a significant one.

Legislation tightening the exemption from duty enjoyed by returning residents has become law. The Bill providing an exemption from the anti-trust laws to the bankers who have been cooperating so effectively with us in the voluntary program has passed both Houses. The proposal to extend the scope and duration of the Interest Equalization Tax has been favorably acted upon by the House of Representatives and Senate action is pending. Hearings have been held by the House Ways and

Means Committee on the Bill designed to remove certain tax obstacles to foreign protfolio investment in the United States.

The voluntary programs that Secretary Connor and Governor Robertson have described before this Committee and the legislative action which you have been taking in this session are important links in the chain of defenses we are building for the dollar. While I will not discuss them in detail today, it is important to remember that there are other links as well. In outlining the ten-point program on February 10, the President emphasized that we must continue to minimize the foreign exchange costs of our defense and aid programs; narrow our tourist gap by encouraging our friends from abroad as well as our citizens to see the U.S.A.; and to redouble our efforts to promote exports and thus earn more trade dollars.

Within the Executive Branch, our balance of payments program is fully coordinated at the Cabinet level. Our formal channel and organized forum for doing this is the Cabinet Committee on Balance of Payments, under my chairmanship, which includes as regular members:

Secretary of Defense McNamara

Secretary of Commerce Connor

Under Secretary of State Ball

Administrator of AID Bell

Special Representative for Trade
Negotiations Herter

Budget Director Schultze

Council of Economic Advisers
Chairman Ackley

Mr. Bundy, The White House

Both Chairman Martin of the Federal Reserve Board and the Export Expansion Coordinator, Mr. Goldy, have participated actively and frequently in the Committee's work. The heads of other departments and agencies concerned with particular subjects which may come before the Committee are included, as appropriate.

This Committee meets at frequent intervals, providing us at the Cabinet level with an opportunity for full discussion of what has been attempted and achieved, as well as an opportunity to thrash out any differences we may have. The Committee reviews the program in over-all terms, and it appraises the program from both the short and the longer-term outlook. It examines the problem and the program in the light of world developments and needs as well as in the light of our own objectives. From time to time it reports to the President on these matters.

The work of this Cabinet-level Committee is supported -- and its coordinating role in carrying out our over-all payments program is further extended and supplemented -- by an Executive Committee of the same agencies, meeting at the Assistant Secretary level.

II. Assessment of the United States Balance of Payments Program

As figures for the balance of our international payments for both the first and the second quarter of this year have appeared since my predecessor testified before this Committee last March, I will review these developments very briefly.

The First Half of 1965

In the first quarter of this year we had a deficit on a regular transactions basis of $756 million, after adjustment for seasonal factors. In part, this deficit resulted from a sharp reduction in our earnings from trade due to a dock workers strike extending from mid-January through late February. This work stoppage cut our exports much more than our imports. In part also, the first quarter result was influenced by an exceptionally large outflow of funds from banks and others in the early weeks of the year. Large as the deficit was in the first quarter of 1965, however, it was sharply below the deficit in the final quarter of 1964. As the first quarter ended signs were beginning to appear that the new program was taking hold.

In the second quarter, according to the preliminary figures that have just become available, we had a surplus amounting to some $132 million, on a regular transactions basis.

Among the scarce supporting data for the second quarter are figures on the flow of bank credit abroad. In the first quarter there was an outflow of $438 million from banks. In the second quarter there was a net inflow of dollars to the

U. S. amounting to $368 million. These numbers can be taken as a good measure of the key role of changes in bank credits to foreigners in our recent balance of payments results.

We do not yet have similar data on the flow of direct investment funds, remittances of foreign investment income, and the like, needed to assess the contribution of non-financial business firms participating in the President's program for voluntary restraint of dollar flows abroad. Such incomplete data as we have, indicate, however, that in the second quarter business firms have continued the repatriation of deposits and of other short-term funds held abroad that began in February and March.

New foreign-security issues were somewhat larger in the second quarter than the first -- largely reflecting heavy borrowing by Canada in our market -- bringing the first-half total of such issues roughly in line with 1964 levels. Transactions in outstanding foreign securities continued in this quarter -- as they have ever since the announcement of the Interest Equalization Tax in mid-1963 -- to show a moderate capital reflow, through net liquidation of such holdings by Americans.

We know too from data now available that the resumption of exports following the end of the dock strike in February also contributed to the improvement of our balance of payments in the second quarter.

I would add that, in reviewing these second quarter results, it is equally important to keep our continued gold losses in mind. While the outflow of gold slowed somewhat, the plain fact is that official foreign holders of dollars during the second quarter preferred to cash in for gold some 300 million of those dollars -- dollars that can be invested to earn 4 percent or more. The effect was to diminish both our reserves and Free World liquidity in the same amount. This flow of gold to central banks does not include some $259 million of gold payments to the International Monetary Fund to cover our increased quota in IMF.

Special Factors that Must be Taken Into Account

Scarcely one of these results for the first and the second quarters of this year can be accepted at face value in assessing the results of our balance of payments program thusfar.

First of all, the time period is short: we have reports for only four full months -- March, April, May and June -- affected by the President's balance of payments program announced February 10. This is simply too short a period on which to rest much analytical weight.

Second, the surplus we can report, for the second quarter, is very thin -- only $132 million. In a calculus involving $80 billion in transactions in a single year, and in a situation in which we have had deficits in every one of the 28 quarters of the past 7 years, averaging almost $900 million per quarter, we could not take a surplus of this size, in one quarter only -- even if its significance was not obscured by factors special to the quarter -- as being more than an encouraging invitation to press on with our efforts.

The facts, however, are that the second quarter success is exceptionally qualified by obscuring special factors. Some are temporary influences. These include the distorting effects upon trade of the dock strike in the first quarter, which shifted something like a net $300 million of exports that otherwise would have been registered earlier into the accounts for the second three months of the year. Similarly, some part of the outflow of long term bank loans and of corporate deposits of liquid funds abroad immediately preceding the President's program presumeably would otherwise have been made in the second quarter. This development thus made the first quarter deficit larger while it fortuitously improved second quarter performance.

It should also be borne in mind that a part of that improvement in our payments situation which is attributable to the cooperative effort of our banks and business firms has been of a one-time, non-recurrent character.

Thus, the reflow in bank credit that I discussed earlier is not likely to be repeated -- at least to the same extent, for there is now room under the Federal Reserve Guidelines for a modest increase in credit to foreigners.

Available evidence also indicates that the quickest and largest effect so far of the guidelines suggested to business firms by the Commerce Department has been the substantial return to this country of liquid balances held in foreign banks and money markets in excess of necessary operating requirements. It seems only prudent to assume that the great bulk of the balance of payments benefits to be expected from this particular aspect of the voluntary cooperation program has also already been achieved.

Taking account of these temporary distortions, it might very well be more accurate, and more prudent, to measure the extent of our apparent progress so far on the basis of our payments position during the first half of this year as a whole. We have a first half deficit at an annual rate of $1.2 billion. While this is indeed a very considerable improvement, it nevertheless leaves us still far to go before we can be confident that we are approaching conditions in which we could look ahead to sustained equilibrium in our international payments.

Looking Ahead

This analysis of the factors at work in the first two quarters of the year gives no assurance that we will not be in deficit in the second half of the year.

Further, there are other influences that will count against us in the rest of the year. Record numbers of American tourists are now spending large amounts of dollars abroad.

In the Government area, the step-up in our participation in Vietnam will inevitably result in some balance of payments cost, although that cost need not be so large as to throw us off course. And, our imports have been rising rapidly while our exports over the first half as a whole, have failed to keep pace.

Taking all of this together, it is patent that we could not afford at this time to relax any feature of our program for overcoming our balance of payments problem.

Let me note in concluding this review that the results are not significantly changed whether they are viewed on the regular transactions basis which I have used and will use in the remainder of my remarks, or whether we view them on the official settlements basis recommended by the Review Committee for Balance of Payments Statistics led by Dr. Edward Bernstein.

On the official settlements basis the first quarter would show a seasonally adjusted net deficit of approximately \$750 million. In the second quarter there would continue to be a small surplus, of about \$230 million. The spread is not larger, contrasting to quite large differences in the past, particularly in the second half of 1964, because private dollar holdings abroad that normally account for the largest difference between the two measures have in recent months shown no change or a moderate decline, after seasonal adjustment.

III. The United States Balance of Payments Program and the Adequacy of World Liquidity

I address myself here to three widely divergent views about the future of the dollar:

<u>First</u>, that the United States might fail to solve its balance of payments problem, continue to run large deficits, eventually exhaust the world's confidence in the dollar and create a confidence crisis that would lead to a run on gold, deplete our gold stock and dry up existing liquidity.

<u>Second</u>, that even the tentative and partial success the United States is having in bringing its international payments into equilibrium, and similar further progress, is capable of putting a restraining hand on economic growth and of setting off a world deflationary spiral.

<u>Third</u>, that following upon sustained United States success in righting its payments position, the world money supply will become inadequate to the conduct of the world's business, leading to retardation of economic growth and world depression.

Clearly, all three of these views cannot be correct. The truth is that the first two are extreme and over-drawn, and diametrically opposed. The third may be realistic with respect to some time in the future, and

I will discuss in the concluding section of this testimony the steps we are taking to address our international monetary policy to this possibility.

Let me examine a few of the basic facts bearing on these issues.

The only fact or set of facts relevant to the first speculation -- what would follow if the United States failed to maintain confidence in the dollar by failing to bring its international payments into equilibrium -- is that our program for balancing our payments is one of the United States government's most firmly held, extensive and active policies, for which the President of the United States has obtained the vigorous support of the nation's business and financial community, and to the successful accomplishment of which the entire relevant apparatus of the United States government is directed. As has been previously stated, we have good news from this front, indicating that we are on the right track. We are not going to get off it, anymore than we are going to be deluded by preliminary and tentative gains into thinking the battle has been won. And, finally, not only are we determined to restore and sustain equilibrium, we have the advantage of enormous underlying economic strength to help us do so.

Let me turn to the facts bearing upon the second -- and even, in most respects, the third -- of the above speculations.

First is the fact that the demand for liquidity takes many forms satisfied in many different ways, according -- to cite a few cases -- to whether official or private funds are concerned, whether funds are needed to finance deficits in international payments, or whether funds are needed to transact international trade, or to finance domestic growth. Omnibus statements that world liquidity will become inadequate have little meaning in the face of this variety of needs and the variety of ways in which they can be met.

Next come the facts about what is currently happening to the supply of funds in the world. In the first six months of this year official reserves declined very slightly: by some $300 million, or by about half of one percent. What needs to be emphasized here is the fact that this did not result from the United States balance of payments program. It resulted, instead and quite on the contrary, from the snuffing out of part of the world's money supply through the exchange of monetary reserves -- chiefly dollars -- for U. S. gold, by <u>other countries</u>.

The further fact about this small drop in world liquidity is that it is the net of a process, again involving gold transactions, through which United States liquidity was reduced by some $900 million while funds available to other countries <u>rose</u> by $600 million. Very clearly, the current success of the United States in dealing with its balance of payments problem is not causing world liquidity to decline.

And -- let me give this strong emphasis -- <u>what these figures bring out most sharply is the fact that failure by the United States to dry up its international deficits would be almost certain to lead to a serious drop in international liquidity, because loss of confidence in the dollar would accelerate conversions of dollars into gold at the expense initially of our own reserves, but subsequently at the expense of every country with a stake in effective monetary arrangements</u>.

We can, and I think we should, state this otherwise and positively: the United States program for bringing its international payments into equilibrium is the best guarantee the world has of continued adequate liquidity. Failure to take this course to protect the world's principal reserve currency would be the quickest route to a depleted world supply of funds, and to economic contraction.

Let us look briefly at an indicator of liquidity, the supply of and demand for Euro-dollars, dollars that are in use in foreign countries. The interest rates that must be paid to borrow Euro-dollars give us a reasonably good picture of the relation of supply to demand. On three occasions since President Johnson's balance of payments program was announced last February, the Euro-dollar rate has turned up. But these were only passing flurries. Today, the Euro-dollar rates are just slightly above the levels of last January and February.

Our program has no doubt resulted in the repatriation of substantial amounts of dollars from the Euro-dollar pool by United States firms. But Canadian and U.K. banks have apparently almost completely refilled the pool by withdrawals of funds from United States banks. The very small net effect upon the United Kingdom and Canada appears to have been mostly offset by some increased flow of dollars to them from the continental European countries.

Finally, what, if anything, has been the impact in international trade? Here too we are dealing with an indicator

A substantial drop in trade can be taken as an indication of trouble in the international financial picture. The evidence to hand is skimpy, but what we have fits the rest of the picture -- a world with adequate funds to do its business.

Some Individual Country Considerations

Some concern has been expressed that our program generally might adversely affect liquidity in the international payments system, tend to impede the growth of economies abroad, and restrain the desirable expansion of international trade. Moreover, it is sometimes suggested that the program has seriously aggravated more directly the economic positions of some countries, particularly the U.K., Canada and Japan. Such concerns do not seem to me justified by the facts.

In most of the industrial countries -- more particularly those in Western Europe -- economic expansion continues and the pressure of internal demand remains strong. These governments, relying on restrictive monetary policies to avoid inflation, have welcomed our balance of payments measures for the support given to domestic restraints abroad. To illustrate the scope of their efforts, I am making available to the Committee a country-by-country survey of the restrictive internal measures that have been taken by foreign governments and central banks during the last 18-month period. With respect to these countries, -- broadly characterized by strong reserve positions and brisk domestic economic activity amidst varying degrees of inflationary pressure -- there is no basis for any conclusion except that the tools and resources are at hand to strengthen domestic demand, when and if they consider it appropriate to do so.

With respect to three countries which have, to greater or lesser degree, been experiencing balance of payments problems, some additional comments are perhaps appropriate. I refer, of course, to Canada, Japan and the United Kingdom. We have sought in our program -- and I believe successfully -- to avoid aggravating the problem of those countries.

Canada

Canada's economic growth in the last few years has paralleled ours. It has been impressive. Canada is now operating at high levels of employment and output.

As I have noted earlier, our voluntary program has resulted in a very substantial repatriation of U. S. corporate deposits in Canadian banks, but these withdrawals of dollars from Canada have been met in substantial part by withdrawals by the Canadian banks of dollars invested in the New York money market and in part by dollars obtained from third countries. There is no evidence that our program has hampered Canadian growth by starving it for credit, nor have Canada's official reserves been reduced, even in the face of rapid growth. Indeed, Canadian official reserves dropped only minimally the first half of this year -- a period of normal seasonal losses of significant amount. Canada has of course an exemption under the Interest Equalization Tax for new security issues, and it has used this exemption freely to maintain its reserves. In the first six months of this year new Canadian issues in the U. S. have amounted to $325 million.

The recent large sale of Canadian wheat to the Russians should have a substantial favorable impact on Canada's trade balance, and thus mitigate its need to raise long-term capital in the United States. In any event, the promising outlook in Canada does not appear in any way to be prejudiced by our program.

Japan

Industrial production in Japan tended to flatten out about the turn of the year, before the U. S. balance of payments program was announced. Even earlier, there was a downturn in the Japanese stock market, and this preceded by some months the announcement of the United States Interest Equalization Tax. The fact is that Japan, over recent years, has had very rapid rates of growth, running well over 10 percent annually. Some adjustments were inevitable in the process of tailoring the economy to rates of growth more sustainable for the longer-run future. A major portion of this adjustment appears to have been accomplished and economic activity at a faster pace may now well be in the offing. This is in part being facilitated by moves toward a relatively easier monetary policy gradually adopted over recent months, as the Japanese balance of payments showed very substantial improvement as exports moved sharply higher. For this year, a substantial surplus on goods and services transactions is expected.

When the Interest Equalization Tax was applied to bank lending as a part of our program, a limited exemption from it was granted for government or government-guaranteed borrowings in our market. This gave added assurance that Japan's needs for external capital would be met. The subsequent record shows that Japan's reserves have not deteriorated, and much of the tax-free borrowing authority even now remains unused. With Japan's internal economy seemingly generating renewed strength and its external position very promising, an improved situation exists unimpaired by our balance of payments program.

The United Kingdom

The problem of correcting a serious balance of payments deficit faced Britain long before the announcement of our program. A sharp increase in imports in 1964 in an economy characterized by brisk employment and inflationary stresses required the adoption of measures to stem the resulting pressures on the pound sterling. Very simply, Britain could not sustain for long a balance of payments deficit of the magnitude of over $2 billion incurred in 1964, nor could it afford a continuation of the inflationary pressures adversely affecting its competitive position.

Measures to correct the situation were introduced last November prior to our program and have since been successively reinforced by the British government, most recently on July 27. The measures taken show clear promise of moving toward achievement of the necessary correction.

The essential point is that these measures were necessary before our program was announced; it is worth noting that the severe pressures on sterling last November came at a time when we were incurring a massive quarterly deficit. So far as we can determine, our program has not in any significant way aggravated the basic adjustment problem facing the British authorities.

We were aware of the possibility of some adverse side effects resulting from our program. For this reason, in administering our voluntary restraint program, we have called attention to the balance of payments problem facing the U.K. and we have urged that appropriate consideration be given. We feel that this has been done, and will continue to be done.

Summary

What emerges from this review is that the swing from the very substantial U. S. deficits late in 1964 and in early 1965 to the modest surplus of the second quarter -- about as rapid a transition from dollar outflow to dollar repatriation as we are likely to have -- has not damaged the economies of the advanced industrialized nations, or dimmed the prospect for flourishing world trade.

One of the most reasonable appraisals of recent events has come from the Bank for International Settlements. The BIS stated in its latest annual report, released in Basle on June 14:

> For the western industrial countries the main economic problems with which policy had to contend during the past year were the curbing of inflationary pressures in the continental countries, the currency crisis in the United Kingdom and the large increase of capital exports in the United States. In all these respects the situation at present is better than it was six months ago, though it is not yet clear that the difficulties have been fully overcome.

The Developing Countries

We, of course, have a strong interest in seeing that conditions continue to exist in which the less developed countries will be able to obtain the capital they need for their continued expansion. The policies the United States is following at present contribute to that end. I need not repeat the facts cited by Secretary Connor and Governor Robertson. Under our balance of payments program, direct investment in the less developed countries is in no way discouraged. As for other capital flows, clear priority is assigned to meeting the needs of these countries, a priority second only to that of providing financing for our exports. These guidelines have been observed. For example, we know that bank commitments on longer term loans to less developed countries during the first half of 1965 were equal to those of the January-June period of the previous year. We have every confidence these demands for needed capital will continue to be met.

More generally, and looking further ahead, I should note that policies that contribute, as we intend that our policies should, to the continued healthy growth of the more industrialized nations, contribute thereby to the creation of capital available for use in the less developed countries.

Contrarily, policies that failed to encourage sound growth of the capital exporting nations would certainly be felt -- and probably felt first and most strongly -- in the capital-needy countries as capital available for export became increasingly less abundant.

IV. Our Longer Term Objectives

Before concluding, I would like to speak very briefly of our approach to the longer-term objective of international financial policy. As we take this somewhat longer look ahead, let us not forget that the international monetary system created at Bretton Woods over 20 years ago has been extraordinarily effective and resilient. During the past 20 years, the industrial nations have created powerful new economies. A number of important currencies have become freely convertible. International trade has flourished, increasing over one-third in volume in the first four years of this decade alone.

Nevertheless, we must be alert to the possibility that continued growth of the world's economy together with sustained equilibrium in the United States payments position could combine to create an eventual shortage of liquidity.

This is the single real danger of which I spoke earlier. It is the danger that prompted the United States proposal -- set forth in my Hot Springs address of July 10th -- that we begin, together with other nations, the careful preparation and consultation that is a necessary prelude to monetary reform. I believe the nature of this problem is becoming widely recognized. Again, the Annual Report of the BIS provided an interesting view of the issue. That Report stated:

> For the first time in some years there is some prospect of a substantial reduction in the payments imbalance between the United States and Europe. If this occurs, the potential problem of inadequate means for increasing reserve assets may come closer to reality. From the standpoint of aggregate reserves, it would be likely to take considerable time before the system as a whole were short of liquidity. But from the standpoint of the annual margin for increasing reserves, various countries might feel themselves adversely affected after a rather shorter time. A situation of balance in the external position of the reserve currencies would provide the

conditions for more fruitful discussion of this problem.

Exactly when the shortage of liquidity will take place, where it might first appear, what the extent might be, how it will be distributed from country to country, how it will be divided among the private and official monetary components -- these are questions that we cannot now answer. But we do know that we should be prepared to deal with these problems, when and if they do arise, in an orderly fashion.

As you know, United States representatives are in almost constant discussion with their counterparts in other countries on international monetary problems. We have participated actively in the deliberations of the Group of Ten. Meetings of Working Party 3 and other committees of the Organization for Economic Cooperation and Development are attended regularly by people from the Treasury, the Federal Reserve System, and the Council of Economic Advisers, and afford opportunities for a frank exchange of views. Free World central bankers meet monthly in Switzerland. We, of course, play an important role in such international financial organizations as the International Monetary Fund and the International Bank for Reconstruction and Development. Out of such consultations have come a number of innovations that have helped the international monetary system to cope with recent problems. And these consultations have helped lay a base for the further preparation and agreement essential to reach the international consensus that must underlay monetary reform.

Since announcing the U. S. initiative to intensify and give urgency to the negotiation of new and improved international monetary arrangements, I have been privileged to consider this problem here in Washington separately with Finance Minister Takeo Fukuda of Japan and Walter L. Gordon of Canada.

I will be leaving for Europe shortly to consult with my counterparts in a number of leading European nations on how best to proceed in this effort, without delay, but on the basis of careful and deliberate preparation. I look forward to hearing the views of our friends abroad. I intend to present them with a firsthand picture of the nature of our program here, its results to date, and our attitude toward the longer-range issues -- the subjects I have been discussing with you here this morning.

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which private effort -- by labor and business -- can flourish. I have every confidence that you in labor, and the members of the business community, will continue to take full advantage of that climate for growth in ways that will assure strong and stable economy in whose fruits all Americans can fully share.

a half years will, at next year's levels of income, add up to a net total of $18 billion worth of annual tax reduction.

The response to these measures by the private sector of our economy -- by consumers and investors, by business and labor has been magnificent. And it is that total effort -- the effort of labor and business and government working together -- that has brought us all the great economic gains of the past four years.

That same total effort -- of labor and business and government pulling together to create a greater abundance and a better life for all -- holds the key to continued economic advance in the months and years ahead.

I can assure you that, for its part, this Administration will continue to pursue policies designed to furnish the climate with 11.5 percent for the nation as a whole;

-- total personal income has grown by 26 percent, compared with 18 percent for the nation as whole;

-- per capita personal income has grown by 18 percent, compared with 13 percent for the nation as a whole.

This unprecedented economic advance -- in which Vifginians, like all Americans, have amply shared -- did not simply happen. It is the direct result of public policies designed to foster greater private effort and initiative -- to enlarge and enhance the role of the free enterprise system in the pursuit of our national economic goals.

The investment credit of 1962, the depreciation reform of 1962 and 1965, the income tax cut of 1964, and the excise tax cut enacted this year -- all these tax measures of the last four and

-- a 38 percent rise in manufacturing production;

-- an 68 percent rise in corporate profits <u>after</u> taxes;

-- a 28 percent rise in personal income.

Most important, that expansion has helped cut the unemploym rate from 6.9 percent in early 1961 to 4.5 percent last month -- the lowest figure in nearly eight years.

You in Virginia have shared, and shared fully, in these benefits. Between 1961 and 1964, for example, in the State of Virginia:

-- the total number of nonfarm workers grew by 11.9 percent, compared with 5.2 percent for the nation as a whole;

-- average weekly earnings of production workers in manufacturing have grown by 12.4 percent, compared for your country, for your state and for yourselves by your efforts on behalf of United States Savings Bonds.

The Savings Bonds program -- which you have done so much to advance -- has helped materially in preserving our enormous economic gains over the past four and a half years from inflation.

The nation is now in its 54th consecutive month of economic expansion -- the longest peacetime expansion in our history. All Americans have shared in its abundant benefits -- benefits that include:

-- a 30 percent rise in our total national output;

-- a 28 percent rise in consumer spending;

-- a 40 percent rise in business investment in plant and equipment;

Under the very able and dedicated leadership of your own President, Mr. Harold Boyd -- who is our Virginia State Labor Chairman for Savings Bonds -- thousands of members of the AFL-CIO unions and the Railroad Brotherhoods in the great Commonwealth of Virginia, along with other wage earners, are investing over $30 million annually in Savings Bonds through the Payroll Savings Plan.

I know that, in the years to come, the Virginia State AFL-CIO -- along with union leaders and members throughout the nation -- will continue to give strong support to the Savings Bonds program.

To you, and to your union members, I want to express my thanks and my congratulations for the great job you are doing the leaders of American labor -- as well as the American workingman -- have recognized the crucial contribution the Savings Bonds program makes to non-inflationary national economic growth as well as to the personal financial welfare of all who buy Savings Bonds.

Today, through the National Labor Advisory Committee -- of which AFL-CIO President George Meany is an influential member -- some 200 national unions take part in the Savings Bonds program. Throughout the country, thousands of men and women in labor unions serve as volunteers in promoting the Savings Bonds program among union members.

As a Virginian, I am particularly proud of the outstanding work of the Virginia State AFL-CIO on behalf of Savings Bonds.

REMARKS BY SECRETARY FOWLER
BEFORE THE ANNUAL CONVENTION OF THE VIRGINIA STATE AFL-CIO
AT THE SHERATON-PARK HOTEL, WASHINGTON, D.C.
FRIDAY, AUGUST 20, 1965, 10:45 A.M., EDT

I am very happy to be here this morning with so many fellow Virginians -- and with an organization that has done so much for the economy of Virginia and, thus, for the economy of the nation.

As Secretary of the Treasury, I am especially mindful of one way in particular in which the Virginia State AFL-CIO, as well as unions throughout the land, have helped further the welfare of their members and of their country. I speak of their excellent efforts on behalf of United States Savings Bonds.

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That same total effort -- of labor and business and government pulling together to create a greater abundance and a better life for all -- holds the key to continued economic advance in the months and years ahead.

I can assure you that, for its part, this Administration will continue to pursue policies designed to furnish the climate in which private effort -- by labor and business -- can flourish. I have every confidence that you in labor, and the members of the business community, will continue to take full advantage of that climate for growth in ways that will assure strong and stable economy in whose fruits all Americans can fully share.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
esday, August 24, 1965

August 23, 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 May 27, 1965, d the other series to be dated August 26, 1965, which were offered on August 18, were ened at the Federal Reserve Banks on August 23. Tenders were invited for $1,200,000,000, thereabouts, of 92-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:	92-day Treasury bills maturing November 26, 1965		:	182-day Treasury bills maturing February 24, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.019	3.839%	:	98.012	3.932%
Low	99.013	3.862%	:	97.997	3.962%
Average	99.015	3.855% 1/	:	98.001	3.955% 1/

90 percent of the amount of 92-day bills bid for at the low price was accepted
47 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	$ 25,473,000	$ 15,473,000	:	$ 26,166,000	$ 21,166,000
New York	1,541,624,000	789,674,000	:	1,200,066,000	644,028,000
Philadelphia	29,645,000	17,645,000	:	11,813,000	3,813,000
Cleveland	27,558,000	27,558,000	:	20,880,000	20,880,000
Richmond	21,117,000	21,067,000	:	4,445,000	4,445,000
Atlanta	35,297,000	30,647,000	:	16,979,000	11,919,000
Chicago	285,220,000	136,020,000	:	251,312,000	123,662,000
St. Louis	37,716,000	28,616,000	:	13,474,000	6,974,000
Minneapolis	17,428,000	15,218,000	:	12,284,000	11,519,000
Kansas City	24,822,000	23,822,000	:	15,282,000	14,782,000
Dallas	23,741,000	15,641,000	:	10,971,000	7,441,000
San Francisco	104,698,000	78,848,000	:	168,652,000	129,652,000
TOTALS	$2,174,339,000	$1,200,229,000 a/		$1,752,324,000	$1,000,281,000 b/

Includes $235,166,000 noncompetitive tenders accepted at the average price of 99.015
Includes $86,522,000 noncompetitive tenders accepted at the average price of 98.001
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.95%, for the 92-day bills, and 4.09%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

F-174

TREASURY DEPARTMENT

WASHINGTON, D.C.
August 23, 1965

FOR I..EDIATE RELEASE

WITHHOLDING OF APPRAISEMENT
ON SHOES

The Treasury Department is instructing customs field officers to withhold appraisement of shoes, leather, men's and boys', welt construction, from Poland, pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

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

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on October 15, 1964. The complaint was received from Truitt Brothers, Inc., Belfast, Maine, through Senator Edmund S. Muskie.

The dollar value of imports received during the period April 1, 1964, through March 31, 1965, was approximately $80,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.
August 23, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT
ON SHOES

The Treasury Department is instructing customs field officers to withhold appraisement of shoes, leather, men's and boys', welt construction, from Poland, pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

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

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on October 15, 1964. The complaint was received from Truitt Brothers, Inc., Belfast, Maine, through Senator Edmund S. Muskie.

The dollar value of imports received during the period April 1, 1964, through March 31, 1965, was approximately $80,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 23, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
SHOES

The Treasury Department is instructing customs field officers to withhold appraisement of shoes, leather (other than men's and boys' of welt construction), from Rumania pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

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

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on July 16, 1965. This information was the subject of an "Antidumping Proceeding Notice" which was published pursuant to section 14.6(d), Customs Regulations, in the Federal Register of August 18, 1965, on page 10249 thereof.

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 23, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
SHOES

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, August 25, 1965.

August 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 August 31, 1965, and to mature August 31, 1966, which were offered on August 18, were opened at the Federal Reserve Banks on August 24.

The details of this issue are as follows:

Total applied for - $1,926,902,000
Total accepted - 1,000,152,000 (includes $34,059,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

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

High	- 95.950	Equivalent rate of discount approx.	3.995% per annum	
Low	- 95.931	" " " " "	4.013% " "	
Average	- 95.938	" " " " "	4.006% " "	1/

(11% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 45,317,000	$ 35,317,000
New York	1,484,894,000	801,314,000
Philadelphia	11,349,000	3,349,000
Cleveland	43,781,000	23,001,000
Richmond	4,202,000	3,202,000
Atlanta	11,045,000	4,545,000
Chicago	211,018,000	78,018,000
St. Louis	16,823,000	4,823,000
Minneapolis	6,331,000	3,441,000
Kansas City	6,609,000	6,609,000
Dallas	11,068,000	2,068,000
San Francisco	74,465,000	34,465,000
TOTAL	$1,926,902,000	$1,000,152,000

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 4.19%. 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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[illegible]

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.

~~BODY CONTINUED~~

printed forms and forwarded in the special envelopes which will be supplied by Federa 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 bil 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 Reserv 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 Treasur 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 September 2, 1965, in cash or other immediately available fund or in a like face amount of Treasury bills maturing September 2, 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 issu price of the new bills.

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

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, August 25, 1965

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
(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 September 2, 1965 (3), in the amount of $2,202,651,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued September 2, 1965 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated June 3, 1965 (8), and to mature December 2, 1965 (9), originally issued in the amount of $ 1,001,177,000 (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 September 2, 1965 (13), and to mature March 3, 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/~~Standard~~ Daylight Saving time, Monday, August 30, 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 decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 25, 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.

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Immediately after the closing hour, tenders will be opened at t 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 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 Federal Reserve Bank September 2, 1965, i cash or other immediately available funds or in a like face amount of Treasury bills maturing September 2,1965. Cash and exchange ten 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 exclude from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereund 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 th return is made, as ordinary gain or loss.

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

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McGhee's residence at Bonn.

Friday, September 3: 9:30 a.m., Rolf Dahlgruen, German Minister of Finance. 3:30 p.m., Wolfram Langer, German State Secretary, Ministry of Finance.

Saturday, September 4: At Bonn.

Sunday, September 5: 3:45 p.m., leave Coln-Bonn Airport (U.S. military aircraft) 4:30 p.m., arrive Brussels National Airport.

Monday, September 6: 11:00 a.m., Hubert Ansiaux, Governor of the National Bank of Belgium. 4:00 p.m., Robert Marjolin, Vice President of the Commission of the European Economic Community. 5:30 p.m., Gaston Eyskens, Belgian Finance Minister.

Tuesday, September 7: 11:00 a.m., leave Brussels National Airport (U.S. military aircraft). 11:30 a.m., arrive Ypenburg Airport The Hague. 3:00 p.m., Anne Vondeling, Dutch Finance Minister, and

Insert - 4

<u>Saturday and Sunday, September 4-5</u>: The Fowler party will visit Stockholm, [redacted] where they will meet with officials of the Swedish government and the Riksbank. (Further details as to travel plans, itinerary, and appointments are unavailable at this time, and will be supplied later.)

Sunday

Monday, August 30. 3 p.m., Valery Giscard d'Estaing, French Minister of Finance and Economic Affairs.

Tuesday, August 31: 9:30 a.m., Jacques Brunet, Governor of the of France; 10:30 a.m., the French Minister of Finance and Economic Affairs; 5:30 p.m., depart Orly Field (U.S. Military aircraft). 8:30 p.m., arrive Ciampino Airport, Rome.

Wednesday, September 1: In Rome, Secretary Fowler has appointments with Treasury Minister Emilio Colombo, Budget Minister Giovanni Pieraccini and with Guido Carli, Governor of the Bank of Italy, at times that have not yet been fixed.

Thursday, September 2: 9:15 a.m., leave Ciampino Airport (U.S. military aircraft). 12:30 p.m., arrive Rhine-Main Airport, Frankfurt Germany. Secretary Fowler has an appointment with Karl Blessing, President of the Deutsche Bundesbank, during the afternoon. 5:00 p.m. leave Frankfurt by car. 7:30 p.m., arrive Ambassador George C.

Secretary Fowler has already talked in Washington on international arrangements with Canadian and Japanese officials. He also plans to meet with officials of the International Monetary Fund, which has headquarters here, [redacted] prior to the annual meeting of the World Bank and Fund in Washington this coming September.

Secretary Fowler's itinerary, and his appointments (in local times) will include:

<u>Saturday, August 28</u>: Leave Washington, National Airport, (TWA Flight 702) at 8 a.m.; leave New York, John F. Kennedy International Airport, (TWA Flight 802) at 10 a.m.; arrive Orly Field, Paris, at 9:55 p.m.

<u>Sunday, August 29</u>: In Paris

Secretary of the Treasury for International Monetary Affairs.

During his visit, Secretary Fowler will exchange views with Western European authorities on the need to improve the international monetary system and ways of doing so.

The trip follows a speech on July 10 in which Secretary Fowler said that the United States stands ready to participate in an international conference to consider what steps might be taken to secure substantial improvements in international monetary arrangements. The Secretary cautioned at that time that such a meeting must be preceded by careful preparation and international consultation.

Mr. Fowler hopes to elicit the views of the financial authorities of the countries visited on procedures for facilitating this consultation and resulting negotiations.

FOR IMMEDIATE RELEASE

ITINERARY AND APPOINTMENTS FOR
SECRETARY FOWLER'S VISIT TO EUROPE

DRAFT **8/25/65**

~~[illegible]~~
SECRETARY FOWLER'S VISIT TO EUROPE

Treasury Secretary Henry H. Fowler will leave this weekend to consult with government and monetary officials of SEVEN Western European countries and the European Economic Community on measures to improve international monetary arrangements.

From August 29 to September 10, Mr. Fowler will visit Paris, Rome, Frankfurt, Bonn, STOCKHOLM, Brussels, The Hague, Amsterdam, and London. He will be accompanied on most of the trip by the Under Secretary of State, George W. Ball.

The party will include the Under Secretary of the Treasury for Monetary Affairs, Frederick L. Deming; Francis M. Bator, of the staff of the Special Assistant to the President for National Security Affairs; Dixon Donnelley, Assistant to Secretary Fowler for Public Affairs; George S. Springsteen, Special Assistant to Under Secretary Ball; and George H. Willis, Deputy to the Assistant

Saturday, September 4: 8:30 a.m., depart Cologne-Bonn Airport. 12:15 p.m., arrive Stockholm Airport. 3:30 p.m.,appointments with Minister of Finance G. E. Strang and Governor Per Asbrink of the Bank of Sweden.

Sunday, September 5: 1:15 p.m., leave Stockholm Airport. 4:30 p.m., arrive Brussels National Airport.

Monday, September 6: 11:00 a.m., Hubert Ansiaux, Governor of the National Bank of Belgium. 4:00 p.m., Robert Marjolin, Vice President of the Commission of the European Economic Community. 5:30 p.m., Gaston Eyskens, Belgian Finance Minister.

Tuesday, September 7: 10:30 a.m., leave Brussels National Airport (U. S. military aircraft). 11:00 a.m., arrive Ypenburg Airport, The Hague. 3:00 p.m., Anne Vondeling, Dutch Finance Minister, and Emile van Lennep, Dutch Treasurer-General, Ministry of Finance.

Wednesday, September 8: 8:45 a.m., leave The Hague by car for Amsterdam. 11:00 a.m., Marius W. Holtrop, President of the National Bank. 3:00 p.m., leave Schipol Airport (U. S. military aircraft). 4:20 p.m., arrive London (Northolt).

Thursday, September 9: Secretary Fowler has appointments with James Callaghan, Chancellor of the Exchequer, Deputy Prime Minister George Brown, and Lord Cromer, Governor of the Bank of England, at times that have not yet been fixed.

Friday, September 10: Appointments to be annouced.

Saturday, September 11: 1:00 p.m., leave Heathrow Airport (TWA Flight 709). 4:10 p.m., arrive Dulles Airport, Washington.

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Secretary Fowler has already talked in Washington on international arrangements with Canadian and Japanese officials. He also plans to meet with officials of the International Monetary Fund, which has headquarters here, prior to the annual meeting of the World Bank and Fund in Washington this coming September.

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Wednesday, September 1: 10:00 a.m., Treasury Minister Emilio Colombo, as well as with Budget Minister Giovanni Pieraccini and Guido Carli, Governor of the Bank of Italy.

Thursday, September 2: 9:15 a.m., leave Ciampino Airport (U. S. military aircraft). 12:20 p.m., arrive Rhine-Main Airport, Frankfurt, Germany. 3:00 p.m., appointment with Karl Blessing, President of the Deutsche Bundesbank, 5:00 p.m., leave Frankfurt by car. 7:30 p.m., arrive Ambassador George C. McGhee's residence at Bonn.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

August 25, 1965
(Revised: August 27, 1965)

ITINERARY AND APPOINTMENTS FOR
SECRETARY FOWLER'S VISIT TO EUROPE

Treasury Secretary Henry H. Fowler will leave this weekend to consult with government and monetary officials of seven Western European countries and the European Economic Community on measures to improve international monetary arrangements.

From August 29 to September 10, Mr. Fowler will visit Paris, Rome, Frankfurt, Bonn, Stockholm, Brussels, The Hague, Amsterdam, and London. He will be accompanied on most of the trip by the Under Secretary of State, George W. Ball.

The party will include the Under Secretary of the Treasury for Monetary Affairs, Frederick L. Deming, Francis M. Bator, of the staff of the Special Assistant to the President for National Security Affairs; Dixon Donnelley, Assistant to Secretary Fowler for Public Affairs; George S. Springsteen, Special Assistant to Under Secretary Ball; and George H. Willis, Deputy to the Assistant Secretary of the Treasury for International Monetary Affairs.

During his visit, Secretary Fowler will exchange views with Western European authorities on the need to improve the international monetary system and ways of doing so.

The trip follows a speech on July 10 in which Secretary Fowler said that the United States stands ready to participate in an international conference to consider what steps might be taken to secure substantial improvements in international monetary arrangements. The Secretary cautioned at that time that such a meeting must be preceded by careful preparation and international consultation.

Mr. Fowler hopes to elicit the views of the financial authorities of the countries visited on procedures for facilitating this consultation and resulting negotiations.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

August 25, 1965
(Revised: August 27, 1965)

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F-177

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Friday, September 10: Appointments to be annouced.

Saturday, September 11: 1:00 p.m., leave Heathrow Airport (TWA Flight 709). 4:10 p.m., arrive Dulles Airport, Washington.

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This would be done under rules laid down in the Convention. The Center would maintain lists of qualified persons from which arbitrators and conciliators could be selected. The Center would be located at World Bank headquarters in Washington.

Recourse to the services of the Center would be voluntary and would be based upon an agreement between the investors and the government of a member nation. An agreement to submit to conciliation or arbitration before the Center would be binding. Neither party to the agreement would have the right to withdraw unilaterally.

0Oo

Treasury Secretary Fowler noted in signing it that:

"The new convention is intended to promote an atmosphere of mutual confidence between private foreign investors and [redacted] countries which wish to attract a larger flow of private international capital.

"It's ratification and adoption will be a major step forward in international cooperation

ECONOMIC GROWTH — PARTICULARLY IN THE

for [redacted] through private investment."

Under the agreement an International Center for Settlement of Investment Disputes is to be established, to provide procedures to conciliate or arbitrate disagreements between private investors and governments of foreign countries where they have invested.

DRAFT
FOR IMMEDIATE RELEASE

August 27, 1965

SECRETARY OF THE TREASURY HENRY H. FOWLER
SIGNS CONVENTION FOR THE SETTLEMENT OF
INTERNATIONAL INVESTMENT DISPUTES

Secretary of the Treasury Henry H. Fowler today signed
PROMOTING ECONOMIC GROWTH —
an international convention aimed at ~~encouraging~~ private investment ~~in the less developed countries~~.

The agreement signed today is a Convention on the Settlement of Investment disputes between States and Nationals of Other States, sponsored by the World Bank. It will be submitted by the President to the Senate for ratification. The United States is the 10th nation to sign. The Convention will come into effect when it has been ratified by 20 member governments of the World Bank(International Bank for Reconstruction and Development). Previous signers were the Central African Republic, Ivory Coast, Jamaica, Mauritania, Niger, Nigeria, Pakistan, Tunisia and the United Kingdom.

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 27, 1965

FOR IMMEDIATE RELEASE

SECRETARY OF THE TREASURY HENRY H. FOWLER SIGNS CONVENTION FOR THE SETTLEMENT OF INTERNATIONAL INVESTMENT DISPUTES

Secretary of the Treasury Henry H. Fowler today signed an international convention aimed at promoting economic growth -- particularly in the developing countries -- through private investment.

The agreement signed today is a Convention on the Settlement of Investment disputes between States and Nationals of other States, sponsored by the World Bank. It will be submitted by the President to the Senate for ratification. The United States is the 10th nation to sign. The Convention will come into effect when it has been ratified by 20 member governments of the World Bank (International Bank for Reconstruction and Development). Previous signers were the Central African Republic, Ivory Coast, Jamaica, Mauritania, Niger, Nigeria, Pakistan, Tunisia and the United Kingdom.

Treasury Secretary Fowler noted in signing it that:

> "The new convention is intended to promote an atmosphere of mutual confidence between private foreign investors and countries which wish to attract a larger flow of private international capital.
>
> "Its ratification and adoption will be a major step forward in international cooperation for economic growth -- particularly in the developing countries -- through private investment."

Under the agreement, an International Center for Settlement of Investment Disputes is to be established, to provide procedures to conciliate or arbitrate disagreements between private investors and governments of foreign countries where they have invested.

This would be done under rules laid down in the Convention. The Center would maintain lists of qualified persons from which arbitrators and conciliators could be selected. The Center would be located at World Bank headquarters in Washington.

Recourse to the services of the Center would be voluntary and would be based upon an agreement between the investors and the government of a member nation. An agreement to submit to conciliation or arbitration before the Center would be binding. Neither party to the agreement would have the right to withdraw unilaterally.

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TREASURY DEPARTMENT

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, August 31, 1965

WASHINGTON, D.C.
August 30, 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 June 3, 1965, and the other series to be dated September 2, 1965, which were offered on August 25, wer opened at the Federal Reserve Banks on August 30. 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 bill The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing December 2, 1965		182-day Treasury bills maturing March 3, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.022 a/	3.869%	97.988 b/	3.980%
Low	99.015	3.897%	97.978	4.000%
Average	99.018	3.886% 1/	97.983	3.991% 1/

a/Excepting 1 tender of $2,000,000; b/ Excepting 1 tender of $750,000
4 percent of the amount of 91-day bills bid for at the low price was accepted
74 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	$ 23,180,000	$ 13,180,000	$ 16,578,000	$ 16,578,000
New York	1,559,509,000	846,429,000	1,098,288,000	676,758,000
Philadelphia	26,992,000	14,992,000	13,948,000	5,948,000
Cleveland	24,677,000	24,477,000	26,833,000	26,833,000
Richmond	13,444,000	13,444,000	3,486,000	3,486,000
Atlanta	36,282,000	27,354,000	18,159,000	12,870,000
Chicago	273,753,000	131,233,000	259,055,000	129,055,000
St. Louis	39,928,000	28,048,000	17,127,000	11,627,000
Minneapolis	19,971,000	17,011,000	9,925,000	9,425,000
Kansas City	28,058,000	27,058,000	16,550,000	16,050,000
Dallas	25,321,000	18,361,000	13,000,000	11,740,000
San Francisco	68,367,000	38,755,000	133,384,000	79,989,000
TOTALS	$2,139,482,000	$1,200,342,000 c/	$1,626,333,000	$1,000,359,000

c/ Includes $239,729,000 noncompetitive tenders accepted at the average price of 99.018
d/ Includes $95,403,000 noncompetitive tenders accepted at the average price of 97.983
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.98%, for the 91-day bills, and 4.13%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT

RELEASE A.M. NEWSPAPERS,
sday, August 31, 1965

WASHINGTON, D.C.
August 30, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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High	99.022 a/	3.869%	:	97.988 b/	3.980%
Low	99.015	3.897%	:	97.978	4.000%
Average	99.018	3.886% 1/	:	97.983	3.991% 1/

a/Excepting 1 tender of $2,000,000; b/ Excepting 1 tender of $750,000
4 percent of the amount of 91-day bills bid for at the low price was accepted
74 percent of the amount of 182-day bills bid for at the low price was accepted

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Cleveland	24,677,000	24,477,000	:	26,833,000	26,833,000
Richmond	13,444,000	13,444,000	:	3,486,000	3,486,000
Atlanta	36,282,000	27,354,000	:	18,159,000	12,870,000
Chicago	273,753,000	131,233,000	:	259,055,000	129,055,000
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San Francisco	68,367,000	38,755,000	:	133,384,000	79,969,000
TOTALS	$2,139,482,000	$1,200,342,000 c/		$1,626,333,000	$1,000,359,000 d/

Includes $239,729,000 noncompetitive tenders accepted at the average price of 99.018
Includes $95,403,000 noncompetitive tenders accepted at the average price of 97.983
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.98%, for the 91-day bills, and 4.13%, for the 182-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day year. In contrast, yields on certificates, notes, and bonds are computed in terms of interest on the amount invested, and relate the number of days remaining in an interest payment period to the actual number of days in the period, with semiannual compounding if more than one coupon period is involved.

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 fro all taxation now or hereafter imposed on the principal or interest thereof by any Sta or any of the possessions of the United States, or by any local taxing authority. Fo purposes of taxation the amount of discount at which Treasury bills are originally so by the United States is considered to be interest. Under Sections 454 (b) and 1221 (of the Internal Revenue Code of 1954 the amount of discount at which bills issued her under are sold is not considered to accrue until such bills are sold, redeemed or oth 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 amo 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, prescri 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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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 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 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 September 9, 1965 (14), in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 9, 1965 (17). 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

~~Exhibit 2-A~~

~~RELEASE MODIFIED~~

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ August 30, 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 September 9, 1965, in the amount of $2,200,609,000, as follows:

91-day bills (to maturity date) to be issued September 9, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated June 10, 1965, and to mature December 9, 1965, originally issued in the amount of $1,000,294,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated September 9, 1965, and to mature March 10, 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, Friday, September 3, 1965. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 30, 1965

OR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders or two series of Treasury bills to the aggregate amount of 2,200,000,000, or thereabouts, for cash and in exchange for reasury bills maturing September 9,1965, in the amount of 2,200,609,000, as follows:

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

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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 September 9, 1965, cash or other immediately available funds or in a like face amount of Treasury bills maturing September 9,1965. Cash and exchange tender 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.

August 30, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON DINITROSOPENTAMETHYLENETETRAMINE
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of dinitrosopentamethylenetetramine from Japan. 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.

Dinitrosopentamethylenetetramine is a chemical foaming agent used in the production of foam rubber.

Promptly after the commencement of the antidumping investigation, price revisions were made which eliminated the likelihood of sales below fair value with respect to two exporters, while sales to the United States were terminated with respect to the remaining exporter. Assurances were received from the three exporters that shipments to the United States would not be resumed at prices which could be likely to be below fair value. The complaint thereafter was withdrawn.

Appraisement of the above-described merchandise from Japan has been withheld.

Imports of the involved merchandise received during the period September 1, 1963, through July 31, 1965, were worth approximately $145,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

August 30, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON DINITROSOPENTAMETHYLENETETRAMINE
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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 30, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON LIGHTERS
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed the investigation with respect to the possible dumping of lighters, pocket, cigar and cigarette, butane gas-fueled, from Japan. 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 Japan is not being withheld at this time.

The dollar value of imports of the involved merchandise received during the period June 1, 1964, to date is approximately $73,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 30, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON LIGHTERS UNDER THE ANTIDUMPING ACT

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Appraisement of the above-described merchandise from Japan is not being withheld at this time.

The dollar value of imports of the involved merchandise received during the period June 1, 1964, to date is approximately $73,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 30, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
VINYL ASBESTOS FLOOR TILE

The Treasury Department is instructing customs field officers to withhold appraisement of vinyl asbestos floor tile from Canada, manufactured by Building Products of Canada Limited, Montreal, Canada, pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

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

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on May 17, 1965. This information was the subject of an "Antidumping Proceeding Notice" which was published pursuant to section 14.6(d), Customs Regulations, in the Federal Register of June 11, 1965, on page 7614 thereof.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

August 30, 1965

FOR IMMEDIATE RELEASE

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TREASURY DEPARTMENT

WASHINGTON, D.C.
Monday, August 23,1965

FOR RELEASE AT 10:30 A.M. EDT
MONDAY, AUGUST 23, 1965

STATEMENT OF ROBERT A. WALLACE,ASSISTANT SECRETARY OF THE TREASURY,
AT THE FIRST STRIKING OF COINS FROM THE NEW COINAGE MATERIAL
U.S. MINT, PHILADELPHIA, PA.
AUGUST 23, 1965 -- 10:30 A.M.

The start of coin production from new coinage materials authorized by Congress this summer is a source of great satisfaction to the Treasury Department. It represents the result of a two year effort to develop and obtain the authorization of a satisfactory substitute for silver in the dime and quarter.

Had Congress not authorized the new material, Treasury stocks of silver would have been exhausted in less than three years. The elimination of silver in the dime and quarter, and the reduction of the silver content of the half dollar will make our silver supplies for coinage sufficient for the forseeable future.

The new coins will have precisely the same purchasing power as current coins. They will work in all existing coin operated devices. From an esthetic point of view, the new dimes and quarters will be just as attractive and durable as the old.

The new half dollar, which will continue to contain silver, will be nearly indistinguishable from existing coins of this denomination.

All new coins will bear the date 1965.

The first of the new coins minted will be the quarter. Aside from the one-cent and five cent pieces, this is the key coin for commerce. By the end of December we expect to produce a half billion of these new quarters, a year's supply. These will be released through the banking system late this year or early in 1966. Production of the new dime and half dollar will begin

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late this year. Both coins are expected to be released before mid 1966.

Despite the large production of new quarters we are actually increasing the output of current quarters and dimes by 25 percent. Mint and Federal Reserve Bank inventories of these coins are nearly double the levels of a year ago. Nevertheless, the Treasury is continuing to increase their production in order to reduce any potential possibility of shortages in the future.

The Treasury is deeply grateful to the Congress for its quick action in the program, to the Bureau of the Mint for its help in the development of the new materials, especially to Mint employees for production records beyond our most optimistic expectations, and to our suppliers for their understanding of our problem and ability to produce the new material quickly.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

Monday August 23, 1965

FOR RELEASE AT 10:30 A.M. EDT
MONDAY AUGUST 23, 1965

STATEMENT OF DIRECTOR OF THE MINT MISS EVA ADAMS
AT THE FIRST STRIKING OF COINS FROM THE NEW COINAGE MATERIAL
U.S. MINT, PHILADELPHIA, PA.
AUGUST 23, 1965 -- 10:30 A.M.

Production of the new quarter, authorized by the Coinage Act of 1965, started today at the Philadelphia Mint.

The new quarter will have the face of the same copper-nickel alloy used in the current five-cent piece and will be bonded to a core of pure copper. It will be manufactured from strips of three layers of metal, bonded together and rolled to the required thickness.

Production of the new fifty-cent piece of silver copper clad on silver copper is scheduled for sometime in November, at the Denver Mint. It will continue to be made of silver and copper, but will become a composite coin with the silver content reduced from 90 percent to 40 percent.

The ten-cent piece will be the last of the new alloy denominations to enter production. Having the same composition as the new quarter, the dime is scheduled to be struck in December. The new coins will all bear the 1965 date.

Reactivation of minting operations at the San Francisco Assay Office has been set for September 1, 1965. The one-cent piece to be struck there will constitute the first coins produced at the Assay Office since 1955 when coining operations were discontinued.

None of the new coins will be released to the public until a sizeable supply is on have for distribution. Meantime, the Mint is continuing production of the present coinage alloy, as authorized by the Coinage Act of 1965.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 1, 1965

FOR RELEASE AT 10:00 A.M., PDT
WEDNESDAY, SEPTEMBER 1, 1965

STATEMENT BY DIRECTOR OF THE MINT MISS EVA ADAMS
AT CEREMONIES REACTIVATING MINTING OPERATIONS AT
THE SAN FRANCISCO ASSAY OFFICE
SEPTEMBER 1, 1965, 10:00 A.M., PDT

Reactivation of minting operations at the San Francisco Assay Office, authorized by the Coinage Act of 1965, began today, September 1, 1965. The one-cent pieces to be struck here will constitute the first coins produced at the Assay Office since 1955, when coining operations were discontinued. Four new stamping presses are to be in operation. Later, five-cent pieces will also be struck at the San Francisco Office.

Production of the new quarter started August 23 at the Philadelphia Mint. The new quarter has the face of the same copper-nickel alloy used in the current five-cent piece and is bonded to a core of pure copper. It is manufactured from strips of three layers of metal, bonded together and rolled to the required thickness.

Production of the new fifty-cent piece of silver copper clad on silver copper is scheduled for later in the year, at the Denver Mint. It will continue to be made of silver and copper, but will become a composite coin with the silver content reduced from 90 percent to 40 percent.

The ten-cent piece will be the last of the new alloy denominations to enter production. Having the same composition as the new quarter, the dime is scheduled to be struck later this year.

The new coins all bear the 1965 date. None of them will be released to the public until a sizeable supply is on hand for distribution. Meantime, the Mint is continuing production of the present coinage alloy, as authorized by the Coinage Act of 1965.

The newly minted pennies from San Francisco, however, like those made in Denver and Philadelphia, will go immediately into circulation. The penny and the nickel are not changed in composition by the new legislation.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 1, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON FERROCHROMIUM
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that ferrochromium, not containing over 3 percent by weight of carbon, from Sweden 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 July 17, 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 June 1964 through July 1965 were worth approximately $430,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 1, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON FERROCHROMIUM
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that ferrochromium, not containing over 3 percent by weight of carbon, from Sweden 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 July 17, 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 June 1964 through July 1965 were worth approximately $430,000.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE   September 3, 1965

ANTIDUMPING PROCEEDING ON
BULK, CRUDE, UNDRIED SOLAR SALT

On August 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 bulk, crude, undried solar salt imported from Mexico, manufactured by Cia Exportadora de Sal, Baja California, Mexico, is being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

The salt under consideration is an industrial grade salt used in the chemical industry.

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 Moran and Crowley, Washington, D. C., on behalf of Leslie Salt Company, San Francisco, California, and Western Salt Company, San Diego, California.

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 period February 15, 1965, through August 31, 1965, were worth approximately $50,000.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE September 3, 1965

ANTIDUMPING PROCEEDING ON
BULK, CRUDE, UNDRIED SOLAR SALT

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The salt under consideration is an industrial grade salt used in the chemical industry.

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TREASURY DEPARTMENT

FOR RELEASE A.M. NEWSPAPERS,
Saturday, September 4, 1965

WASHINGTON, D.C.
September 3, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of Treasury bills, one series to be an additional issue of the bills dated June 10, 1965, and the other series to be dated September 9, 1965, which were offered on August 30, wer opened at the Federal Reserve Banks on September 3. Tenders were invited for $1,200,000 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 December 9, 1965		182-day Treasury bills maturing March 10, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	99.023	3.865%	97.978	4.000%
Low	99.011	3.913%	97.961	4.033%
Average	99.015	3.898% 1/	97.966	4.024% 1/

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

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 24,702,000	$ 14,702,000	$ 18,533,000	$ 14,173,000
New York	1,576,377,000	699,822,000	1,644,786,000	661,486,000
Philadelphia	27,821,000	17,821,000	14,349,000	11,349,000
Cleveland	26,492,000	26,492,000	34,525,000	29,525,000
Richmond	10,767,000	10,767,000	3,564,000	3,564,000
Atlanta	43,833,000	39,488,000	23,776,000	19,249,000
Chicago	183,158,000	142,138,000	146,377,000	86,377,000
St. Louis	43,403,000	35,733,000	18,610,000	16,110,000
Minneapolis	18,191,000	18,191,000	15,593,000	14,413,000
Kansas City	26,650,000	25,980,000	13,119,000	12,619,000
Dallas	27,191,000	19,851,000	11,937,000	7,937,000
San Francisco	195,788,000	149,451,000	159,404,000	123,404,000
TOTALS	$2,204,373,000	$1,200,436,000 a/	$2,104,573,000	$1,000,206,000

a/ Includes $247,443,000 noncompetitive tenders accepted at the average price of 99.015
b/ Includes $93,367,000 noncompetitive tenders accepted at the average price of 97.966
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.99%, for the 91-day bills, and 4.16%, 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,
Saturday, September 4, 1965

September 3, 1965

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Kansas City	26,650,000	25,980,000	13,119,000	12,619,000
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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 3, 1965

FOR IMMEDIATE RELEASE

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY OF THE UNITED STATES
AT A PRESS CONFERENCE IN BONN, GERMANY,
FRIDAY, SEPTEMBER 3, 1965,
6:00 P.M. BONN TIME (1:00 P.M. EDT)

Treasury Secretary Henry H. Fowler today issued the following statement at a press conference in Bonn, Germany, in response to press inquiries concerning the new British wage-price program.

"I heartily welcome the new British program, which strengthens my confidence in both the short and long term outlook for the British economy.

"The British Government's intention to seek parliamentary action to strengthen and make more effective its wage-price stabilization program clearly demonstrates the Government's determination to arrest the current climb in costs and prices, and to move the British economy into a stronger competitive position in world markets.

"Over the past several months, the United Kingdom has taken a number of steps designed to bring its international payments position into balance. These actions have led to improvement in the United Kingdom's balance of payments and give indications of producing equilibrium in Britain's external accounts by the second half of 1966, as planned. The newly announced program not only strengthens these indications, but provides the basis for long run stability in costs and prices which is a major factor in combining sound economic growth with balance of payments equilibrium.

"We applaud the action of the British Government and we share its hopes and expectations that a new basic trend of cost and price stability will now be established.

"The British Government's new program underlines its determination to achieve and to maintain balance in its international payments and to preserve the value of the Pound Sterling. I am confident that the United Kingdom has both the will and the power to preserve that value."

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 7, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
STEEL JACKS

On May 6, 1965, a press release was issued concerning a "Withholding of Appraisement" notice which was published in the Federal Register, dated May 8, 1965, volume 30, No. 89, page 6445, with regard to steel jacks from Canada, manufactured by J. C. Hallman Manufacturing Co., Ltd., Waterloo, Ontario, Canada.

The Antidumping Regulations require that a "Withholding of Appraisement" notice publish the appropriate basis of comparison with foreign market value or if that information is not available at the time of publication of the notice that this information be published when it becomes available. Because of the unavailability of the appropriate information, the "Withholding of Appraisement" notice did not state the basis of comparison.

It has now been found that purchase price is the appropriate basis of comparison and a supplemental notice to this effect is being published in the Federal Register.

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 7, 1965

FOR IMMEDIATE RELEASE

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UNITED STATES NET MONETARY GOLD TRANSACTIONS

WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

January 1, 1965 - June 30, 1965

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

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

	First Quarter 1965	Second Quarter 1965	Fiscal Year 1965 July 1, 1964- June 30, 1965
Austria	-25.0	-37.5	-62.5
Belgium	-39.6	-22.1	-101.7
Brazil	-1.0	+28.2	+54.3
Ceylon	-	-4.3	-4.3
Chile	-1.0	-	-3.3
Colombia	*	+30.0	+40.0
Congo (Leopoldville)	-	-	+1.6
Costa Rica	-1.3	-.1	-1.9
Egypt	-1.0	-1.0	-3.7
France	-482.5	-147.5	-832.5
Germany	-	-	-25.0
I.M.F.	-	-258.8**	-258.8**
Iraq	-	-10.0	-10.0
Ireland	-.4	-1.0	-2.3
Italy	-	-80.0	-80.0
Lebanon	-	-	-10.5
Netherlands	-35.0	-	-95.0
Philippines	-.1	-.1	+9.7
Panama	-2.7	-	-2.7
Salvador	-1.5	-	-1.5
Spain	-90.0	-60.0	-180.0
Sudan	-	-7.6	-7.6
Switzerland	-37.5	-12.5	-101.0
Syria	-.2	-.2	-.7
Turkey	-15.7	-2.5	-30.7
U.K.	-75.7	+29.4	+241.2
Yugoslavia	-.6	-.5	-2.3
All Other	-.3	-.2	-1.6
Total	-811.0	-558.2	-1,472.8

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

**Public Law 89-31, approved June 2, 1965, authorized an increase o $1,035 million in the quota of the US in the IMF. On June 30, 1965 the US made the required payment of 25% of its quota increase in go in the amount of $258,750,004.03.

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8, 1965

FOR IMMEDIATE RELEASE

UNITED STATES FOREIGN GOLD TRANSACTIONS
FOR SECOND QUARTER OF 1965

During the second quarter of 1965, the net sale of monetary gold by the United States amounted to $299.4 million; in addition, the U.S. transferred to the IMF $258.8 million gold, representing the 25 per cent gold payment of the U.S. quota increase in the IMF. These transactions brought to $558.2 million the net decline in U.S. gold stock from monetary gold transactions with foreign governments, central banks and international institutions in the second quarter.

The total decrease in U.S. gold stock in the second quarter of 1965 was $590.0 million, including the net sale of $32.0 million worth of gold for domestic industrial, professional and artistic uses.

The Treasury's quarterly report, made public today, summarizes U.S. net monetary gold transactions for the first two quarters of Calendar Year 1965 and for the Fiscal Year 1965. (Table on reverse side.)

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

September 8, 1965

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(OVER)

UNITED STATES NET MONETARY GOLD TRANSACTIONS

WITH FOREIGN COUNTRIES AND INTERNATIONAL INSTITUTIONS

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Chile	-1.0	-	-3.3
Colombia	*	+30.0	+40.0
Congo (Leopoldville)	-	-	+1.6
Costa Rica	-1.3	-.1	-1.9
Egypt	-1.0	-1.0	-3.7
France	-482.5	-147.5	-832.5
Germany	-	-	-25.0
I.M.F.	-	-258.8**	-258.8**
Iraq	-	-10.0	-10.0
Ireland	-.4	-1.0	-2.3
Italy	-	-80.0	-80.0
Lebanon	-	-	-10.5
Netherlands	-35.0	-	-95.0
Philippines	-.1	-.1	+9.7
Panama	-2.7	-	-2.7
Salvador	-1.5	-	-1.5
Spain	-90.0	-60.0	-180.0
Sudan	-	-7.6	-7.6
Switzerland	-37.5	-12.5	-101.0
Syria	-.2	-.2	-.7
Turkey	-15.7	-2.5	-30.7
U.K.	-75.7	+29.4	+241.2
Yugoslavia	-.6	-.5	-2.3
All Other	-.3	-.2	-1.6
Total	-811.0	-558.2	-1,472.8

Figures may not add to totals because of rounding. *Less than $50,0(

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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 fro all taxation now or hereafter imposed on the principal or interest thereof by any Sta or any of the possessions of the United States, or by any local taxing authority. Fo purposes of taxation the amount of discount at which Treasury bills are originally so by the United States is considered to be interest. Under Sections 454 (b) and 1221 (of the Internal Revenue Code of 1954 the amount of discount at which bills issued her under are sold is not considered to accrue until such bills are sold, redeemed or otl 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 pric paid for such bills, whether on original issue or on subsequent purchase, and the am 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, prescr 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.

printed forms and forwarded in the special envelopes which will be supplied by Fede Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers pro vided the names of the customers are set forth in such tenders. Others than bankin institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companie 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 b applied for, unless the tenders are accompanied by an express guaranty of payment b an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Rese 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 tende will be advised of the acceptance or rejection thereof. The Secretary of the Trea expressly reserves the right to accept or reject any or all tenders, in whole or i part, and his action in any such respect shall be final. Subject to these reserva- tions, 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 Fede Reserve Bank on September 16, 1965 (16), in cash or other immediately available f or in a like face amount of Treasury bills maturing September 16, 1965 (17). Cas and exchange tenders will receive equal treatment. Cash adjustments will be made differences between the par value of maturing bills accepted in exchange and the i price of the new bills.

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

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TREASURY DEPARTMENT
Washington

September 8, 1965

FOR IMMEDIATE RELEASE,
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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 September 16, 1965, in the amount of $2,203,196,000, as follows:

91-day bills (to maturity date) to be issued September 16, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated June 17, 1965, and to mature December 16, 1965, originally issued in the amount of $ 1,001,469,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated September 16, 1965, and to mature March 17, 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 amou 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 $1,000,0((maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the clos hour, one-thirty p.m., Eastern Daylight Saving ~~XXXXXXXX~~ time, Monday, September 13, 1965. Ten 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 th

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8, 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 th 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 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 Federal Reserve Bank on September 16, 1965 cash or other immediately available funds or in a like face amount of Treasury bills maturing September 16,1965.Cash and exchange tend 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 hereunde 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 thi notice prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained f any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN AUGUST

During August 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 $578,552,000.00.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 8, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN AUGUST

During August 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 $578,552,000.00.

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F-185

STATEMENT BY THE BANK OF ENGLAND

September 10, 1965 at 9 A.M., E. D. T.

There is increasing evidence that the measures taken by Her Majesty's Government to restore the United Kingdom's balance of payments are having their effect. Sentiment toward sterling in the exchange markets is improving. To further this trend, the Bank of England, with the full authority of Her Majesty's Government, has entered into new arrangements with the central banks of Austria, Belgium, Canada, Germany, Holland, Italy, Japan, Sweden, Switzerland, United States, and the Bank for International Settlements, who cooperated in the support of sterling last November.

These new arrangements take various forms and will enable appropriate action to be taken in the exchange markets with the full cooperation of the central banks concerned.

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Confidence in the U.K. position is growing. The new arrangements are designed, as the Bank of England has pointed out, to further this trend.

2. The new cooperative arrangements take various forms. Details concerning the form, amount, and timing of these arrangements are not being made available.

Atta hed is an information copy of ~~the~~ today's statement by the Bank of England.

TREASURY RESPONSE TO INQUIRIES CONCERNING The BANK of England STATEMENT ISSUED 9 A.M. (E.D.T)

~~RESPONSE TO PRESS INQUIRIES ON~~
~~BANK OF ENGLAND ANNOUNCEMENT~~

SEPTEMBER 10, 1965

The Treasury said that it could not elaborate on the new arrangements announced today by the Bank of England, but pointed out that:

1. The present arrangements entered into by the Bank of England with other central banks have been developed in an economic and financial environment very different from that of last November when the situation required emergency credit assistance to the U.K. Then, the United Kingdom was experiencing a very large balance of payments deficit which had not yet been brought under control, and confidence had been sharply impaired. Now, the ~~view~~ series of measures taken by the United Kingdom over recent months ~~are~~ is bringing improvement in ~~the~~ The U.K. balance of payments, and gives indications of producing equilibrium, as intended, by the second half of 1966.

TREASURY DEPARTMENT

WASHINGTON, D.C.
September 10, 1965

FOR IMMEDIATE RELEASE

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(OVER)

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ECONOMICS AND EQUAL OPPORTUNITY

Address of Robert A. Wallace, Assistant Secretary of Treasury
Humanitarian of the Year Award Dinner of the Abraham Lincoln Centre
Sherman House, Chicago, Illinois
September 13, 1965

IT WAS A GENUINE PLEASURE TO LEARN OF YOUR INVITATION FOR ME TO BE WITH YOU ON THE OCCASION OF YOUR HUMANITARIAN OF THE YEAR AWARD DINNER. THE RECIPIENTS OF THIS AWARD HAVE BEEN TRULY ILLUSTRIOUS CITIZENS OF TREMENDOUS TALENTS AND ACCOMPLISHMENTS IN THE FIELD OF HUMAN RIGHTS. MEN LIKE SENATOR DOUGLAS, MAYOR DALEY, GOVERNOR KERNER, CHARLES PERCY AND ARNOLD MAREMONT ARE WELL KNOWN THROUGHOUT THE LENGTH AND BREADTH OF THE UNITED STATES FOR THEIR ACCOMPLISHMENTS IN THIS FIELD.

NOW THEY ARE BEING JOINED BY A MAN WHO HAS SERVED THE CAUSE OF HUMAN FREEDOM AS LARGE EMPLOYER IN A FAMOUS COMPANY. HE HAS NOT ONLY FOUGHT BIAS AND DISCRIMINATION, BUT ALSO ACHIEVED POSITIVE ACTIONS TO BRING NON-WHITE CITIZENS INTO RESPONSIBLE EMPLOYMENT.

ROBERT UIHLEIN, JR. THE MAN WE ARE HONORING TONIGHT, IS PRESIDENT OF THE 116 YEAR OLD JOS. SCHLITZ BREWING COMPANY WHICH IS STILL OWNED AND OPERATED BY THE DIRECT DESCENDANTS OF ITS FOUNDER. MR. UIHLEIN IS -- LET'S FACE IT -- WEALTHY. HIS HOBBIES, POLO AND BIG GAME HUNTING, ARE THOSE TO WHICH MANY OF US WOULD LIKE TO BECOME ACCUSTOMED. HIS SCHOOLS, PHILLIPS ACADEMY, HARVARD AND THE UNIVERSITY OF WISCONSIN ARE THE VERY BEST. BUT MR. UIHLEIN'S ADVANTAGES DID NOT SEQUESTER HIM FROM SOCIETY. LIKE OUR LATE MARTYRED PRESIDENT KENNEDY, HE INHERITED WEALTH, BUT HE DEVOTED HIS TALENTS

AND HIS ADVANTAGES TO PURSUITS IN HARMONY WITH SOCIETY'S NEEDS.

ONE OF PRESIDENT KENNEDY'S FAVORITE STORIES CONCERNED THE TIME HE FIRST RAN FOR CONGRESS IN A POOR DISTRICT OF BOSTON. AT ONE MEETING WITH SEVERAL OTHER CANDIDATES ON THE SAME TICKET, THE M.C. KEPT INTRODUCING EACH CANDIDATE AS "A MAN WHO CAME UP THE HARD WAY." WHEN IT CAME TIME FOR HIM TO INTRODUCE KENNEDY HE FUMBLED FOR WORDS, BUT KENNEDY HELPED HIM OUT. HE SAID "I'M THE ONE THAT DIDN'T COME UP THE HARD WAY."

BOB UIHLEIN DID NOT HAVE TO COME THE HARD WAY IN ORDER TO SERVE THE HUMANITARIAN PURPOSES FOR WHICH WE HONOR HIM TONIGHT. AS PRESIDENT OF A LARGE COMPANY HE HAS BEEN IN A POSITION TO PRACTICE THE PRINCIPLES OF UNIVERSAL HUMAN DIGNITY MORE EFFECTIVELY THAN MOST PEOPLE. HE DID NOT ISOLATE HIMSELF WITH A FEW WELL CHOSEN FRIENDS, BUT, INSTEAD TREATED LIFE AS A POSITIVE ENTERPRISE TO HELP SOCIETY AS WELL AS HIS COMPANY AND HIMSELF. HE THUS REPRESENTS THE FINEST TRADITIONS OF OUR CAPITALISTIC SYSTEM AND HIS EXAMPLE WILL DO MORE FOR AMERICA AND HUMANITY AS A RESULT.

THE BATTLE FOR HUMAN RIGHTS AND HUMAN DIGNITY MUST BE WAGED ON MANY FRONTS. ALTHOUGH CIVIL RIGHTS LANGUISHED FOR ALMOST 100 YEARS, CONGRESS HAS ENACTED NO LESS THAN FOUR CIVIL RIGHTS BILLS SINCE 1957. THE VOTING RIGHTS BILL WAS THE LATEST. THESE HAVE BEEN GREAT VICTORIES, BUT AS, WINSTON CHURCHILL SAID OF ANOTHER VICTORY "IT IS NOT THE END. IT IS NOT EVEN THE BEGINNING OF THE END. BUT IT IS, PERHAPS, THE END OF THE BEGINNING." AND, AS PRESIDENT JOHNSON SAID AT HOWARD UNIVERSITY ON JUNE 4:

"THAT BEGINNING IS FREEDOM; AND THE BARRIERS TO THAT FREEDOM ARE TUMBLING DOWN. FREEDOM IS THE RIGHT TO SHARE, SHARE FULLY AND EQUALLY, IN AMERICAN SOCIETY -- TO VOTE, TO HOLD A JOB, TO ENTER A PUBLIC PLACE, TO GO TO SCHOOL. IT IS THE RIGHT TO BE TREATED IN EVERY PART OF OUR NATIONAL LIFE AS A PERSON EQUAL IN DIGNITY AND PROMISE TO ALL OTHERS.

"BUT FREEDOM IS NOT ENOUGH. YOU DO NOT WIPE AWAY THE SCARS OF CENTURIES BY SAYING: NOW YOU ARE FREE TO GO WHERE YOU WANT, OR DO AS YOU DESIRE, AND CHOOSE THE LEADERS YOU PLEASE.

* * *

"IT IS NOT ENOUGH JUST TO OPEN THE GATES OF OPPORTUNITY. ALL OUR CITIZENS MUST HAVE THE ABILITY TO WALK THROUGH THOSE GATES.

* * *

"TO THIS END EQUAL OPPORTUNITY IS ESSENTIAL, BUT NOT ENOUGH, NOT ENOUGH. MEN AND WOMEN OF ALL RACES ARE BORN WITH THE SAME RANGE OF ABILITIES. BUT ABILITY IS NOT JUST THE PRODUCT OF BIRTH. ABILITY IS STRETCHED OR STUNTED BY THE FAMILY YOU LIVE WITH, AND THE NEIGHBORHOOD YOU LIVE IN, BY THE SCHOOL YOU GO TO AND THE POVERTY OR THE RICHNESS OF YOUR SURROUNDINGS. IT IS THE PRODUCT OF A HUNDRED UNSEEN FORCES PLAYING UPON THE LITTLE INFANT, THE CHILD, AND FINALLY THE MAN."

SO, IT IS NOT ENOUGH TO HAVE RIGHTS. AS PRESIDENT JOHNSON HAS SAID, OUR AIM MUST BE "TO FULFILL THESE RIGHTS." "FOR WHAT IS JUSTICE? IT IS TO FULFILL THE FAIR EXPECTATIONS OF MAN."

JUSTICE IS A PROPER GOAL FOR OUR NATION. IT MUST BE ACHIEVED IN THE FIELD OF JOBS, EDUCATION, HOUSING, HEALTH, SPIRITUAL GROWTH AND ECONOMIC WELL-BEING.

MUCH HAS BEEN ACCOMPLISHED BY THE FEDERAL GOVERNMENT IN THE EMPLOYMENT AREA. WHEN I FIRST CAME TO THE TREASURY DEPARTMENT 4-1/2 YEARS AGO, I WAS NAMED DEPARTMENTAL EMPLOYMENT POLICY OFFICER WITH RESPONSIBILITY FOR ENFORCEMENT OF THE PRESIDENT'S EQUAL EMPLOYMENT OPPORTUNITY PROGRAM. I WAS SURPRISED TO FIND THAT NOT A SINGLE NEGRO HELD A PROFESSIONAL OR SECRETARIAL POSITION IN THE OFFICE OF THE SECRETARY OF THE TREASURY, THE POLICY-DIRECTING STAFF OF THE DEPARTMENT. UNDER THE LEADERSHIP OF SECRETARY DILLON AND SECRETARY FOWLER, SOME 34 PROFESSIONAL AND SECRETARIAL POSITIONS IN THAT OFFICE HAVE NOW BEEN FILLED BY NEGROES.

IN JANUARY, 1961 THERE WAS NOT A SINGLE CUSTOMS COLLECTOR WHO WAS A NEGRO. PRESIDENT KENNEDY QUICKLY CHANGED THIS SITUATION BY APPOINTING A NEGRO AS COLLECTOR FOR THE VIRGIN ISLANDS. THE SAVINGS BONDS DIVISION APPOINTED THE FIRST NEGRO EVER TO SERVE AS AN AREA BOND DIRECTOR, MR. SYLVESTRE WATKINS OF CHICAGO. THE COAST GUARD ACADEMY HAS APPOINTED ITS FIRST NEGRO FACULTY MEMBERS, AND ITS PREVIOUSLY ALL WHITE STUDENT BODY HAS BEEN JOINED BY SEVERAL NEGRO CADETS.

THE TREASURY GUARD FORCE APPOINTED ITS FIRST NEGRO LIEUTENANTS. THE WHITE HOUSE POLICE FORCE, WHICH COMES UNDER THE SECRET SERVICE IN THE TREASURY DEPARTMENT, APPOINTED ITS FIRST NEGROES. THE BUREAU OF ENGRAVING AND PRINTING APPOINTED ITS FIRST NEGRO MACHINISTS AND ITS FIRST NEGRO ELECTRICIAN. THREE LOCAL UNIONS REPRESENTING WORKERS IN THAT BUREAU HAVE

NOW FOR THE FIRST TIME ACCEPTED NEGROES AS MEMBERS. AND TODAY, ALSO FOR THE FIRST TIME, THE INTERNAL REVENUE SERVICE HAS NEGROES SERVING IN THE HIGHEST REGULAR CIVIL SERVICE GRADE.

OUR PROGRESS HAS NOT BEEN CONFINED TO THE NORTH. INTERNAL REVENUE SERVICE APPOINTMENTS AT THE PROFESSIONAL LEVEL, FOR THE FIRST TIME, HAVE GONE TO NEGROES IN ATLANTA, LOUISVILLE, BIRMINGHAM, NEW ORLEANS, NASHVILLE, LITTLE ROCK, JACKSON, MISSISSIPPI, COLUMBIA, SOUTH CAROLINA AND JACKSONVILLE, FLORIDA. IN ATLANTA, WHERE NO NEGRO HAD PREVIOUSLY SERVED THE INTERNAL REVENUE SERVICE IN ANY WHITE COLLAR POSITION, 68 TAX EXAMINERS AND KEY PUNCH OPERATORS AND SUPERVISORS HAVE BEEN HIRED.

I WANT TO EMPHASIZE THAT SUCH HIRING HAS BEEN ON THE BASIS OF MERIT AND THAT EVERY CIVIL SERVICE RULE AND REGULATION HAS BEEN STRICTLY OBSERVED. SIMPLY BY AFFORDING EQUAL OPPORTUNITY, AND PRACTICING POSITIVE RECRUITMENT PROGRAMS AMONG MINORITY GROUPS, WE HAVE, SINCE JANUARY 1961, MADE CONSIDERABLE PROGRESS.

WE HAVE CONCENTRATED ON RECRUITMENT AND ADVANCEMENT OF NEGROES IN THE MIDDLE AND UPPER PROFESSIONAL LEVELS -- THOSE THAT PAY OVER $5,000 A YEAR. THESE ARE THE JOBS THAT HAVE BEEN TOUGH FOR NEGROES TO BREAK INTO.

MOST OF THE HIGHER TREASURY POSITIONS, THOSE PAYING OVER $10,000 A YEAR REQUIRE TREASURY EXPERIENCE IN ORDER TO QUALIFY. PLACING NEGROES IN THE MIDDLE PROFESSIONAL LEVELS, THOSE PAYING $5,000 TO $10,000 A YEAR, IS THUS A KEY TO THEIR LATER ADVANCEMENT. SINCE 1961 TREASURY HAS HIRED AND PROMOTED 1,300 NEGROES IN THESE SALARY RANGES. THIS HAPPENS TO BE A 90% INCREASE. NEGROES FORMERLY ACCOUNTED FOR ONLY 3-1/2% OF ALL EMPLOYEES AT THESE LEVELS. NOW THE PROPORTION IS 6-1/2% -- ALMOST DOUBLE.

ONE OUT OF EVERY THREE PERSONS HIRED OR PROMOTED BY TREASURY FOR THESE KEY PROFESSIONAL JOBS HAS BEEN A NEGRO.

HAS THIS PAID OFF IN GETTING NEGROES INTO THE HIGHER JOBS? IN 1961 ONLY 35 NEGROES HELD POSTS IN TREASURY PAYING OVER $10,000 A YEAR. THERE ARE NOW, ALMOST SIX TIMES THIS NUMBER.

IN THE PAST YEAR ALONE, HALF OF ALL NEW JOBS IN THE$5,000 TO $10,000 RANGE WENT TO NEGROES AND NEGROES GOT 11 PERCENT OF ALL NEW POSITIONS PAYING OVER $10,000 A YEAR.

WE ARE CURRENTLY TRYING TO GET MORE NEGROES INTO THE VERY HIGHEST JOBS AND ALSO TO GET MORE NEGROES ESTABLISHED IN TREASURY OFFICES SCATTERED ALL OVER THE UNITED STATES, INCLUDING THE SOUTH.

I AM GLAD TO HAVE PLAYED A PART IN THE TREASURY DEPARTMENT'S HIRING AND PROMOTION OF OVER 1,450 NEGROES IN THE MIDDLE AND HIGHER GRADES. BUT THE TOLL OF PAST DISCRIMINATION HAS PREVENTED WHAT MIGHT HAVE BEEN A MUCH HIGHER NUMBER. FOR THE ONLY WAY TO GET INTO THESE PROFESSIONAL POSITIONS IS TO HAVE THE NECESSARY EDUCATION AND TRAINING, AND THERE ARE SIMPLY NOT ENOUGH NEGROES WITH THE NECESSARY EDUCATION AND TRAINING AVAILABLE TO US.

I HAVE NOT SEEN THE GOVERNMENT-WIDE FIGURES, BUT I KNOW THAT UNDER THE LEADERSHIP OF PRESIDENT JOHNSON AND VICE PRESIDENT HUMPHREY, MANY THOUSANDS OF NEGROES HAVE BEEN BROUGHT INTO THE GOVERNMENT IN THE BETTER JOBS.

MOREOVER, 310 LARGE CORPORATIONS EMPLOYING NEARLY 9 MILLION PERSONS HAVE SIGNED THE PRESIDENT'S PLANS FOR PROGRESS AGREEMENTS TO INITIATE PROGRAMS OF AFFIRMATIVE ACTION OF RECRUITMENT AND TRAINING.

MEANWHILE, UNDER FRANKLIN D. ROOSEVELT, JR., THE GOVERNMENT HAS MOVED TO ENFORCE TITLE VII OF THE COMPREHENSIVE CIVIL RIGHTS BILL TO PROVIDE EQUAL EMPLOYMENT OPPORTUNITIES THROUGHOUT THE LAND.

BUT THE ACHIEVEMENT OF JUSTICE IS ONLY ONE PART OF THE CIVIL RIGHTS PICTURE. ANOTHER IS OUR NATIONAL ECONOMIC NEEDS. STILL ANOTHER IS OUR ABILITY TO SURVIVE IN A WORLD THAT CONTAINS HOSTILE AS WELL AS FRIENDLY COUNTRIES.

OUR CONTINUED ROLE AS A WORLD LEADER WILL ULTIMATELY DEPEND ON OUR PERFORMANCE AS A PEOPLE -- AND THIS PERFORMANCE WILL DETERMINE THE COURSE TO BE FOLLOWED BY OTHER MORE POPULOUS COUNTRIES AND AREAS OF THE WORLD. IF OUR ECONOMIC SYSTEM CAN PRODUCE ENOUGH AND DISTRIBUTE ITS PRODUCTION FAIRLY, IT WILL BE EMULATED. IF OUR POLITICAL SYSTEM YIELDS THIS PRODUCTION WHILE YET PRESERVING THE LIBERTIES OF INDIVIDUALS, IT WILL ENDURE AS THE STANDARD FOR OTHERS TO FOLLOW. AND, IF OUR BEHAVIOR TOWARD OUR FELLOW MAN IS ON THE BASIS OF JUSTICE AND EQUALITY, IT WILL BE HONORED.

WHICH BRINGS ME TO THE THEME OF WHAT I WOULD LIKE TO DISCUSS WITH YOU TODAY: THAT IN TODAY'S WORLD IT IS UTTERLY IMPERATIVE THAT THE UNITED STATES ACHIEVE ECONOMIC STABILITY AND GROWTH AND ALSO TRUE RACIAL EQUALITY IN ALL RESPECTS -- THAT THESE TWIN GOALS ARE COMPLETELY INTERDEPENDENT -- THAT NEITHER CAN BE ACHIEVED WITHOUT THE OTHER -- THAT THE FAILURE OF EITHER WILL BE THE FAILURE OF BOTH.

THE DEVELOPING NATIONS ABROAD, WHEREIN RESIDE THE VAST MAJORITY OF MANKIND, WANT AND NEED RISING LIVING STANDARDS. MORE THAN THAT, THEIR PEOPLES WANT AND NEED DIGNITY AND SELF-RESPECT. IF WE SHOW THE WORLD THAT OUR SYSTEM CAN OUT-PRODUCE OTHERS AND STILL PROVIDE DIGNITY AND SELF-RESPECT FOR ALL PERSONS --

THEN AND ONLY THEN WILL OUR SOCIETY PERSEVERE. BUT, WE MUST CONSIDER THE OTHER SIDE: IF WE FAIL TO MEET THESE NEEDS IN OUR COUNTRY -- IF OUR PEOPLE BEAT DOWN THE DIGNITY AND SELF-RESPECT OF MILLIONS OF OUR OWN CITIZENS, WHO WILL FOLLOW OUR EXAMPLE? OF COURSE, OUR MILITARY IS MIGHTY, BUT CAN WE HOPE TO HOLD OUT IF WE BECOME AN ISOLATED ISLAND FACED BY THE GROWING STRENGTH OF OUR ENEMIES AND WITHOUT FRIENDS AMONG THE BILLIONS OF PEOPLE WHO INHABIT THE OTHER AREAS OF THIS PLANET?

THE JOHNSON ADMINISTRATION HAS FACED THIS ISSUE. IT HAS MADE PROGRESS, AND IS FORGING AHEAD IN THE FIGHT AGAINST DISCRIMINATION AND IN THE STRUGGLE TO KEEP OUR NATIONAL ECONOMY STRONG AND HEALTHY. BUT, IT IS A CONTINUING BATTLE -- ONE WHICH BY ITS VERY NATURE MUST INTENSIFY. WE HAVE ALSO SEEN ADVANCEMENT ON MANY FRONTS IN OUR STATES AND LOCALITIES. SEGREGATION IS BREAKING DOWN, DISCRIMINATION HAS ABATED. HERE AGAIN THE WINNING OF A FEW SKIRMISHES, WHILE NOT VICTORY ITSELF, DOES AT LEAST GIVE US A RENEWED WILL TO WORK HARDER THAN EVER.

THE TWIN GOALS OF A HEALTHY ECONOMY AND RESPECT FOR THE RIGHTS OF EVERY CITIZEN CANNOT BE SEPARATE AIMS. FOR OUR FULL PRODUCTIVE POTENTIAL CANNOT BE REACHED IF MEN ARE PREVENTED BY DISCRIMINATION FROM MAKING THEIR FULL CONTRIBUTION. NOR CAN A MAN HAVE DIGNITY AND RESPECT FOR HIS GOVERNMENT IF HE IS TOLD THAT HE MUST WORK ONLY AT CERTAIN JOBS, ATTEND ONLY CERTAIN SCHOOLS, VOTE ONLY IN SOME JURISDICTIONS OR LIVE ONLY IN SPECIFIED PLACES.

ON MARCH 25, 1965 THE PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS ISSUED A REPORT WHICH SPELLED OUT THE HIGH ECONOMIC COST TO OUR COUNTRY OF RACIAL DISCRIMINATION IN EMPLOYMENT.

THE COUNCIL ESTIMATED THAT FULL UTILIZATION OF THE PRESENT CAPABILITIES OF THE NON-WHITE POPULATION WOULD INCREASE THEIR PERSONAL INCOME BY $12.8 BILLION. IN ADDITION, THE COUNCIL SAID THAT IF NON-WHITES HAD THE SAME EDUCATIONAL ATTAINMENTS AS WHITE WORKERS AND EARNED THE SAME PAY AND EXPERIENCED THE SAME UNEMPLOYMENT RATES AS WHITES, THEIR PERSONAL INCOME WOULD BE $20.6 BILLION HIGHER. THESE BENEFITS WOULD ACCRUE NOT ONLY TO NEGROES BUT ALSO TO THE ENTIRE NATION IN THE FORM OF AN EXTRA $23 BILLION IN THE TOTAL OF OUR NATIONAL OUTPUT OF GOODS AND SERVICES.

THESE ESTIMATES TELL US SOMETHING OF VITAL IMPORTANCE. THEY TELL US THAT EVEN IF WE COULD IGNORE THE HUMAN MISERY AND DEGRADATION THAT DISCRIMINATION CREATES, EVEN IF WE COULD ENDURE THE BURDEN OF DESPAIR WHICH IS IMPOSED UPON OUR CITIZENS AS A RESULT, EVEN IF WE COULD ACCEPT INDEFINITELY AN UNEMPLOYMENT RATE AMONG NEGROES TWICE THAT AMONG WHITES, THAT PREJUDICE AND DISCRIMINATION WOULD -- SOLELY ON ECONOMIC GROUNDS -- BE IN DIRECT CONFLICT WITH THE NATIONAL INTEREST OF THE UNITED STATES. SINCE MORE RAPID ECONOMIC GROWTH IS THE MAJOR ECONOMIC GOAL OF OUR NATION, NO ONE WITH ANY SERIOUS CONCERN FOR PUBLIC POLICY CAN AFFORD TO OVERLOOK THE POTENTIAL IN HUMAN AND ECONOMIC RESOURCES THAT WE WASTE THROUGH PREJUDICE AND DISCRIMINATION REGARDLESS OF WHETHER THE DISCRIMINATION IS DELIBERATE OR INADVERTENT.

BUT THE PRICE OF PREJUDICE RUNS FAR HIGHER THAN EVEN THOSE FIGURES WOULD SUGGEST. WE PRESENT A STRANGE CONTRADICTION WHEN WE SPEND BILLIONS FOR FOREIGN AID TO EXPAND HUMAN RIGHTS ABROAD AT THE SAME TIME THAT WE TOLERATE DISCRIMINATION HERE AT HOME. EVEN MORE IMPORTANT, RACIAL DISTURBANCES IN THE UNITED STATES BOTH SHOCK AND MYSTIFY MANY FOREIGNERS, AND SOME OF THEM DRAW FROM SUCH INCIDENTS A PROFOUND SKEPTICISM ABOUT FREEDOM IN AMERICA.

FROM JANUARY, 1961, UNTIL MID-1965, OUR NATIONAL ECONOMIC NEED WAS FOR GREATER GROWTH, HIGHER EMPLOYMENT AND MORE INVESTMENT. THIS WE HAVE LARGELY ACHIEVED. OUR TOTAL NATIONAL PRODUCTION HAS JUMPED $150 BILLION. UNEMPLOYMENT HAS DROPPED FROM 7% TO 4-1/2%. OUR USE OF PLANT CAPACITY HAS RISEN FROM 78% TO 90%. THERE IS STILL SOME SLACK, OF COURSE, BUT NOW WE MAY WELL BE FACING A SOMEWHAT DIFFERENT PROBLEM: PRODUCTION BOTTLENECKS -- AT LEAST IN A FEW AREAS -- AND PERHAPS SOME UPWARD PRESSURE ON PRICE LEVELS. FOR OUR STEPPED-UP DEFENSE ACTIVITIES OCCASIONED BY VIET NAM WILL NEED ADDITIONAL PRODUCTION. WHILE THERE IS STILL GENERAL UNEMPLOYMENT, THERE MAY WELL BE SOME SHORTAGES OF SKILLED WORKERS, TECHNICIANS, AND OTHER PERSONNEL WITH EDUCATION AND TRAINING. THUS DISCRIMINATION AGAINST NEGROES WOULD BE NOT ONLY UNJUST, BUT FOOLHARDY IMPRACTICALITY. WE NEED NEGROES IN THE HIGHEST JOBS THEY CAN QUALIFY FOR. WE NEED THEM EDUCATED AND TRAINED.

I HAVE HEARD CHARGES THAT WE CAN'T HAVE BOTH GUNS AND BUTTER -- THAT WE OUGHT TO CUT BACK ON OUR POVERTY AND EDUCATION PROGRAMS. WE MAY VERY WELL HAVE TO FOREGO A GREAT DEAL OF BUTTER SUCH AS DESIRABLE BUT LESS ESSENTIAL GOVERNMENT EXPENDITURES AND ALSO FURTHER TAX CUTS. BUT THE POVERTY AND EDUCATION PROGRAMS WILL PROVIDE THE ECONOMIC SINEWS NECESSARY TO NATIONAL DEFENSE, FOR THESE ARE THE PROGRAMS WHICH WILL UPGRADE OUR NATIONAL WORK FORCE. MEANWHILE, EQUAL OPPORTUNITIES ARE NECESSARY TO GIVE EFFECT TO THESE POLICIES.

I BELIEVE THE ADMINISTRATION'S TWIN JOB OF COMBATING RACIAL DISCRIMINATION AND PROVIDING GREATER ECONOMIC OPPORTUNITIES FOR ALL AMERICANS REPRESENTS THE CRUCIAL SEGMENT OF THE PRESIDENT'S DOMESTIC PROGRAM.

THESE GOALS CANNOT BE ACHIEVED MERELY WITH PIOUS HOPES OR BLAND OPTIMISM THAT "THINGS WILL WORK OUT IF YOU JUST GIVE THEM TIME." THE CONTINUED EXISTENCE OF POVERTY, IGNORANCE AND BIGOTRY A FULL CENTURY AFTER LINCOLN'S EMANCIPATION PROCLAMATION GIVE IRREFUTABLE PROOF TO THE CONTRARY.

PASSIVE TOLERANCE AND GOOD INTENTIONS ARE NOT ENOUGH. POSITIVE, AGGRESSIVE, VIGOROUS ACTION BY THE GOVERNMENT, AND BY MEN AND WOMEN OF COURAGE AND TENACITY IS VITAL. ONLY IN THAT WAY, CAN WE ENHANCE THE DIGNITY OF THE INDIVIDUAL CITIZEN, PROMOTE THE MAXIMUM DEVELOPMENT OF HIS CAPABILITIES, AND WIDEN THE RANGE AND EFFECTIVENESS OF OPPORTUNITIES FOR INDIVIDUAL CHOICE. ONLY IN THAT WAY CAN WE BRING THE AMERICAN DREAM CLOSER TO REALITY. ONLY IN THAT WAY CAN WE SURVIVE AS A FREE PEOPLE.

THANK YOU VERY MUCH.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, September 14, 1965

September 13, 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 June 17, 1965, and the other series to be dated September 16, 1965, which were offered on September 8, were opened at the Federal Reserve Banks on September 13. 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 December 16, 1965		:	182-day Treasury bills maturing March 17, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.020 a/	3.877%	:	97.970	4.015%
Low	99.016	3.893%	:	97.958	4.039%
Average	99.018	3.887% 1/	:	97.962	4.031% 1/

a/ Excepting 1 tender of $77,000
38 percent of the amount of 91-day bills bid for at the low price was accepted
19 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	$ 27,548,000	$ 17,548,000	:	$ 19,223,000	$ 10,173,000
New York	1,599,239,000	729,698,000	:	1,372,645,000	705,735,000
Philadelphia	32,553,000	20,232,000	:	18,799,000	10,718,000
Cleveland	30,482,000	29,510,000	:	91,133,000	65,983,000
Richmond	18,562,000	18,042,000	:	7,064,000	6,764,000
Atlanta	46,986,000	30,126,000	:	27,018,000	21,964,000
Chicago	346,092,000	189,420,000	:	240,912,000	82,672,000
St. Louis	59,587,000	43,966,000	:	21,285,000	12,165,000
Minneapolis	23,341,000	16,889,000	:	15,570,000	11,760,000
Kansas City	34,425,000	30,795,000	:	18,176,000	17,676,000
Dallas	32,011,000	18,391,000	:	12,046,000	9,236,000
San Francisco	131,002,000	56,470,000	:	94,744,000	45,519,000
TOTALS	$2,381,828,000	$1,201,087,000 b/		$1,938,615,000	$1,000,365,000 c/

b/ Includes $303,826,000 noncompetitive tenders accepted at the average price of 99.018
c/ Includes $116,136,000 noncompetitive tenders accepted at the average price of 97.962
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.98%, for the 91-day bills, and 4.17%, 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, September 14, 1965

September 13, 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 June 17, 1965, and the other series to be dated September 16, 1965, which were offered on September 8, were opened at the Federal Reserve Banks on September 13. 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 December 16, 1965		:	182-day Treasury bills maturing March 17, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	99.020 a/	3.877%	:	97.970	4.015%
Low	99.016	3.893%	:	97.958	4.039%
Average	99.018	3.887% 1/	:	97.962	4.031% 1/

a/ Excepting 1 tender of $77,000
58 percent of the amount of 91-day bills bid for at the low price was accepted
19 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	$ 27,548,000	$ 17,548,000	:	$ 19,223,000	$ 10,173,000
New York	1,599,239,000	729,698,000	:	1,372,645,000	705,735,000
Philadelphia	32,553,000	20,232,000	:	18,799,000	10,718,000
Cleveland	30,482,000	29,510,000	:	91,133,000	65,983,000
Richmond	18,562,000	18,042,000	:	7,064,000	6,764,000
Atlanta	46,986,000	30,126,000	:	27,018,000	21,964,000
Chicago	346,092,000	189,420,000	:	240,912,000	82,672,000
St. Louis	59,587,000	43,966,000	:	21,285,000	12,165,000
Minneapolis	23,341,000	16,889,000	:	15,570,000	11,760,000
Kansas City	34,425,000	30,795,000	:	18,176,000	17,676,000
Dallas	32,011,000	18,391,000	:	12,046,000	9,236,000
San Francisco	131,002,000	56,470,000	:	94,744,000	45,519,000
TOTALS	$2,381,828,000	$1,201,087,000 b/		$1,938,615,000	$1,000,365,000 c/

b/ Includes $303,826,000noncompetitive tenders accepted at the average price of 99.018
c/ Includes $116,136,000 noncompetitive tenders accepted at the average price of 97.962
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 3.98%, for the 91-day bills, and 4.17%, 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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Secretary Fowler told the group that 18,200 employee suggestions were submitted during the past fiscal year -- almost twice as many as the year before. "Equally important, the savings resulting from adopted suggestions also almost doubled," he said.

He reminded the audience that President Johnson was determined to find savings in existing programs to finance new and expanding programs, and that all agencies face a "new challenge -- how to do more work with relatively fewer employees."

Treasury officials who were, during the year, the recipients of the Alexander Hamilton Award. They were: Mortimer M. Caplin, former Commissioner of Internal Revenue, Robert V. Roosa, former Under Secretary for Monetary Affairs, and to Stanley S. Surrey, Assistant Secretary for Tax Policy.

The employee suggestions and services which were recognized by the Secretary today cover a wide range of new ideas, procedures and activities, which altogether accounted for some $4 million in savings to the Federal government. They went, for example, to Treasury law enforcement agents who broke up counterfeiting and illicit narcotics operations, Coast Guard marine engineers who improved the operating capability of ships, and to lawyers, administrators and others for surveys and studies which modernized administrative procedures resulting in savings of thousands of dollars.

Fourteen supervisors were recognized this year by the Secretary for notable achievements in encouraging employees contributions to efficiency and economy. Eight of these individuals were from various Treasury bureau offices throughout the country, the remainder from units in the Washington area.

Each year the Secretary presents two honorary awards to bureaus for their outstanding participation and results in the Department's Incentive Awards Program. The Office of the Treasurer of the United States was cited for the use of incentive awards to recognize employees who significantly exceeded normal job requirements, and the Bureau of Accounts for the best average results in the suggestion phase of the program, with 10.5 adopted suggestions per 100 employees.

Although previously announced at the time the awards were conferred, the ceremony today listed three of the highest

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The Secretary recognized ~~presented certificates~~ 37 to ~~a number of~~ employees who, during the year, had received either of the Treasury's two top awards -- for Exceptional Service or Meritorious Service.

36 employees received recognition for outstanding suggestions or service which effected significant monetary savings, increased efficiency, or distinct improvements in Government Service.

23 others in the Washington area received citations for more than 40 years of Federal service.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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

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EMPLOYEE SUGGESTIONS AND SERVICES

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

PAUL E. ANTHONY, Management Analyst, Office of the Director, Planning Staff, North-Atlantic Service Center, Internal Revenue Service, Lawrence, Mass.

For developing and testing a new system which eliminated the need for two additional 7330 tape drives for the 1401 computer system. Estimated savings—$26,127. Suggestion award—$1,310.

OHMER BRUCE BALDWIN, Criminal Investigator, Office of Supervisor in Charge, Alcohol and Tobacco Tax Division, Internal Revenue Service, Aiken, S.C.

For extraordinary initiative in obtaining public service contributions from 19 prominent individuals who informed the public of the health hazards of moonshine whiskey and the millions of tax dollars lost to the Government through this illegal industry. Special Service Award—$750.

FRANCIS W. BERNHARDT, Tax Law Specialist, Tax Rulings Division, Office of the Assistant Commissioner (Technical), Internal Revenue Service.

For developing a check sheet for use in analyzing master or prototype forms of plans under the Self-Employed Individuals Retirement Act thereby saving time in drafting, typing and reviewing analysis memoranda, and assuring that all areas of the requirements for qualifications are covered. Estimated savings—$40,000. Suggestion award—$860.

AM1 BURDETT E. BROWNELL, JR., Aviation Structural Mechanic, First Class, Coast Guard Air Station, Brooklyn, N.Y.

For successfully developing a way to protect circuit breakers on HH-52A helicopters, thus reducing maintenance costs and eliminating a major safety hazard. Estimated savings—$3,360. Suggestion award—$500.

CHARLES D. CASEY, Narcotic Agent, Bangkok, Thailand

For exceptional cooperation with international law enforcement officials in the Far East and for outstanding work under hazardous conditions in initiating 21 cases involving 54 defendants and the seizure of two illicit heroin conversion laboratories and a significant quantity of narcotic drugs. Superior Work Performance Award—$500.

JOHN W. COGGINS, Supervisory General Attorney (Tax), Alcohol and Tobacco Tax Legal Division, Office of Chief Counsel, Internal Revenue Service

For tireless effort, intelligence, and initiative in drafting and developing the Administration's legislative proposals with respect to the traffic in firearms. Special Service Award—$500.

Lt. LEO J. DEGRAW, Electronics Engineering Division, Coast Guard Headquarters, Washington, D.C.

For developing a dualized radiobeacon coder as a replacement for the present KY-76 series coders at sequenced radiobeacon stations, thus reducing procurement and maintenance costs of such equipment. Estimated savings—$50,000. Suggestion award—$500.

HENRY E. DEWLING, Sheetmetal Worker, Coast Guard Yard, Curtis Bay, Md.

For unique devotion to the Service. His voluntary assumption of responsibility for planning, revising, and effectively teaching a number of courses averted the closing of the Coast Guard Yard's Apprentice School. Special Service Award—$500.

ETCP MARTIN P. DOOLAN, Chief Electronics Technician (Repairman), Coast Guard Supply Center, Brooklyn, N.Y.

For devising a modification to the handset cradle of the AN/URC-7 series radio telephone, thereby increasing the life span of the Type 1624 transmitting tubes. Estimated savings—$14,168. Suggestion award—$600.

KENNETH W. FRANKS, Chief, Administration Division, St. Louis District, Internal Revenue Service

For initiative and effective leadership during the crucial stages of merger operations between two large Missouri districts involving realignment of program functions and services under the newly established St. Louis District. Superior Work Performance Award—$500.

EDWARD GRIFFIN, Revenue Officer, Group Supervisor, Collection Division, Internal Revenue Service, Montgomery, Ala.

For designing a kit enabling Revenue Officers to prepare reports of daily actions, itinerary plans, and travel on an "as you perform basis," thus eliminating the daily trip to the office and reducing clerical work while providing better records. Estimated savings—$19,440. Suggestion award—$740.

CHRELE WILBUR J. HALL, Washington Radio Station, Coast Guard, Alexandria, Va.

For his significant role in solving the Loran oscillator failure problem by using mercury thermostats in lieu of the bi-metallic type. Estimated savings—$10,900. Suggestion award—$525.

YNCS DONALD R. HAYES, Senior Chief Yeoman, 7th Coast Guard District, Miami, Fla.

For suggesting the transfer of the Transient and Administrative Unit for non-rated personel in the 7th District from Base, Miami Beach, to Base, Charleston, thereby saving travel expense and man-days. Estimated annual savings—$10,000. Suggestion award—$500.

CLIFFORD S. HUBBARD, Working Foreman, Construction and Maintenance Division, Bureau of Engraving and Printing

For proposing the removal of electrically heated steam generators from currency printing presses and the substitution of piped steam from the building system. Estimated first-year savings—$39,140. Special Service Award—$850.

EN1 TOSHIO MITSUNAGA, Engineman, First Class, Civil Engineering Branch, 14th Coast Guard District, Honolulu, Hawaii

For successfully developing a "full flow" lubrication oil filter system for PE-205 diesel engines, thus reducing maintenance costs and increasing operating efficiency. Estimated savings—$19,000. Suggestion award—$775.

ROBERT J. MOTTO, Special Agent, U.S. Secret Service, Chicago, Ill.

For decisive and courageous actions under conditions of great danger in several recent counterfeiting cases, one of which involved his seizure of almost a million dollars in counterfeit money. Special Service Award—$500.

Clarence H. Rice, Supervisory Marine Engineer, Naval Engineering Branch, 8th Coast Guard District, New Orleans, La.

For outstanding contribution in preparing preliminary design, drawings, and specifications for modernizing two Coast Guard vessels, thus effecting greater operational capability and eliminating possible replacement cost. Estimated savings—$28,000. Special Service Award—$1,000.

Richard C. Schwartz, Supervisory General Attorney (Tax), Western Regional Counsel, Internal Revenue Service, Seattle, Wash.

For the highly exemplary manner in which he effectively managed the legal affairs and directed the personnel of the Seattle Branch Office. Superior Work Performance Award—$500.

Robert L. Spatz, Supervisory General Attorney (Tax), Enforcement Division, Office of the Chief Counsel, Internal Revenue Service

For exceptionally competent work in coordinating and preparing the responses of IRS to the Subcommittee on Administrative Practice and Procedure, Senate Judiciary Committee. Special Act Award—$500.

James J. Sullivan, Customs Inspector, Collector's Office, Bureau of Customs, New York, N.Y.

For outstanding alertness and dedication to duty in effecting the seizure of the largest amount of cocaine ever made in this country. Special Act Award—$750.

Henry Winters, Naval Architect Technician, Naval Engineering Division, Coast Guard Headquarters, Washington, D.C.

For authorizing the royalty-free use by the Coast Guard of a patented method of plastic boat construction, thereby enabling the service to procure a 17-foot utility boat. Special Service Award—$500.

David H. Garver, Revenue Agent, Audit Division, Albuquerque District, Internal Revenue Service

Clarence Philpot, Revenue Agent, Group Supervisor, Audit Division, Little Rock District, Internal Revenue Service

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REX O. VOWELL, Revenue Agent, Audit Division, Little Rock District, Internal Revenue Service

For demonstrating great ingenuity and initiative in the preparation of a chart which eliminated several computations on estimated tax penalties. Estimated annual savings—$153,102. Group Suggestion Award—$1,905.

MAYNARD J. PRO, Assistant Chief

HOWARD L. SCHLEISINGER, Chemist

National Office Laboratory, Alcohol and Tobacco Tax Division, Internal Revenue Service

For imagination, initiative, and untiring effort in developing methods of analyzing evidence submitted by Treasury Enforcement Officers in connection with traffic in illicit spirits and narcotics, tax fraud, and other criminal activities. Group Superior Work Performance Award—$1,000.

GLENN R. DICKERSON, Assistant Deputy Commissioner, Bureau of Customs

ALBERT J. FRANCIS, JR., Liaison Officer, Bureau of Customs

J. ELTON GREENLEE, Chief Management Analysis Division, Office of the Secretary

GEORGE S. MAHARAY, Deputy Director of Personnel, Office of the Secretary

RAYMOND N. MARRA, Assistant Deputy Commissioner, Bureau of Customs

ALVIN W. NORCROSS, Assistant to the Director of Personnel, Office of the Secretary

ROBERT L. SKINNER, Management Analyst, Office of Management and Organization, Office of the Secretary

JANE B. SPEAR, Management Analyst, Office of Management and Organization, Office of the Secretary.

JAMES E. TOWNSEND, Operations Officer, Bureau of Customs

EDWARD J. WIDMAYER, Senior Budget Analyst, Office of Budget and Finance, Office of the Secretary

For marked achievement in completing a 2-year study of the Bureau of Customs resulting in a comprehensive report with 230 recommendations for a thorough modernization program and more effective administration of Custom laws. Special Service Award—$3,800.

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AWARDS TO SUPERVISORS

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

GLORIA ARCHAMBAULT, Supervisor, Check Preparation Section, Birmingham Regional Disbursing Office, Bureau of Accounts

For special attention in training a flexible, competent work group in their various duties and using the Incentive Awards Program effectively to motivate all employees to improve operations.

WESLEY S. BOWERS, Personnel Officer, Wilmington District, Internal Revenue Service

For personal devotion, leadership, and interest in effectively encouraging employee participation in the Incentive Awards Program to the extent that Wilmington District in fiscal year 1965 ranked first among 58 Internal Revenue Districts in suggestions received per 100 employees.

LESTER CHUNG, Supervisor, Documenting, Signing, and Distribution Section, Chicago Regional Disbursing Office, Bureau of Accounts

For exceptional ability in achieving increased productivity, general excellence and accuracy in operations through intense performance appraisal, effective counseling, and recognition of superior contributions.

WALTER W. CURTISS, Foreman, Construction and Maintenance Division, Bureau of Engraving and Printing

For outstanding leadership and motivation of employees to increase efficiency, resulting in improved operations and substantial cost reductions.

SIDNEY B. FEIWELL, Head, Correspondence and Ruling Unit, Bureau of the Public Debt, Chicago, Ill.

For conducting a vigorous and effective training program and consistently stimulating the development of ideas for reducing costs and improving productivity.

BENJAMIN L. FREDERICK, Foreman, Sheet Processing Section, Surface Printing Division, Bureau of Engraving and Printing

For exceptionally effective leadership in encouraging and motivating his employees to be economy-minded and to work at peak efficiency, thereby substantially increasing overall production.

SUSIE KENAMOND, Chief, Accounts Branch, Office of the Treasurer, U.S.

For demonstrated leadership and outstanding effectiveness in stimulating employees to achieve a consistently high level of production despite a substantial increase in workload.

ARTHUR H. KLOTZ, Director, Appellate Division, Internal Revenue Service

For outstanding interest, leadership, and direction of the Suggestion Program in the Appellate Offices throughout the Service.

WILLIAM E. LEUBA, Head of Plastic Products Shop, U.S. Coast Guard Yard, Curtis Bay, Md.

For proficient leadership in accomplishing the change-over from wood to plastic boatbuilding including complete retooling of shop and retraining employees, without loss in production quality or employee morale.

CATHERINE E. MILLER, Chief, Daily Treasury Statement Branch, General Accounts Division, Office of the Treasurer, U.S.

For attaining a high level of employee performance in a complex accounting and reporting operation through outstanding supervisory skill in motivating employees and recognizing their achievements with appropriate awards.

Richard E. Norton, Chief, Audit Division, Los Angeles District, Internal Revenue Service

For outstanding initiative and leadership which effectively increased the quantity and quality of employee participation in the Incentive Awards Program of his Division.

Bernard J. O'Kane, Chief, Payment Facilities Branch, Philadelphia Regional Disbursing Office, Bureau of Accounts

For stimulating his employees to exceed established production standards, to constantly improve operations by means of the suggestion program, to augment their skills through training, and to support with enthusiasm the goals of the bureau.

Ethelyn P. Swann, Forewoman, Sheet Section, Postage Stamp Division, Bureau of Engraving and Printing

For exceptional supervisory ability in maintaining excellent employee morale and optimum operating efficiency despite the continuous pressures of new deadlines.

Charles G. Ward, District Supervisor, Bureau of Narcotics, Chicago, Ill.

For effective leadership in promoting the Incentive Awards Program, maintaining high employee morale, and increasing productivity and reducing costs in his District.

THE SECRETARY'S ANNUAL AWARDS

TREASURY INCENTIVE AWARDS PROGRAM

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

SECRETARY'S AWARD FOR PERFORMANCE PHASE OF PROGRAM

Office of the Treasurer of the United States

For effective use of incentive awards to recognize employees who significantly exceeded normal job requirements. In recognition of such performance, over 9 percent of all personnel of the Office of the Treasurer, U.S. received cash awards and 2.5 percent received within-grade pay increases for high-quality performance during fiscal year 1965.

SECRETARY'S AWARD FOR SUGGESTION PHASE OF PROGRAM

Bureau of Accounts

For outstanding achievement in the Bureau's suggestion program during fiscal year 1965. Per 100 employees on its rolls the Bureau had 10.5 adopted suggestions and estimated savings of $2,667.

CAREER SERVICE RECOGNITION

Recognition by the Secretary of employees in the Washington, D.C., area who attained 50, 45, or 40 years of Federal service during fiscal year 1965.

50 Years of Federal Service

None

45 Years of Federal Service

Elizabeth B. Farr	U.S. Coast Guard
Frank S. Goodyear	Internal Revenue Service
Earl C. McClure	Internal Revenue Service
Maude L. Morgan	Bureau of Engraving and Printing
Carl W. Staats	Bureau of Engraving and Printing
Roscoe D. Stevens	Bureau of Engraving and Printing

40 Years of Federal Service

Lucy Lea Andes	Internal Revenue Service
Zella M. Bryner	Internal Revenue Service
Ernest L. Elsberry	Internal Revenue Service
Clair S. Furr	Bureau of the Public Debt
Ruby G. Henderson	Office of the Secretary
William E. Higman	Bureau of Customs
Ellis B. Klioze	Internal Revenue Service
Leighton L. Morgan	Internal Revenue Service
Anne M. Mosher	Internal Revenue Service
Herman F. Nolte	Internal Revenue Service
Orvetta E. O'Brien	Internal Revenue Service
Floyd S. Pomeroy	Bureau of Customs
Marguerite Rawalt	Internal Revenue Service
Henry A. Remmers	U.S. Coast Guard
Ernest J. Schlatter	Internal Revenue Service
Julia T. Smith	Bureau of Customs
Orlando H. Smith	Bureau of Accounts

MERITORIOUS SERVICE AWARD

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

JAMES C. ABBOTT, Regional Disbursing Officer, Philadelphia Regional Office, Bureau of Accounts

For outstanding performance and excellent management ability in reducing costs and increasing employee productivity since 1961.

MONROE H. O. BERG (Retired), Formerly Director, Systems Division, Office of the Assistant Commissioner (Data Processing), Internal Revenue Service

For exemplary achievement in directing the development of highly complex procedures, systems, and programs for one of the Nation's largest and most detailed computer processing operations.

MORRIS V. BOLEY, Assistant Technical Consultant to the Director of the Mint

For outstanding work in the adaptation and installation of machinery for the production of coinage blanks at the San Francisco Assay Office, contributing immeasurably toward relieving the Nation's critical coin shortage.

ALBERT W. BRISBIN, Assistant to the Deputy Commissioner, Internal Revenue Service

For outstanding analytical and executive abilities in assisting the Commissioner and the Deputy Commissioner of Internal Revenue in policy formulation and direction of the Service.

MARTIN COHEN, Accounting Advisor to the Office of Tax Legislative Counsel, Office of the Secretary

For marked ability and initiative contributing to the solution of a wide variety of difficult problems of tax policy and the promotion of closer relationships between Treasury and the accounting profession.

Samuel Cohen, Assistant Regional Counsel (Collection Litigation), Mid-Atlantic Region, Internal Revenue Service

For exemplary performance of management duties and outstanding action leading to improved procedures in both Federal and State agencies and changes in statutes of two states.

Sidney Cox, Deputy Commissioner for Deposits and Investments, Bureau of Accounts

For sustained technical and managerial leadership in Government-wide financial programs concerned with the depositary system, designation of insurance companies to do surety business, international claims, and investments for trust funds.

Dorothy de Borchgrave, Confidential Assistant to former Secretary of the Treasury Douglas Dillon

For superior knowledge of Government methods and procedures and intelligence and foresight in the efficient conduct of business in the Office of the Secretary.

Frank F. Dietrich (Retired), Formerly Assistant to the Fiscal Assistant Secretary

For technical expertise and ability to develop and execute fiscal requirements commensurate with monetary and economic policies in the field of international finance.

Nathan N. Gordon, Assistant Director, Office of Tax Analysis and Director, Office of International Tax Affairs, Office of the Secretary

For extraordinary professional competence in representing the United States in international tax conferences. His skill, good will, and tolerance for the views of other nations earned their respect and contributed greatly to the success of tax negotiations.

Ethel Hodel, Special Assistant to the Fiscal Assistant Secretary

For technical mastery, devotion to duty, and good judgment in making forecasts of cash needs on which all Treasury Department borrowing plans are based.

Donald I. Lamont, Formerly Special Assistant to the Secretary and Director, Executive Secretariat

For significant contributions to the travel and entertainment regulations of the Revenue Act of 1962 and to the solution of other important substantive issues confronting the Treasury Department.

Eileen B. Lusby, Personnel Officer, Bureau of the Mint

For outstanding achievements in the personnel management, recruitment and training facets of the Bureau of the Mint's program of expansion.

Elizabeth J. Matheny, Liaison Officer, U.S. Savings Bonds Division

For great devotion to duty and valuable contributions to the effectiveness of the U.S. Savings Bonds Program.

John F. Moran (Retired), Formerly Chairman, Treasury Department Destruction Committee, Bureau of the Public Debt

For superior leadership and technical proficiency in the formulation and implementation of destruction regulations and procedures for security items.

Maurice Parshall (Retired), Formerly Chief, Procedure and Closing Agreement Branch, Appellate Division, Internal Revenue Service

For excellent technical and legal judgment on matters affecting final closing agreements and in the preparation and maintenance of Part VIII of the Internal Revenue Manual.

Albert J. Schaffer, Director, Personnel Division, Internal Revenue Service

For imaginative program innovations and sound leadership which have placed the Internal Revenue Service in the forefront of progressive personnel management.

Earl H. Shackelford, Regional Director, U.S. Savings Bonds Division, Des Moines, Iowa

For dedication to the U.S. Savings Bonds Program and exemplary performance in developing an active and productive volunteer organization for his Region.

CHARLES R. SIMPSON, Formerly Director, Legislation and Regulations Division, Office of the Chief Counsel, Internal Revenue Service

For outstanding supervision and direction of his personnel and extremely effective administration resulting in the formulation and issuance of a record number of new regulations.

HOWARD D. TAYLOR (Retired), Formerly Regional Commissioner of Internal Revenue, New York, N.Y.

For sound planning and unusually capable leadership in effectively organizing, directing, coordinating, and controlling the functions and activities of the New York Region.

JOSEPH S. ZUCKER (Retired), Formerly Principal Technical Advisor to the Assistant Commissioner (Technical), Internal Revenue Service

For exceptional foresight and superb technical judgment in the review of rulings and regulations and in the interpretation of tax laws.

EXCEPTIONAL SERVICE AWARD

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

G. d'Andelot Belin, Formerly General Counsel, Office of the Secretary

For excellent judgment as a counselor to the Secretary of the Treasury and other officers of the Department, and for highly effective administration of Treasury Department laws and regulations.

John C. Bullitt, Formerly Assistant Secretary for International Affairs

For exemplary service and significant contributions to the Treasury Department's role in maintaining America's position of strength and leadership in international affairs.

Robert A. Carswell, Formerly Special Assistant to the Secretary

For valuable assistance to the Secretary, distinguished service in the formulation of Treasury policy, and unstinting dedication to duty under sustained and exhausting schedules.

Dixon Donnelly, Assistant to the Secretary (Public Affairs)

For unique contribution to the Treasury Department and to the Nation in bringing about better public understanding and acceptance of fiscal policies.

Henry J. Donnelly, Jr., (Retired), Formerly Director, Audit Division, Office of the Assistant Commissioner (Compliance), Internal Revenue Service

For resourceful management and the many significant improvements he made while directing the activities of the largest enforcement program of the Internal Revenue Service.

Harold R. Gearhart (Retired), Formerly Commissioner of Accounts

For dynamic leadership and sustained record of accomplishments in reducing costs and increasing productivity in the Bureau of Accounts

Kenneth A. Morrow, Special Agent, U.S. Secret Service

For outstanding courage and voluntary risk of personal safety in saving the life of a colleague and apprehending an armed fugitive sought for forgery.

Richard W. Nelson (Retired), Formerly Director, Research Division, Office of the Assistant Commissioner (Planning and Research), Internal Revenue Service

For distinguished professional competence in developing information for legislative and administrative actions which increased the efficiency of tax administration and reduced the burdens on taxpayers.

Fred B. Smith, Acting General Counsel, Office of the Secretary

For dedication to public service and high professional attainments contributing immeasurably to effective operations of the Department.

James H. Stover, Director, Office of Management and Organization, Office of the Secretary

For capable direction of a 2-year study of the Customs Bureau resulting in comprehensive recommendations for a thorough modernization program.

Charles A. Sullivan, Assistant to the Secretary (National Security Affairs)

For successful efforts in substantially reducing the Nation's balance of payments by developing, coordinating and negotiating purchases of United States military equipment by foreign countries.

Ronald Jay Szego, Special Agent, U.S. Secret Service

For exemplary courage in the apprehension of a fugitive wanted for forgery and armed robbery, during the course of which he was struck by pistol fire.

DAVID R. TILLINGHAST, Formerly Special Assistant to Assistant Secretary Stanley S. Surrey

For excellent legal ability and substantial contributions to the modernization of the Department's procedures and policies for negotiating international tax treaties.

PAUL A. VOLCKER, Deputy Under Secretary for Monetary Affairs

For high technical competence in the analysis of economic problems and outstanding contributions to Treasury policies in domestic and international financial areas.

ROBERT A. WALLACE, Assistant Secretary of the Treasury

For conspicuous contributions in three important and diverse fields—development of economic policy, resolvement of problems in the nationwide coin shortage, and equal employment opportunity within the Department.

ARTEMUS E. WEATHERBEE, Assistant Secretary of the Treasury for Administration

For exceptional ability and leadership in the formulation of policies, programs, and procedures for achieving effective use of the Department's physical, human, and financial resources.

ALEXANDER HAMILTON AWARD

This award is conferred by the Secretary, to persons designated by him to be so honored. It is generally restricted to the highest officials of the Department who have worked closely with the Secretary for a substantial period of time and who have demonstrated outstanding leadership during that period.

MORTIMER M. CAPLIN, Formerly Commissioner of Internal Revenue

For dedication and notable achievements in strengthening taxpayer confidence in Federal tax administration and improving the efficiency of the Internal Revenue Service

ROBERT V. ROOSA, Formerly Under Secretary of the Treasury for Monetary Affairs

For extraordinary service to the Department and to the Nation in effective management of the public debt, in providing a solid financial base for the Nation's vigorous economic growth, and in greatly strengthening the international monetary system.

STANLEY S. SURREY, Assistant Secretary of the Treasury for Tax Policy

For unparalleled accomplishments in the area of tax policy and his crucial role leading to the enactment of the most comprehensive program of income tax reduction and reform in the Nation's history.

U.S. GOVERNMENT PRINTING OFFICE : 1968

the pound. I would emphasize that this action came upon the heels of new measures taken by the British government to strengthen Britain's long-term national program to stabilize costs and prices so as to improve the competitive position of Great Britain in international markets. The main effect of the new arrangements with respect to the pound will thus be to exploit and reinforce Britain's already encouraging movement toward equilibrium in its international payments.

~~I now invite your questions.~~

Let me add that the re-examination of the Free World's monetary arrangements to be undertaken must, of course, enter into the workings of the international monetary system generally, and the talks I have just had touched upon some of these broader aspects. In this respect, I found that there was a substantial interest, which I share, in giving increased attention to the proper way of achieving and maintaining balance in international payments in general, by means that would improve the adjustment process for surplus and deficit countries alike.

I was extremely pleased that during my visit in Europe we were able to participate in a joint action with nine other nations and the Bank for International Settlements to consolidate and further the trend of growing confidence in the future of the British pound. I refer to the action announced last Friday by the Bank of England for new arrangements to enhance the strength of preparatory discussion and negotiation, to give adequate opportunity for the participation of the member countries of the International Monetary Fund other than the Group of Ten.

Successful completion of preparations along these lines would, we are convinced, lay a firm basis for a meaningful conference on international monetary arrangements. The appropriate form and nature of such a conference should become clearer and we move further into the preparatory phases I have mentioned.

As for the timing of the initial stages of these moves, it was agreed that the time of the Annual Meeting of the International Monetary Fund, beginning September 27, will offer an excellent opportunity to concert procedures, since it will bring together, in Washington, policy making officials of the Group of Ten nations, who can meet to provide new instructions to their Deputies.

and the Bank for International Settlements, as well as from the Swiss National Bank.

Second: Discussions must now be raised from the technical level to the high policy level, and active negotiations initiated at that level. A new mandate for the resumption and completion without delay of the unfinished work of the Deputy Finance Ministers of the Group of Ten nations would be a practical and speedy way of beginning the first stage of these negotiations -- hopefully next month.

We found a good measure of support for a point that the United States delegation made in all of the talks, that to be sound and lasting, improvement of the Free World monetary system must serve the interests of all the members of the International Monetary Fund -- including those of the developing countries. We believe that arrangements should be made for a second

phase of

arrangements.

The work at the level of the Deputies was discontinued while a study group of technical advisors to the Deputies conducted an intensive examination of ways in which additional reserve assets might be created either by a new procedure or by a further use and development of existing reserve claims on the International Monetary Fund. This study, known as The Ossola Report, was made public on August 10.

The ten nations in this group are the countries which are the principal holders of monetary reserves and sources of international monetary credits in the Free World. They are Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States. The Group of Ten has enjoyed the assistance in its work of experts from the International Monetary Fund, the Organization for Economic Cooperation and Development,

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same time we found that there is complete accord with our view that it is equally or even more important that we maintain equilibrium in our balance of payments, in order to preserve and protect the position of the existing and very important dollar component of world reserves.

We found also a general consensus that active discussions an negotiations should begin in the near future, at the level of policy-making officials.

Much of our talks focused on the means by which we could best move forward toward these goals. Here, too, I am happy to be able to report several areas of agreement:

First: The work should begin by resuming and completing the unfinished task of the Deputies of the Ministers and Central Bank Governors of the nations known as the Group of Ten, who during the past several years have been assessing the Free World's monetary

Our aims were modest and preliminary, but all the same vitally important: first, to determine whether these other nations share our view that there is a need to move now to set in motion high-level discussions looking toward improving the workings of the international monetary system, including, as a matter of prudent contingency planning, provision for an adequate future supply of monetary reserves; and, second, to try to settle upon procedures to be followed in arriving at a consensus on what should be done.

It is most gratifying that we found there is general agreement that present circumstances do indeed call for re-examination of the Free World's monetary arrangements, and that we should plan now for the time ahead when new ways of providing for the growth in monetary reserves will become necessary as U.S. deficits no longer provide new reserves to the rest of the world. At the

~~DRAFT~~ [redacted]

OPENING REMARKS BY SECRETARY OF THE TREASURY
HENRY H. FOWLER
AT A NEWS CONFERENCE, TUESDAY, SEPTEMBER 14, 4:00 P.M.
ON RESULTS OF HIS TALKS IN EUROPE
AUGUST 30 to SEPTEMBER 10, 1965

Earlier today, Under Secretary of State George Ball and I reported to the President in some detail the very gratifying results of our visit to Continental Europe and the United Kingdom. I am glad of this opportunity to discuss the results with the press and other news media. ~~By way of summary, I have a brief overall statement. Then I will try to answer your questions.~~

I visited France, Italy, Germany, Sweden, Belgium, the Netherlands, and the United Kingdom in that order. Prior to the round of talks in Europe, I had conferred in Washington with Canadian and Japanese officials. I was accompanied on most of the trip by Under Secretary Ball, and throughout by the Under Secretary of the Treasury for Monetary Affairs, Frederick Deming.

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TREASURY DEPARTMENT
Washington

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Our aims were modest and preliminary, but all the same vitally important: first, to determine whether these other nations share our view that there is a need to move now to set in motion high-level discussions looking toward improving the workings of the international monetary system, including, as a matter of prudent contingency planning, provision for an adequate future supply of monetary reserves; and, second, to try to settle upon procedures to be followed in arriving at a consensus on what should be done.

It is most gratifying that we found there is general agreement that present circumstances do indeed call for re-examination of the Free World's monetary arrangements, and that we should plan now for the time ahead when new ways of providing for the growth in monetary reserves will become necessary as U. S. deficits no longer provide new reserves to the rest of the world. At the same time we found that there is complete accord with our view that it is equally or even more important that we maintain equilibrium in our balance of payments, in order to preserve and protect the position of the existing and very important dollar component of world reserves.

We found also a general consensus that active discussions and negotiations should begin in the near future, at the level of policy-making officials.

Much of our talks focused on the means by which we could best move forward toward these goals. Here, too, I am happy to be able to report several areas of agreement:

First: The work should begin by resuming and completing the unfinished task of the Deputies of the Ministers and Central Bank Governors of the nations known as the Group of Ten, who during the past several years have been assessing the Free World's monetary arrangements.

The work at the level of the Deputies was discontinued while a study group of technical advisors to the Deputies conducted an intensive examination of ways in which additional reserve assets might be created either by a new procedure or by a further use and development of existing reserve claims on the International Monetary Fund. This study, known as The Ossola Report, was made public on August 10.

The ten nations in this group are the countries which are the principal holders of monetary reserves and sources of international monetary credits in the Free World. They are Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States. The Group of Ten has enjoyed the assistance in its work of experts from the International Monetary Fund, the Organization for Economic Cooperation and Development, and the Bank for International Settlements, as well as from the Swiss National Bank.

Second: Discussions must now be raised from the technical level to the high policy level, and active negotiations initiated at that level. A new mandate for the resumption and completion without delay of the unfinished work of the Deputy Finance Ministers of the Group of Ten nations would be a practical and speedy way of beginning the first stage of these negotiations -- hopefully next month.

We found a good measure of support for a point that the United States delegation made in all of the talks, that to be sound and lasting, improvement of the Free World monetary system must serve the interests of all the members of the International Monetary Fund -- including those of the developing countries. We believe that arrangements should be made for a second phase of preparatory discussion and negotiation, to give adequate opportunity for the participation of the member countries of the International Monetary Fund other than the Group of Ten.

Successful completion of preparations along these lines would, we are convinced, lay a firm basis for a meaningful conference on international monetary arrangements. The appropriate form and nature of such a conference should become clearer as we move further into the preparatory phases I have mentioned.

As for the timing of the initial stages of these moves, it was agreed that the time of the Annual Meeting of the International Monetary Fund, beginning September 27, will offer an excellent opportunity to concert procedures, since it will bring together, in Washington, policy making officials of the Group of Ten nations, who can meet to provide new instructions to their Deputies.

Let me add that the re-examination of the Free World's monetary arrangements to be undertaken must, of course, enter into the workings of the international monetary system generally, and the talks I have just had touched upon some of these broader aspects. In this respect, I found that there was a substantial interest, which I share, in giving increased attention to the proper way of achieving and maintaining balance in international payments in general, by means that would improve the adjustment process for surplus and deficit countries alike.

I was extremely pleased that during my visit in Europe we were able to participate in a joint action with nine other nations and the Bank for International Settlements to consolidate and further the trend of growing confidence in the future of the British pound. I refer to the action announced last Friday by the Bank of England for new arrangements to enhance the strength of the pound. I would emphasize that this action came upon the heels of new measures taken by the British government to strengthen Britain's long-term national program to stabilize costs and prices so as to improve the competitive position of Great Britain in international markets. The main effect of the new arrangements with respect to the pound will thus be to exploit and reinforce Britain's already encouraging movement toward equilibrium in its international payments.

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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 fro all taxation now or hereafter imposed on the principal or interest thereof by any Sta or any of the possessions of the United States, or by any local taxing authority. Fo purposes of taxation the amount of discount at which Treasury bills are originally so by the United States is considered to be interest. Under Sections 454 (b) and 1221 (of the Internal Revenue Code of 1954 the amount of discount at which bills issued her under are sold is not considered to accrue until such bills are sold, redeemed or oth 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 amo 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, prescri 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.

printed forms and forwarded in the special envelopes which will be supplied by Fede
Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account of customers pro
vided the names of the customers are set forth in such tenders. Others than bankin
institutions will not be permitted to submit tenders except for their own account.
Tenders will be received without deposit from incorporated banks and trust companie
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 b
applied for, unless the tenders are accompanied by an express guaranty of payment b
an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Rese
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 tender
will be advised of the acceptance or rejection thereof. The Secretary of the Treas
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 reserva-
tions, 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 September 23, 1965, in cash or other immediately available fu
or in a like face amount of Treasury bills maturing September 23, 1965. 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~~

~~DATA MODIFIED~~

TREASURY DEPARTMENT
Washington September 15, 1965

FOR IMMEDIATE RELEASE,

~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~
(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 September 23, 1965 (3), in the amount of $2,205,738,000 (4), as follows:

91 (5) -day bills (to maturity date) to be issued September 23, 1965 (6), in the amount of $ 1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated June 24, 1965 (8), and to mature December 23, 1965 (9), originally issued in the amount of $ 1,001,519,000 (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 September 23, 1965 (13), and to mature March 24, 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 amou 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 $1,000,00 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closi hour, one-thirty p.m., Eastern/~~Standard~~ Daylight Saving time, Monday, September 20, 1965 (15). Tend 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.

September 15, 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 September 23,1965, in the amount of $ 2,205,738,000, as follows:

91-day bills (to maturity date) to be issued September 23, 1965, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated June 24,1965, and to mature December 23,1965, originally issued in the amount of $1,001,519,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,000,000,000, or thereabouts, to be dated September 23,1965, and to mature March 24,1966.

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, September 20, 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 Treasur 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 September 23,1965, i cash or other immediately available funds or in a like face amount of Treasury bills maturing September 23,1965.Cash and exchange tende 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 fr any Federal Reserve Bank or Branch.

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1865

Commodity	Period and Quantity		Unit of Quantity	Imports as of Sept. 4, 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	
	12 mos. from Sept. 11, 1965	1,000	Pound	
Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)	12 mos. from August 1, 1965	1,709,000	Pound	594,847

1/ Status as of September 13, 1965.

2/ Imports as of September 10, 1965.

1865

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, SEPTEMBER 16, 1965 F-190

The Bureau of Customs announced today preliminary figures on imports for consumption of the following commodities from the beginning of the respective quota periods through September 4, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Sept. 4, 1965
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	804,042
Whole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	53
Cattle, 700 lbs. or more each (other than dairy cows) ...	July 1, 1965 - Sept. 30, 1965	120,000	Head	35,422
Cattle, less than 200 lbs. each	12 mos. from April 1, 1965	200,000	Head	61,746
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	31,396,725
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.

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, SEPTEMBER 16, 1965

F-190

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1/ Imports for consumption at the quota rate are limited to 18,287,691 pounds during the first 9 months of the calendar year.

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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	-
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Peanuts, shelled or not shelled, blanched, or otherwise prepared or preserved (except peanut butter)	12 mos. from August 1, 1965	1,709,000	Pound	594,847 2/

1/ Status as of September 13, 1965.

2/ Imports as of September 10, 1965.

1866

TREASURY DEPARTMENT
Washington

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IMMEDIATE RELEASE

THURSDAY, SEPTEMBER 16, 1965

F-191

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to September 4, 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 Sept. 4, 1965
Buttons	510,000	Gross	290,557
Cigars	120,000,000	Number	6,425,396
Coconut oil ...	268,800,000	Pound	Quota filled
Cordage	6,000,000	Pound	4,635,909
Tobacco	3,900,000	Pound	3,400,812

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

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TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, SEPTEMBER 16, 1965

F-192

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 - September 10, 1965 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds)	Imports	ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	9,210,590	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	***824,218	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	***13,955,005	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	***1,102,300
Mexico	-	-	36,880,000	30,037,060	70,480,000	56,780,707	6,320,000	***6,219,959
Peru	16,160,000	16,160,000	12,880,000	8,411,612	35,120,000	18,694,714	3,760,000	***2,907,698
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	***10,658,914	-	-	-	-
All other countries (total)	6,560,000	***6,050,586	6,080,000	***4,374,468	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of September 13, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

TREASURY DEPARTMENT
Washington, D. C.

IMMEDIATE RELEASE
THURSDAY, SEPTEMBER 16, 1965

F-192

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 - September 10, 1965 (or as noted)

Country of Production	ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds)	Imports	ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	9,210,590	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	***824,218	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	***13,955,005	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	***1,102,300
Mexico	-	-	36,880,000	30,037,060	70,480,000	56,780,707	6,320,000	***6,219,959
Peru	16,160,000	16,160,000	12,880,000	8,411,612	35,120,000	18,694,714	3,760,000	***2,907,693
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	***10,658,914	-	-	-	-
All other countries (total)	6,560,000	***6,050,586	6,080,000	***4,374,468	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of September 13, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

1868

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 Sept. 13, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1964 to Sept. 13, 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, SEPTEMBER 16, 1965

F-193

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 - September 13, 1965

Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	-
Peru	247,952	68,099
India and Pakistan	2,003,483	-
China	1,370,791	-
Mexico	8,883,259	2,770,015
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, 1965 - September 10, 1965

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	26,053,092
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	31,851
1-1/8" or more and under 1-3/8"	4,565,642	[illegible]

TREASURY DEPARTMENT
Washington, D. C.

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THURSDAY, SEPTEMBER 16, 1965

F-193

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China......................	1,370,791	-	Iraq........................	195	-
Mexico.....................	8,883,259	2,770,015	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.
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1-1/8" or more and under 1-3/8"	4,565,642	156,667

COTTON WASTES
(In pounds)

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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-193

No mere prosecutor, he has found the time and inspiration to give thoughtful attention to the causes of crime, and to how it can be prevented and how it can most effectively be dealt with. In this job he has supervised a large staff handling the range of criminal prosecution and civil litigation, and has been responsible for the preparation of new legislation for the District of Columbia in the field of law enforcement, as well as for the handling of trials, appeals, and decisions in prosecutions and indictments.

We are happy indeed to welcmme David Campion Acheson today into the Treasury.

Dave, would you please come forward now and be sworn in?

It will be his task to see to it that the Treasury does everything within its power to cooperate with the President's Commission on Law Enforcement and the Administration of Justice.

However, this reorganization of Treasury law enforcement responsibilities has the fundamental aim of ensuring that the Treasury does all that it can do, within its own substantial means, to reduce and to prevent crime, and to cooperate with other law enforcement agencies, including those of the states and of localities, to the same ends.

Dave Acheson is well fitted to bear these responsibilities. He has had both experience in government and private practise of the law. During the last four years, since he became United States Attorney for the District of Columbia, he has dealt day by day with the entire range of law breaking, and law enforcement.

TREASURY DEPARTMENT
Washington

REMARKS OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE SWEARING IN OF DAVID CAMPION ACHESON
AS SPECIAL ASSISTANT TO THE SECRETARY (FOR ENFORCEMENT)
ON SEPTEMBER 16, 1965 AT 10:30 A. M.
IN ROOM 4121, MAIN TREASURY BUILDING

Our action today installing Dave Acheson in his newly created post completes the reorganization of Treasury law enforcement supervision, as part of the President's war on crime in the United States.

It is particularly fitting and fortunate that we should have in this new job a man of Dave Acheson's proved administrative talent, and insight into current law enforcement problems, ~~because the Treasury has the most extensive law enforcement establishment in the Federal government~~.

As the first occupant of the new office of Special Assistant to the Secretary (for Enforcement) Mr. Acheson will be charged with directing or coordinating all Treasury law enforcement.

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TREASURY DEPARTMENT
Washington

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We are happy indeed to welcome David Campion Acheson today into the Treasury.

oOo

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~~The~~ A total of 17.6 million checks ~~totalling~~ amounting to $885 million began to move in the mails today. Delivery can be expected over the following several days. The checks represent retroactive payments of Social Security benefits in response to the 7 percent increase for the period January 1 to August 31, 1965, stemming from the Social Security Act amendments of 1965.

~~DRAFT TREASURY PRESS RELEASE~~ ~~9/15/65~~

FOR IMMEDIATE RELEASE ~~WEDNESDAY, SEPTEMBER 15, 1965~~

SECRET SERVICE WARNS AGAINST CHECK THIEVES

The United States Secret Service today issued a warning against check thieves to the more than 17 million people who will soon be receiving retroactive Social Security payment checks.

The Secret Service -- which is part of the Treasury Department -- urged recipients of these checks to make EVERY [redacted] effort to remove them from household mail boxes as soon as possible after delivery, [redacted] ~~to reduce the time available for thieves to steal them.~~

The Secret Service also urged that [redacted], banks and stores cashing such checks require identification from the bearer.

Each year, DESPITE THE EFFORTS OF THE SECRET thousands of government checks fail to reach the people entitled to them because the checks are stolen, endorsements [redacted] forged, and the checks [redacted] cashed by thieves posing as rightful owners. ~~During the year ending June 30, 1965, the Secret Service investigated almost 40,000 check forgeries involving almost $4 million~~

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 15, 1965

FOR IMMEDIATE RELEASE

SECRET SERVICE WARNS AGAINST CHECK THIEVES

The United States Secret Service today issued a warning against check thieves to the more than 17 million people who will soon be receiving retroactive Social Security payment checks.

The Secret Service -- which is part of the Treasury Department -- urged recipients of these checks to make every effort to remove them from household mail boxes as soon as possible after delivery.

The Secret Service also urged that banks and stores cashing such checks require identification from the bearer.

Each year, despite the efforts of the Secret Service and other enforcement agencies, thousands of government checks fail to reach the people entitled to them because the checks are stolen, endorsements forged, and the checks cashed by thieves posing as rightful owners.

A total of 17.6 million checks amounting to $885 million began to move in the mails today. Delivery can be expected over the following several days. The checks represent retroactive payments of Social Security benefits in response to the 7 percent increase for the period January 1 to August 31, 1965, stemming from the Social Security Act amendments of 1965.

oOo

F-195

provide heartening evidence that conditions are being created in the United Kingdom for sustained balance of payments equilibrium.

o0o

~~Should make the United Kingdom steadily more competitive in international markets~~

Should strengthen the ~~[illegible]~~ [illegible] position of the British economy both at home and abroad.

FOR IMM

[redacted]

September 16, 1965

~~SUGGESTED RESPONSE BY THE TREASURY TO INQUIRIES REGARDING TREASURY REACTION TO THE BRITISH NATIONAL ECONOMY PLAN MADE PUBLIC THURSDAY, SEPTEMBER 16, 1965~~

~~Sir Eric Roll visited Secretary of the Treasury Henry H. Fowler prior to publication of the British National Economy Plan to inform him of its contents.~~

" The BRITISH National Economy Plan ~~is a further step by the British government toward~~ emphasizes the importance of increasing productivity and stabilizing costs and prices. It ~~is another move to further~~ ~~also~~ ~~stresses~~ UNDERSCORES the announced determination of the British Government to achieve equilibrium in the United Kingdom's international payments.

" While the Treasury has not had time to study the program in detail, it welcomes the reiteration of ~~this~~ THAT determination in the National Economy Plan, and welcomes the program itself, as a longer range addition to measures thus far taken which

FOR IMMEDIATE RELEASE
THURSDAY, SEPTEMBER 16, 1965

TREASURY COMMENT ON BRITISH NATIONAL ECONOMY PLAN

In response to press inquiries, the Treasury today issued the following comment on the British National Economy Plan.

TREASURY DEPARTMENT

WASHINGTON, D.C.
September 16, 1965

FOR IMMEDIATE RELEASE
THURSDAY, SEPTEMBER 16, 1965

TREASURY COMMENT ON BRITISH NATIONAL
ECONOMY PLAN

In response to press inquiries, the Treasury today issued the following comment on the British National Economy Plan.

"The British National Economy Plan emphasizes the importance of increasing productivity and stabilizing costs and prices. It also underscores the announced determination of the British Government to achieve equilibrium in the United Kingdom's international payments.

"While the Treasury has not had time to study the program in detail, it welcomes the reiteration of that determination in the National Economy Plan, and welcomes the program itself as a longer range addition to measures thus far taken which should strengthen the position of the British economy both at home and abroad."

oOo

F-196

of the redevelopment of Independence Mall, where all the fathers of our country tread time and again, and where Benjamin Franklin was a daily figure during so much of his life.

This is a partnership in city improvement that is part and parcel of the Great Society to which President Johnson has put his hand. And this new Mint is the kind of lower cost, higher efficiency government service facility that,in step with ~~the~~ similar advances in the private sector, is making the Great Society a practical thing: it raises the standards of service and abundance to the higher levels that must be typical of a Great Society, while it makes the savings that permit the building of the Great Society on a sound financial structure.

o0o

~~I think that you will agree now, even if you had~~ any ~~doubts before, that~~ The breaking of ground for this new Mint ~~is truly an outstanding event, and that we can all take sincere pride and pleasure at having been privileged~~ to have ~~a hand in it. It~~ starts the building of a great new government facility that will serve the nation at high efficiency and low cost, to produce one of the basic needs of a vigorous and growing nation such as ours: an abundant coinage.

This new Mint~~, and its sister Federal structure to rise across the Mall,~~ stands as a symbol~~s~~ of your government's interest and heavy participation in the rebuilding and beautification of this fine old city. The building~~s~~ that will house the new Mint~~, the Federal Courts and Federal offices serving Philadelphia~~ has ~~have~~ been designed carefully to fit in with the artistic spirit

14B

checks or bills which taxpayers receive.

This system will not be fully installed until

~~I am pleased to be able to tell you that the results being~~

but results of it even as it now stands

~~acheived from this new system, which won't be fully installed~~

~~normally until 1967, are already~~ more than justify~~ing the~~ the

expenditures for building costs, acquisition of computers and

payroll expenses.

comes into operation, it

~~Furthermore,~~ As the system ~~becomes fully operational, it~~

relieves Internal Revenue's district offices from ~~their~~

paper handling

~~paper pouring~~ burdens and permits them to concentrate more

effectively on taxpayer services and informational activities.

(To pg. 15)

(14A)

~~Right here in Philadelphia we are minting coins of the realm. We also are doing some interesting thinking to insure~~ that the honest citizen has to pay the government no more than his own fair share of the tax burden. ~~I refer, of course, to the Internal Revenue Service center located a few miles from here on Roosevelt Boulevard.~~ This installation, one of seven of its kind in the country, is playing a vital role in strengthening federal tax administration.

~~It was only a few years ago that we had a similar ground-breaking ceremony for that new building which was erected at a cost of $3 million.~~ ¶ At peak employment during the height of the income tax filing period, the center employes as many as 2500 people.

¶ At Philadelphia ADP Center the ~~Here~~ the returns of 15 million taxpayers in a region ~~of~~ including Pennsylvania, Delaware, New Jersey, Maryland, Virginia, and the District of Columbia are processed ~~through Internal Revenue's automatic data processing system~~. These returns represent $16 billion in federal taxes. At the service center information from the returns is transcribed into punched cards, converted to magnetic tape, and forwarded to the national computer center in Martinsburg, West Virginia where it is ~~pushed to~~ included in a master file of all taxpayers throughout the country. Resulting tapes sent from Martinsburg to Philadelphia are the source of the refund

(To pg. 1)

In North Philadelphia the Internal Revenue Service

recently put into
~~already has in~~ operation an Automatic Data Processing **Center,**

for the better and lower cost handling of tax returns, built

at a cost of $3 million.

Among other things, this ADP center serves the purpose of INSURING

(TOPS 14 A)

the state, the city and private capital. According to the latest Annual Report of the Redevelopment Authority of the City of Philadelphia, the net project cost of redevelopment completed, underway or planned is some $435 million, of which the Federal government is providing $292 million.

This does not include what the Federal Government is spending upon its own plant and equipment in Philadelphia. I have mentioned that the Mint for which we are breaking ground today will cost $37 million. Just across the Mall from the new Mint will rise another large Federal structure to take its place as an attractive element in your new downtown: a new Federal Office Building and Court House. This will involve outlays of some $___ million. On the Mall alone then, in additio to its Redevelopment grants, the Federal Government is spending $____ million.

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and coins to and from the Philadelphia and Denver Mints and the San Francisco Assay Office.

A good deal more could be said, for the new Mint will be a treasure house of advanced production and handling techniques, and will have a good many other features besides: for instance, all of its operations will be visible from the visitors' gallery. But I want, in closing, to mention ~~some~~ any other ~~Federal Government~~ Treasury activit~~ies~~y in Philadelphia.

I am happy to note the strong practical encouragement your government is giving to the improvement of this city and others, through its Urban Renewal Agency. How much a city gets depends upon how much it undertakes. Philadelphia's leaders and people have shown particular imagination, energy and willingness to spend to revivify their city. Federal grants pay for two thirds of the net costs of renewal, with the other third shared among plant comes into production. The new Philadelphia Mint will be capable of making coins of all denominations, from the melting, casting, and rolling of coinage alloy to production of the finished coin.

At the new Mint, ingots that are 17 feet long and that weigh 5,400 pounds will be cast, compared to the present capability for casting ingots five feet long, weighing 400 pounds. The new Mint's strip making machines will roll these ingots to finished coin thickness five times as fast as at present. It will be fully mechanized for the handling and storage of materials. The coins produced by the new Mint will be weighed automatically, and automatically inspected. The new Mint's capacity will be such that it can serve the coin needs of the whole country east of the Mississippi, making a considerable saving in the costs now incurred in moving dies, coin materials, coin blanks type of penny coin presses cannot be brought into use immediately.

This is merely one example of many new features of the Mint that is now to be built in this city. It will be capable of doubling the capacity of the present Mint, (without a bigger payroll). It will produce at 15 to 20 per cent less cost per unit of output. It will allow an unimpeded production flow, through a first floor production space 50 feet high and 600 feet long, with almost as much additional space on other floors for laboratories, offices die making, coin storage and other supporting activities.

The new Mint will be able to produce the three layer metal strip needed for our new dimes, quarters and half dollars, as well as the bronze alloy strip metal needed for pennies and the cupronickel strip needed for five cent pieces. The material for our new coins must be bought outside the Mint until this

We are using ingenuity to try to make the Mint, when it enters operations, the last word in coin production. To do this, Secretary Wallace and Mint Director Adams, who are responsible for planning the new Mint, have approved orders for the building of an entirely new type of coin press, capabl if it works as it is expected to work -- of turning out the fantastic number of 10,000 pennies a <u>minute</u>: not an hour, or a day, but a minute. That compares with production of 300 a minute, the best existing machines can do.

No one knows yet, for sure, whether these presses will immediately ~~work~~ perform up to expectations, or whether they will requi a development period. But we are planning for them on a contingency basis. At the same time, Mr. Wallace and Miss Adams have developed parallel plans for the installation of other facilities to yield the required coin production, if the new

8

The new Mint that will go up on this site ~~will be in~~ is scheduled for coin production by mid-1967. It is going to cost $37 million dollars. It will be the world's foremost Mint: the world's biggest and the world's most productive.

A

The new Philadelphia Mint is a prime example of what President Johnson is demanding throughout the government: more service, and better service to a growing country, at lower cost. That is a big order -- most of President Johnson's orders are on the big side. But the new Mint will demonstrate, as is constantly being demonstrated, that the President's insistence upon these hard accomplishments sets tasks that are difficult, but not impossible. We are achieving more and better service, meeting the growing demands of a growing population and of a growing economy, at lower costs, and this Mint will be an outstanding example.

~~presented a striking appearance with two porticos supported by Ionic~~ columns, ~~one at the south and the other at the~~ north front. The ground was 150 by 204 feet, the ~~architect William Strickland, the cornerstone~~ laying by Samuel Moore, ~~then Director of the Mint, completion in May,~~ 1833. It was ~~fireproofed in 1856. Growth soon made more buildings~~ necessary, filling ~~what was at first a courtyard, a tall brick chimney~~ "towering far ~~above the roofs, being in strong contrast with the~~ classic ~~character of the marble building which surrounds the structure~~ on all sides."

~~Congress in 1835 set up branch mints in New Orleans,~~ Charlotte, N. C., and Dahlonega, ~~Ga.; others later at other points throughout the~~ country. ~~Attempts to remove the parent mint to a new location, however,~~ all failed and it remained ~~on its second site~~ for nearly ~~75 years. While it~~ had been transferred ~~to the jurisdiction of~~ the Treasury ~~long before, in 1873,~~ it became definitely ~~by law a bureau of~~ that department. ~~That took the office of the Director~~ of the Mint to Washington and left the superintendent the ~~highest official in~~ Philadelphia.

By The end of the 19th Century The Nation again needed a bigger Mint at Philadelphia. So The Philadelphia Mint now to be replaced was both

~~The close of the century once more witnessed a movement for a still more commodious and up-to-date plant and the present site was acquired on Spring Garden St., running an entire block from 16th to 17th Sts. Here~~ another new ~~home for the mint was erected~~, begun in 1898 and completed in September, 1901.

engine was installed. The property was protected by a single night watch-man armed with a short sword and a pistol. He also had the assistance of a watchdog -- Nero, who has become famous in Mint history for the protection he afforded America's first money making plant.

All gold and silver bullion brought in was to be coined absolutely free of charge, except for a fee of one-half of one per cent for immediate delivery of already minted coins which avoided the wait for the work to be done. This might represent interest for the time thus saved. Furthermore, the bullion deposited was required to be coined in strict order with the priority of its receipt. Obviously, as has been said, the Mint, though its purpose was to make money, was not at this time a money-making undertaking and repeated efforts were made to abolish it as too costly. When the Capital moved from Philadelphia to Washington, the question was raised whether the Mint could remain here legally. In 1801, Congress voted its continuance for two years, again in 1803 for five years, in 1808 for five years longer and so on until 1828 authority to go on till otherwise provided by law.

After forty years at the original location, the Mint came uptown to a newly erected building at the northwest corner of Chestnut and Juniper. The cornerstone for this was laid July 4, 1829, but it was not finished and occupied until 1833. Of beautiful white marble, designed in Grecian style, it

Insert A -

The new Philadelphia Mint will be

~~THE UNITED STATES MINT AT PHILADELPHIA~~

the fourth mint in this city, which was site of the Nation's first Mint.

~~It was only three years and one month after the new United States Constitution became effective that the Congress enacted the necessary legislation to create a United States Mint on April 2, 1792.~~

The first Philadelphia Mint, in turn, was

~~The~~ first building erected in the United States for public use, under authority of the federal government. ~~was a structure for the United States Mint in Philadelphia, Pennsylvania.~~

The site for the first United States Mint, ~~was~~ at Seventh Street near Arch -- only a few hundred feet from where we will ~~are standing here today to~~ break ground today for the fourth mint structure in Philadelphia -- also had to be cleared. But, On July 19, 1792, destruction began on ~~the~~ an old distillery building which was then located on the ~~Mint~~ site chosen for the first Philadelphia Mint. Some of the junk of the old distillery was sold for one dollar, which the Mint Director, David Rittenhouse, directed should be laid out for punch for the bricklayers and other workmen.

~~Other adjacent lots were rented or purchased from time to time. The furnace of the first mint was put in in 1794. A job of extensive repairs and remodeling was done in 1816, when a new building was also erected in place of one burned in January of that year.~~

~~The first United States Mint was heated with anthracite coal as early as 1793, and used whale oil and candles for illumination. Oxen, horses and manual labor furnished all of the power prior to 1816, when a small steam~~

~~I think that you will see, further on in my remarks, evidence that their attention to Philadelphia's business in Washington is certainly not in vain.~~

~~(Finish)~~

Let me add just one more, and very well deserved, word of thanks. This is to the old Philadelphia Development Corporation, headed by Mr. William Day, which is developing the Mall. Much that we are doing today had its roots in the efforts of Mr. Day and of the old Philadelphia Development Corporation, and I would not want this role to be forgotten.

~~Authority. We need this as quickly as possible, so that~~ this Mint can ge~~t into production as early as possible, and guarantee to every person and every merchant in the nation that we need not again face a shortage of the coins that we must have for the many millions of daily transa~~ctions our coins make possible at the ~~roots of this nation's tremendous economy~~.

Another hard worker in this vineyard has been Representative Byrne, in whose district we stand. I served with him in the Congress, as I did with Congressmen Barret, Nix and Toll, also of the Philadelphia delegation, I did not have the pleasure of serving in the Congress with ~~The only present member of the House of Representatives from Philadelphia that I did not know~~ Representative Green, but I know ~~from~~ my ~~in my time in the Congress was Representative Greene, and I~~ experience in the Executive Branch that he and ~~did know, and respected his father. I was, and am, impressed~~ The rest of the Philadelphia delegation in the House ~~by the capacity for hard work of the Philadelphia delegation,~~ stand out for the hard work and the zeal with which they look out for this city's interests.

~~to be built~~.

It was for these reasons that the Philadelphia Redevelopment Authority re-drew the boundaries of the Independence Mall Urban Renewal Area late in 1963 to move this site on which we stand today to the immediate action stage ~~Unit Three, which was moving toward the action stage, out of Unit Four, which was a year behind.~~

This involved relocation of some 70 businesses, which Mayor Tate managed with skill and energy to get relocated so that this site could be cleared, as it was, by the middle of August this year. ~~This involved night shifts and weekend operations by the demolition crews of the Redevelopment Authority. Clearance of the site before September 1 represented the Redevelopment Authority's most demanding task to date.~~

I ~~think that each of you~~ will join ~~me in a hearty vote~~ of admiration and thanks ~~to Mayor Tate and to the Redevelopment~~

to keep our growing and changing economy going smoothly at the retail level. ~~In the fiscal [illegible] ended, the Mint turned out [illegible] billion coins -- double the production~~ of two years earlier -- ~~and this fiscal [illegible] it will boost output by a further [illegible] percent.~~

But despite these ingenious and massive accomplishments our ~~with~~ existing coin making capacity, ~~such has [illegible] economic growth and changes of recent years, including rapid extention of merchandising of goods and services through coin operated devices, that the Mint has barely been able to keep abreast of demand for coin, [illegible] existing facilities~~ ~~will~~ definitely not adequate ~~much longer~~ ~~[illegible] increasing their output sufficiently to continue~~ to satisfy the ~~coin~~ demand. ~~[illegible]~~ ~~It [illegible] to get the earliest possible entry into production of the new high productivity facilities of the Philadelphia Mint [illegible]~~

 lit, in the form of a coin shortage

The urgency that has since increasingly overtaken was only

~~then Secretary of the Treasury Douglas Dillon established this~~

beginning to be felt. However,

~~site, there was no particular rush about the project, other~~

64-year-old

~~then the fact that~~ the existing Mint ~~-- built 64 years ago --~~

was getting no younger, and ~~the fact that~~ Philadelphia wanted

After 1963, as the coin

to get on with its renewal program. ~~But the project suddenly~~

shortage worsened, increased Mint capacity became

~~took on much more urgency, because a coin shortage began to~~

a pressing

~~appear and developed rapidly, making greater Mint capacity an urg~~

national need.

Superintendents

Secretary Wallace, Mint Director Adams and the ~~Supervisors~~

of the Philadelphia and the Denver Mints -- Mr. Sura,

Superintendent

~~Supervisor~~ of the Philadelphia Mint is here with us -- turned

in the

to, and, with the Mint's fine staff in Washington, Philadelphia

Mints, and in the San Francisco Assay Office

and Denver have done what can only be described as a heroic

They succeeded in

job ~~of~~ pushing existing Mint production capacity beyond all

meeting, as they have

previous estimates in ~~overcoming~~ the mounting demand for coins

~~your government to the public, to put them at their briefest -- are the principal subjects of my remarks, so I will wait~~ to ~~spell them out until I have done something else that I am anxious to do.~~

~~Just~~ Because getting started on the building of this new Mint is a matter of such importance to the City of Philadelphia and to the nation at large, I ~~am anxious~~ want to draw ~~your~~ attention to some, at least, of the people present here today who have made it possible for us to get started at this early date.

I will begin with Mayor James Tate, because ~~he has made this Mint a personal project, and because~~ without his work on its behalf, we could not be here today to break ground for ~~the~~ the new Mint.

At the time in 1963 when Mayor Tate set aside ~~ground -- 5.3 acres facing Independence Mall -- in 1963,~~ this site for a new Mint, as part of the redevelopment of downtown Philadelphia, ~~At the time Mayor Tate and the~~

(Px Mint History - 1st U.S. industrial plant?)

FOB Copy

382 Revision

For Release at 11:30 a.m. EDT
~~Friday~~ September 17, 1965

REMARKS OF THE HONORABLE JOSEPH W. BARR
THE UNDER SECRETARY OF THE TREASURY
AT GROUNDBREAKING FOR A NEW MINT AT
PHILADELPHIA, 11:30 A.M. ON FRIDAY,
SEPTEMBER 17, 1965

Mr. Chairman, Mayor Tate, Members of the Congress, ~~Secretary Williams~~, Commissioner Cohen, Miss Adams, Mr. Sura and other friends gathered here, I very much hope that you will believe that I do much more than express a well worn convention when I tell you that I am delighted to be here to share with you a propitious event. The facts are that this *is* a delightful and propitious occasion, and that I take a very real pleasure in being with you to share in it.

~~Perhaps I would be as convincing as I would like to be if I told you without further ado why I view the groundbreaking for this great new Mint as a truly outstanding event. But those reasons -- efficiency, economy and better service by~~

TREASURY DEPARTMENT
Washington

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Because getting started on the building of this new Mint is a matter of such importance to the City of Philadelphia, and to the nation at large, I want to draw attention to some, at least, of the people present here today who have made it possible for us to get started at this early date.

I will begin with Mayor James Tate, because without his work on its behalf, we could not be here today to break ground for the new Mint. At the time in 1963 when Mayor Tate set aside this site for a new Mint, as part of the redevelopment of downtown Philadelphia, the urgency that has since increasingly overtaken it, in the form of a coin shortage, was only beginning to be felt. However, the existing 64-year-old Mint was getting no younger, and Philadelphia wanted to get on with its renewal program. After 1963, as the coin shortage worsened, increased Mint capacity became a pressing national need.

Secretary Wallace, Mint Director Adams and the Superintendents of the Philadelphia and the Denver Mints -- Mr. Sura, Superintendent of the Philadelphia Mint is here with us -- turned to, and, with the Mint's fine staff in Washington, in the Philadelphia and Denver Mints, and in the San Francisco Assay Office have done what can only be described as a heroic job. They succeeded in pushing existing Mint production capacity beyond all previous estimates in meeting, as they have, the mounting demand for coins to keep our growing and changing economy going smoothly at the retail level.

But despite these ingenious and massive accomplishments, our existing coin making capacity is definitely not adequate to satisfy the demand for coins on an efficient and economical basis.

It was for these reasons that the Philadelphia Redevelopment Authority re-drew the boundaries of the Independence Mall Urban Renewal Area late in 1963 to move this site on which we stand today to the immediate action stage.

This involved relocation of some 70 businesses, which Mayor Tate managed with skill and energy to get relocated so that this site could be cleared, as it was, by the middle of August this year.

Another hard worker in this vineyard has been Representative Byrne, in whose district we stand. I served with him in the Congress, as I did with Congressmen Barret, Nix and Toll, also of the Philadelphia delegation. I did not have the pleasure of serving in the Congress with Representative Green, but I know from my experience in the Executive Branch that he and the rest of the Philadelphia delegation in the House, stand out for the hard work and the zeal with which they look out for this city's interests.

Let me add just one more, and very well deserved, word of thanks. This is to the Old Philadelphia Development Corporation, headed by Mr. William Day, which is developing the Mall. Much that we are doing today had its roots in the efforts of Mr. Day and of the Old Philadelphia Development Corporation, and I would not want this role to be forgotten.

The new Mint that will go up on this site is scheduled for coin production by mid-1967. It is going to cost 37 million dollars. It will be the world's foremost Mint: the world's biggest and the world's most productive.

The new Philadelphia Mint will be the fourth Mint in this city, which was the site of the Nation's first Mint.

The first Philadelphia Mint, in turn, was the first building erected in the United States for public use, under authority of the federal government.

The site for the first United States Mint, at Seventh Street near Arch -- only a few hundred feet from where we will break ground today for the fourth mint structure in Philadelphia -- also had to be cleared, but under somewhat different conditions. On July 19, 1792, destruction began on an old distillery building which was then located on the site chosen for the first Philadelphia Mint. Some of the junk of the old distillery was sold for one dollar, which the Mint Director, David Rittenhouse, directed should be laid out for punch for the bricklayers and other workmen.

After forty years at the original location, the Mint came uptown to a newly erected building at the northwest corner of Chestnut and Juniper. The cornerstone for this was laid July 4, 1829, but it was not finished and occupied until 1833.

By the end of the 19th Century the Nation again needed a bigger Mint at Philadelphia. So the Philadelphia Mint now to be replaced was begun in 1898 and completed in September, 1901.

The new Philadelphia Mint is a prime example of what President Johnson is demanding throughout the government: more service, and better service to a growing country, at lower cost. That is a big order -- most of President Johnson's orders are on the big side. But the new Mint will demonstrate, as is constantly being demonstrated, that the President's insistence upon these hard accomplishments sets tasks that are difficult, but not impossible. We are achieving more and better service, meeting the growing demands of a growing population and of a growing economy, at lower costs, and this Mint will be an outstanding example.

We are using ingenuity to try to make the Mint, when it enters operations, the last word in coin production. To do this, Secretary Wallace and Mint Director Adams, who are responsible for planning the new Mint, have approved orders for the building of an entirely new type of coin press, capable -- if it works as it is expected to work -- of turning out the fantastic number of 10,000 pennies a <u>minute</u>: not an hour, or a day, but a minute. That compares with production of 300 a minute, the best existing machines can do.

No one knows yet, for sure, whether these presses will immediately perform up to expectations, or whether they will require a development period. But we are planning for them on a contingency basis. At the same time, Mr. Wallace and Miss Adams have developed parallel plans for the installation of other facilities to yield the required coin production, if the new type of penny coin presses cannot be brought into use immediately.

This is merely one example of many new features of the Mint that is now to be built in this city. It will be capable of doubling the capacity of the present Mint, without a bigger payroll. It will produce at 15 to 20 per cent less cost per unit of output. It will allow an unimpeded production flow, through a first floor production space 50 feet high and 600 feet long, with almost as much additional space on other floors for laboratories, offices, die making, coin storage and other supporting activities.

The new Mint will be able to produce the three layer metal strip needed for our new dimes, quarters and half dollars, as well as the bronze alloy strip metal needed for pennies and the cupronickel strip needed for five cent pieces. The material for our new coins must be bought outside the Mint until this plant comes into production. The new Philadelphia Mint will be capable of making coins of all denominations, from the melting, casting, and rolling of coinage alloy to production of the finished coin.

At the new Mint, ingots that are 17 feet long and that weigh 5,400 pounds will be cast, compared to the present capability for casting ingots five feet long, weighing 400 pounds. The new Mint's strip making machines will roll these ingots to finished coin thickness five times as fast as at present. It will be fully mechanized for the handling and storage of materials. The coins produced by the new Mint will be weighed automatically, and automatically inspected. The new Mint's capacity will be such that it can serve the coin needs of the whole country east of the Mississippi, making a considerable saving in the costs now incurred in moving coin materials, coin blanks and coins to and from the Philadelphia and Denver Mints and the San Francisco Assay Office.

A good deal more could be said, for the new Mint will be a treasure house of advanced production and handling techniques, and will have a good many other features besides: for instance, all of its operations will be visible from the visitors' gallery. But I want, in closing, to mention another Treasury activity in Philadelphia.

In North Philadelphia the Internal Revenue Service recently put into operation an Automatic Data Processing Center, for the better and lower cost handling of tax returns, built at a cost of 3 million dollars.

Among other things, this ADP center serves the purpose of insuring that the honest citizen has to pay the government no more than his own fair share of the tax burden. This installation, one of seven of its kind in the country, is playing a vital role in strengthening federal tax administration.

At peak employment during the height of the income tax filing period, the center employes as many as 2500 people.

At the Philadelphia ADP Center the returns of 15 million taxpayers in a region including Pennsylvania, Delaware, New Jersey, Maryland, Virginia, and the District of Columbia are processed. These returns represent $16 billion in federal taxes. At the service center information from the returns is transcribed into punched cards, converted to magnetic tape, and forwarded to the national computer center in Martinsburg, West Virginia where it is included in a master file of all taxpayers throughout the country. Resulting tapes sent from Martinsburg to Philadelphia are the source of the refund checks or bills which taxpayers receive.

This system will not be fully installed until 1967, but results of it even as it now stands more than justify the expenditures for building costs, acquisition of computers and payroll expenses.

As the system comes into operation, it relieves Internal Revenue's district offices from paper handling burdens and permits them to concentrate more effectively on taxpayer services and informational activities.

The breaking of ground for this new Mint starts the building of a great new government facility that will serve the nation at high efficiency and low cost, to produce one of the basic needs of a vigorous and growing nation such as ours: an abundant coinage.

This new Mint stands as a symbol of your government's interest and heavy participation in the rebuilding and beautification of this fine old city. The building that will house the new Mint has been designed carefully to fit in with the artistic spirit of the redevelopment of Independence Mall, where all the fathers of our country tread time and again, and where Benjamin Franklin was a daily figure during so much of his life.

This is a partnership in city improvement that is part and parcel of the Great Society to which President Johnson has put his hand. And this new Mint is the kind of lower cost, higher efficiency government service facility that, in step with similar advances in the private sector, is making the Great Society a practical thing: it raises the standards of service and abundance to the higher levels that must be typical of a Great Society, while it makes the savings that permit the building of the Great Society on a sound financial structure.

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[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 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.

[redacted]

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 [redacted] or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on September 30, 1965 [redacted], in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 30, 1965 [redacted]. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE. September 16, 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 September 30, 1965, in the amount of $3,202,999,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated September 30, 1965, and will mature September 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, Friday, September 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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In addition to his law enforcement career he has had a long background in journalism. He served on the editorial staffs of the Cleveland Press, Life Magazine, the Sunday New York Times, and as assistant publisher of the Northern Virginia Sun. He also wrote and produced TV news and special events programs.

Mr. Sagalyn was born in Springfield, Massachusetts, in 1918, and graduated from Oberlin College and the Graduate Institute of International Studies in Geneva, Switzerland. He served in World War I as an enlisted man and later as a Captain in the infantry, and was awarded four battle stars for service in the European Theatre of Operations.

Mr. Sagalyn was recently named Vice Chairman of the Internati Association of Chiefs of Police Committee on Research.

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Mr. Sagalyn has directed the activities of the Office of Law Enforcement Coordination since April 1961. He has served as United Stat representative for the International Criminal Police Organization (Interpol). From 1962 until June of this year, he was senior vice president of the International Criminal Police Organization.

Mr. Sagalyn first became active in law enforcement in 1939 when he was appointed Assistant to the Director of Public Safety, Cleveland, Ohio, where he participated in many criminal investigations and in the reorganization of the city's police department. He later joined the Office of Defense, Health and Welfare Service working with local and State police forces in a national program to suppress prostitution. At the close of World War II he was assigned to Berlin as a military officer on the staff of the Chief of the Public Safety Division of the Office of Military Government in Germany, and helped direct the Denazification program and the reorganization of the German

FOR RELEASE A.M. NEWSPAPERS
MONDAY, SEPTEMBER 20, 1965

Sept 17

SAGALYN DESIGNATED LIAISON TO
PRESIDENT'S CRIME COMMISSION

Secretary of the Treasury Henry H. Fowler today announced that Arnold Sagalyn, Director of the Treasury's Office of Law Enforcement Coordination, will serve as Treasury's liaison with the President's Commission on Law Enforcement and Administration of Justice.

Mr. Sagalyn will report to David C. A~~c~~cheson, who was sworn in Thursday, September 16, as Special Assistant to the Secretary (for Enforcement).

This assignment will be Mr. Sagalyn's primary responsibility, in keeping with the high priority attached to the work of the ~~c~~ommission which has been charged by the President with studying crime in the United States and recommending ways to reduce and prevent it. Mr. Sagalyn will continue as Director of the Office of Law Enforcement Coordination, which is now in the Office of the Special Assistant (for

TREASURY DEPARTMENT

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D R A F T

SEPTEMBER 16, 1965

(~~am-s release, sept~~ 17) Groundbreaking for a New Mint at Philadelphia

Ground will be broken today (Friday, September 17, 11:30 a.m. E.D.T.) in Philadelphia for the world's biggest and most modern Mint, by Joseph W. Barr, the Under Secretary of the Treasury. Others participating will include James H. J. Tate, Mayor of Philadelphia, Robert A. Wallace, Assistant Secretary of the Treasury, Miss Eva B. Adams, Director of the Mint and Michael H. Sura, Superintendent of the Philadelphia Mint.

The new $37 million plant will take the place of the present Philadelphia Mint, now 64 years old. ~~It will be the fourth United States Mint at Philadelphia, which was the site of the first Mint.~~ ~~The original Philadelphia Mint~~ began coin production ~~with the striking of pennies~~ in March, 1793. The

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 16, 1965

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FRIDAY, SEPTEMBER 17, 1965

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Director of the World Bank -- in the important work of the Bank in the vital field of development finance.

In this work, I am confident his contribution will reflect credit upon himself, the Treasury, and the Bank.

Last year, he served as a member of the United States' delegation to the United Nations Conference on Trade and Development, and as Chairman of the United States' delegation concerned with development assistance in connection with the Conference. His contribution at the Conference was impressive and he helped to achieve agreement among the diverse views of the participants.

More recently, he has served effectively in the significant post of Director of the Office of Developing Nations of the Treasury and has played an important role in bringing to the present stage discussions on the formation of the Asian Development Bank.

His experience has given him execellent qualifications to assist Livingston T. Merchant -- the United States Executive

TREASURY DEPARTMENT
Washington

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE SWEARING IN OF
BERNARD ZAGORIN
AS ALTERNATE UNITED STATES EXECUTIVE DIRECTOR
OF THE WORLD BANK
IN ROOM 4121, MAIN TREASURY BUILDING
FRIDAY, SEPTEMBER 17, 1965, AT 12 NOON, E.D.T.

It's with great pleasure that I welcome Mr. Zagorin to his new duties. He is a man of outstanding ability -- a fact that the Treasury recognized as far back as 1951 when we hired him away from the Economic Cooperation Administration in London, to work as our Assistant Treasury Attache there.

He served so well there that he was soon brought back to Washington and after several years was given the important financial post of Treasury representative in India. Once again he served with distinction, achieving the respect and trust not only of his Treasury and State Department colleagues, but also of the Indian government and others.

TREASURY DEPARTMENT
Washington

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE SWEARING IN OF
BERNARD ZAGORIN
AS ALTERNATE UNITED STATES EXECUTIVE DIRECTOR
OF THE WORLD BANK
IN ROOM 4121, MAIN TREASURY BUILDING
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He served so well there that he was soon brought back to Washington and after several years was given the important financial post of Treasury representative in India. Once again he served with distinction, achieving the respect and trust not only of his Treasury and State Department colleagues, but also of the Indian government and others.

Last year, he served as a member of the United States' delegation to the United Nations Conference on Trade and Development, and as Chairman of the United States' delegation concerned with development assistance in connection with the Conference. His contribution at the Conference was impressive and he helped to achieve agreement among the diverse views of the participants.

More recently, he has served effectively in the significant post of Director of the Office of Developing Nations of the Treasury and has played an important role in bringing to the present stage discussions on the formation of the Asian Development Bank.

His experience has given him excellent qualifications to assist Livingston T. Merchant -- the United States Executive Director of the World Bank -- in the important work of the Bank in the vital field of development finance.

In this work, I am confident his contribution will reflect credit upon himself, the Treasury, and the Bank.

oOo

the ranch, and a number of weapons were confiscated in the raid.

~~Treasury~~ Secretary ~~Henry H. Fowler~~ said:

"I have been authorized by the President to express appreciation on the part of the United States to the Mexican authorities for this outstanding achievement. Once again our two nations have achieved a high degree of international cooperation, with the effect of reducing the traffic in illicit drugs which represents such a threat to the health and future of so many innocent victims, particularly among our youth."

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~~He said he received the following account:~~

The raid was made [redacted] in a rural area near the town of San Francisco Lagunilla, in the State of Guerrero, about 120 miles from Acapulco.

The seizure was carried out [redacted] by agents of the Mexican Federal Judicial Police, working under the direction of the Attorney General of Mexico, ~~along~~ in cooperation with agents of the U.S. Federal Bureau of Narcotics.

The Mexican agents -- who were accompanied by about 20 soldiers from the Mexican Army and one U.S. agent -- had to walk about six miles to reach the ranch where the raid was made. The marijuana was believed grown on the ranch, and destined for United States' markets. Two men were arrested at

expressed ~~the~~ the appreciation of
The United States at the
action of

DRAFT TREASURY RELEASE 9/17/65
FOR IMMEDIATE RELEASE

MARIJUANA SEIZURE IN MEXICO

TREASURY SECRETARY HENRY H. FOWLER TODAY

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Insert A

U.S. Narcotics Commissioner ~~Henry L. Giordano~~ said ACCORDING TO THE FOLLOWING reports to him ~~from his agents indicate that~~ more than 6,000 pounds of the drug [redacted] -- roughly equal to the total of all seizures of this drug along the border between the United States and Mexico during all of 1964 -- WAS SEIZED IN A RAID TUESDAY. He estimated that the value of the seizure could be over a million dollars, at the retail price to users in the United States of about $150 a pound.

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~~DRAFT TREASURY RELEASE~~ 9/17/65
FOR IMMEDIATE RELEASE

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[redacted]

7-200

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 17, 1965

FOR IMMEDIATE RELEASE

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U. S. Narcotics Commissioner Henry L. Giordano said more than 6,000 pounds of the drug -- roughly equal to the total of all seizures of this drug along the border between the United States and Mexico during all of 1964 -- was seized in a raid Tuesday night. He estimated that the value of the seizure could be over a million dollars, at the retail price to users in the United States of about $150 a pound.

The raid was made in a rural area near the town of San Francisco Lagunilla, in the State of Guerrero, about 120 miles from Acapulco.

The seizure was carried out by agents of the Mexican Federal Judicial Police, working under the direction of the Attorney General of Mexico, in cooperation with agents of the U. S. Federal Bureau of Narcotics.

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TREASURY DEPARTMENT

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, September 21, 1965.

WASHINGTON, D.C.
September 20, 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 June 24, 1965, and the other series to be dated September 23, 1965, which were offered on September 15, were opened at the Federal Reserve Banks on September 20. 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 December 23, 1965		:	182-day Treasury bills maturing March 24, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv Annual Rate
High	99.017	3.889%	:	97.949	4.057%
Low	99.010	3.916%	:	97.940	4.075%
Average	99.013	3.905% 1/	:	97.943	4.069% 1/

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

T[illegible]L TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 30,414,000	$ 20,414,000	:	$ 28,998,000	$ 13,318,0
New York	1,472,520,000	780,145,000	:	1,272,950,000	684,570,0
Philadelphia	29,452,000	17,452,000	:	13,000,000	5,000,0
Cleveland	31,613,000	31,613,000	:	50,820,000	40,820,0
Richmond	15,506,000	15,056,000	:	13,186,000	9,486,0
Atlanta	40,577,000	25,177,000	:	27,785,000	12,249,0
Chicago	297,351,000	150,901,000	:	278,186,000	134,786,0
St. Louis	45,519,000	33,574,000	:	20,071,000	12,071,0
Minneapolis	20,034,000	16,084,000	:	15,192,000	12,192,0
Kansas City	36,543,000	33,643,000	:	21,933,000	17,049,0
Dallas	26,375,000	19,425,000	:	12,583,000	7,903,0
San Francisco	73,727,000	56,737,000	:	104,108,000	51,568,0
TOTALS	$2,119,631,000	$1,200,221,000 a/		$1,858,812,000	$1,001,012,0

a/ Includes $267,662,000 noncompetitive tenders accepted at the average price of 99.
b/ Includes $112,089,000 noncompetitive tenders accepted at the average price of 97.
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.00%, for the 91-day bills, and 4.21%, 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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WASHINGTON, D.C.
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Richmond	15,506,000	15,056,000	13,186,000	9,486,000
Atlanta	40,577,000	25,177,000	27,785,000	12,249,000
Chicago	297,351,000	150,901,000	278,186,000	134,786,000
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TREASURY DEPARTMENT
Washington

STATEMENT OF THE HONORABLE MERLYN N. TRUED
ASSISTANT SECRETARY FOR INTERNATIONAL
AFFAIRS, U.S. TREASURY, BEFORE THE
FINANCE COMMITTEE OF THE U.S. SENATE
10 A.M., September 20, 1965

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you to comment on the balance-of-payments implications of the proposed legislation to implement the United States-Canadian Automotive Products Agreement.

As this Committee knows, the U.S. has had a substantial overall surplus on trade account with Canada, over the years. Our automotive trade with Canada has contributed substantially to that surplus.

With the Automotive Products Agreement in force, Secretary Connor testified before the Committee that

> " It is reasonable to project a continuing growth in the Canadian automotive market sufficient to absorb the projected increase in Canadian production without reducing our net favorable balance of trade with Canada."

The Treasury supports this conclusion.

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Let me begin by reviewing with you the basic figures supporting this conclusion.

	Model Year 1964 a/ $ millions	Model Year 1968 $ millions
Total sales in Canada (and out of Canada to third countries) of automotive products made in U.S. and Canada	1,543.5	2,090
Canadian value-added of automotive products made in Canada (including replacement parts)	962.4	1,510
U.S. net surplus in automotive products trade with Canada	581.1	580

a/ Based on official statistics of the U.S. Department of Commerce and the Canadian Dominion Bureau of Statistics, supplemented by industry information.

The first line in the table shows for model year 1964, on an actual basis, and for 1968, on a prospective basis, the sales in Canada (and out of Canada to third countries) of automotive products produced in both the U.S. and Canada. The second line shows the Canadian value-added of automotive products produced in Canada whether for sale in Canada, export to the U.S. or export to third countries. The difference between these lines shows net U.S. exports to Canada. This trade surplus of $581 million in model year 1964 will, on the basis of our estimates,

be approximately the same in model year 1968.

The figure of almost $2.1 billion at the top of the second column represents the expected size of the Canadian automotive market for automotive products produced in the U.S. and in Canada in 1968. (It also includes about $72 million of exports from Canada to third countries.) It assumes a rate of growth of 8% per year in the number of automotive units that will be absorbed by the Canadian market between 1964 and 1968. This 8% growth estimate is a projection of the growth that has characterized the Canadian market in recent years.

Official Canadian statistics show that for the five year period, 1960 through 1964, the annual rate of growth in number of units sold averaged 8.5% a year. In the two years 1963 and 1964, it averaged 12% a year.

In value terms, the growth was even greater -- averaging 10.6% a year for the period 1960 through 1964; and over 14% a year for the last two years.

The estimate of an 8% increase per year in number of units sold is on the conservative side, as these figures suggest.

The Canadian economy shows every prospect for a strong rate of economic growth over the period through 1968, and with this growth the demand for automobiles can be expected to continue strong. This is so even if automobile prices in Canada remain the same. If they decline as the industry gets on a more efficient basis, the estimate of an 8% increase per year in the number of units sold may be even more on the conservative side.

The second figure in the righthand column derives from the 1964 figure of Canadian value-added and the two undertakings of the Canadian companies with the Canadian Government. These undertakings provide that, of the total growth of sales in Canada of North American produced cars and trucks, 58 % (60% in the case of cars and 50% in the case of trucks) will represent Canadian value-added. Over and above this growth factor, the automobile companies have undertaken to produce an additional $241 million of value-added in Canada by 1968. The sum of these figures, plus Canadian value-added in 1964, gives the $1.5 billion of Canadian value-added in 1968. By subtracting this figure from the estimated market in Canada for North American produced cars in 1968 we obtain the estimated net value of automotive products that will be supplied to the Canadian market by the U. S. in 1968.

What the table shows, in short, is that the increase in Canadian value-added in the automotive industry between 1964 and 1968 will absorb all of a conservatively estimated increase in the Canadian market for North American produced cars. If the growth of the market should be greater than 8%, the U. S. automotive trade surplus with Canada in 1968 should exceed the 1964 surplus. After 1968, when the companies no longer have an undertaking with respect to a special $241 million of value-added in Canada, the prospects for an increase in the U. S. automotive trade surplus with Canada will be better. I might note, Mr. Chairman, that our surplus in the first half of this year was about $45 million above that in the first half of 1964.

From a balance-of-payments viewpoint then, the automotive agreement simply means this. Under it we stand to maintain our present sizable surplus with Canada in automotive trade. Without the Agreement, we stand to lose a part of our present surplus. There is no doubt in the Administration's mind of this outcome, and I believe other Government witnesses have indicated their firm judgment that, in the absence of the Agreement, Canada would undertake measures to limit imports from the U. S.

There is another balance of payments consideration that I would like to mention briefly in this context. It relates to investment in Canada. The means of financing investments in the automotive industry in Canada in recent years have been reinvestment of local earnings and borrowing in the Canadian market. As Secretary Connor has stated, this pattern will probably continue. That probability is heightened by the fact that under the Agreement the companies will have substantial savings from the waiver of Canadian duties they would otherwise have had to pay. This means that any additional investment resulting from the companies' undertakings should involve little, if any, cash transfers from the United States. For this reason we do not anticipate an adverse effect on our balance of payments from increased automotive investment in Canada.

The tightening of Canadian restrictions on imports of U.S. automotive products, in the absence of the Agreement, would have probably induced companies to accelerate their investment in Canadian facilities to a degree that may well have required some cash flow from the U. S. with a consequent adverse effect on our balance of payments.

The above considerations are those which have led me to express Treasury Department concurrence in Secretary Connor's position on the balance-of-payments effects of the automotive agreement.

not halt -- these practices, so that confidence in the dollar will be sustained.

If confidence in the dollar is sustained, if the international monetary system evolves in a sensible way, we will have created the best possible environment for the American economy -- American businessmen -- to demonstrate their formidable competitive strength in the world at large, in the year's ahead.

The annual meeting of the International Monetary Fund beginning next week offers a logical opportunity to start putting the negotiating machinery in motion.

In both the case of the problem of the United States balance of payments and that of international monetary reform, therefore, there are signs of progress. I would rather close, however, on a note of caution. A basic change in the world's monetary system will not come about quickly or easily. To reach agreement among all the nations involved on anything so basic will require time and enormous effort.

A lasting improvement in our balance of payments -- lasting enough to be meaningful in the context I have described -- will also require time and effort.

The President's program is broad-gauged, requiring some sacrifice of many elements of the population but no unreasonable sacrifice, in our judgment, of any one element. Of course, more tourists would like to bring back more goods duty-free from abroad; of course, banks and other lenders would like to lend as freely as possible abroad; of course, businessmen would like to take advantage of every attractive overseas investment opportunity. Essentially, we are asking these groups to adjust --

other major countries in comprehensive studies of the international monetary system, its recent evolution, its present effectiveness and its future. On June 1 of this year, this multilateral study group issued a report which exhaustively examines the possible ways to strengthen the system. In July, Secretary Fowler announced that the U.S. stood prepared to participate in an international monetary conference that would consider what steps we might jointly take to secure substantial improvements in international monetary arrangements.

On September 10, Secretary Fowler returned from a 10-day trip to Europe during which he exchanged views with officials of seven countries on how we might move ahead to improve the workings of the international monetary system. Secretary Fowler had earlier conferred in Washington with Canadian and Japanese officials.

He found agreement that present circumstances call for a reexamination of the free world's monetary arrangements; that we should begin contingency planning for the possible time ahead when new ways of providing for growth in monetary reserves will become necessary; and that active discussions on negotiations should begin in the near future at the level of policy-making officials.

The key to success in this program, both in the short-run and in the long-run, is the business community. For the short-run, we must have the effective cooperation of the business community to give us the time for our longer-run measures to take effect. And in the long run, the competitive position of American business in relation to the other major trading countries will be critical.

First of all, we must maintain our good record of relative price stability. Secondly, American business must become more energetic and effective in finding and exploiting foreign markets for American exports.

Shortly after President Johnson announced his new balance of payments program on February 10, there was an encouraging swing to a surplus in our balance of payments. It is far too early, however, to conclude that this represents a permanent trend toward equilibrium. Some of the gains were due to special factors, some were one time gains. We are by no means out of the woods yet. But we do feel that we have a program which is so and can bring us to equilibrium <u>if all of us follow through on it</u>

While the subject of world liquidity has only recently come into public prominence, the U.S., several years ago, joined with

We are seeking the long-run, basic solution to our balance of payments deficit through measures which are consistent with our domestic objectives and our foreign policy objectives, and consistent with a growing volume of world trade and capital movements. In brief, our long-run approach is to:

1. Continue to minimize the balance of payments impact of Government expenditures abroad.
2. Strive to increase our exports and receipts from foreign tourists.
3. Encourage other developed nations to take on more international financing to relieve us of a disproportionate share.
4. Take measures to encourage more foreign investment here.

To gain the necessary time for these longer run measures, we have undertaken shorter-run measures which President Johnson outlined in his message last February 10. These consist of efforts to reduce foreign travel expenditures by U.S. citizens; the extension and broadening of the Interest Equalization Tax; and, most importantly, the request that banks and corporations curtail or adjust their activities to lessen the balance of payments impact of capital outflows.

on the particular circumstances at the particular time. But while we may not be able to define in precise numerical terms what equilibrium is, we can say that it does not exist when the United States is continually losing gold. Perhaps, then, the best indication of what equilibrium in the U. S. balance of payments is, is what the rest of the world thinks it is. The extent to which they cash in their dollars for gold is, in short, a very useful indicator.

But these dollars did not become new additions to total world reserves. Rather, they came right back to the U. S. Treasury Department to be exchanged, along with dollars accumulated in past periods, for some $800 million worth of gold. A continuance of the dollar outflow would lead to more of the same, a transfer of gold from the U. S. to the European surplus countries with little or no gain for world liquidity as a whole but with continual decreases in our liquidity.

The Administration's Approach.

The Administration's approach to these twin problems is to move quickly and certainly to balance of payments equilibrium and at the same time to move forward in discussions on improving the world's monetary system.

I have pointed out why it is imperative for us to restore equilibrium in our balance of payments. But what, it is asked, do we mean by equilibrium? Is it an exact balance or does it allow for some deficit, say $500 million, $1 billion, or even more

Our feeling in the Treasury is that equilibrium cannot be defined solely in terms of a figure; it is importantly a matter of confidence. Whether a given figure for the over-all balance of our international transactions represents equilibrium depends

In noting these strengths of the present international payments system, I am not arguing that nothing further needs to be done. I note them only because in recent months some people have unjustifiably jumped to the conclusion that an ending of the U. S. balance of payments deficits will immediately bring about a shortage of world liquidity and a crisis.

In addition to overlooking the very real strength of the current system, those who make the over-simplified argument that we should continue our balance of payments deficit to maintain world liquidity, overlook two other basic points. First the dollar cannot continue to be a reserve currency if we continu a balance of payments deficit of the magnitudes that have prevailed in the past. Sooner or later our liabilities will become so large in relation to our gold reserves that foreign central bankers will no longer believe that the dollar is, in fact, as good as gold and they will not be willing to hold it.

Secondly, a deficit in our balance of payments does not necessarily and automatically increase world liquidity if the countries which are receiving the dollars cash them in for gold. Their reserves go up but ours go down, and the world total remains the same. To illustrate the point, in the first quarter of this year the deficit in our over-all balance of payments, seasonally unadjusted, was $180 million.

of our deficit may not create a world liquidity problem for sometime to come.

Over the past four years, while we have not changed the basic structure of the international payments mechanism, we have substantially fortified it. Just this year, the members of the International Monetary Fund agreed to support a general increase in IMF quotas of 25 percent or about $5 billion. In 1961, the ten major industrial nations,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."

Added to this multilateral source of funds are the various bilateral arrangements whereby the major countries stand ready to swap their currencies with one or more of the other countries in time of need. The substantial support which the IMF and the leading countries have extended to the pound sterling in recent months is testimony to the strength of the present system.

You will remember that I have earlier indicated that net outflows of dollars have not always been turned back to the U. S. Some of these dollars have been retained by foreigners to increase working balances to finance an expanding level of trade and finance and some of these additional dollars have been held to build up official reserves.

On its face, it appears that we are faced with a dilemma. Actually, careful analysis leads us to believe that the ending of 1964 amounted to over $15 billion and our Government claims on foreign countries which amounted to over $23 billion. Our over-all position, therefore, is obviously immensely strong.

But In the process of building up these tremendous foreign assets, most of which are long-term assets, we have incurred large short-term liquid liabilities, which, while much smaller than our long-term assets, have been large in relation to our gold reserves.

At the beginning of 1958 our holdings of gold came to almost $23 billion. They now stand at less than $14 billion. Over the same period our dollar liabilities to foreign official institutions rose from less than $9 billion to over $14 billion.

It is obvious that this process of lending long and borrowing short cannot go on indefinitely, and I think that most responsible observers are agreed that our balance of payments must be brought into equilibrium to bring it to an end. But at this point the second of our twin problems comes into focus. If the dollar outflow from the U.S. is ended, how will the world's needs for a key currency and a reserve currency be met?

- 5 - F

From ... let's look at our B of P

~~Let's look at our balance of payments first.~~

In essence, the balance-of-payments problem is one of United States liquidity. Our over-all financial position is good and improving but our international liquidity has been deteriorating. To illustrate, at the end of 1964 our private foreign investments alone exceeded the total of all foreign claims on us -- official and private -- by over $18 billion. The comparable figure in 1958, when our balance of payments first became a serious problem, was less than $7 billion. This is without taking any account of our gold stock which at the end

~~Insert A for Page 5 (page 5 of this insert)~~

define liquidity as the relation between these assets and our short-term liabilities. For the world as a whole, you would probably define liquidity as the amounts of acceptable international resources (gold, convertible currencies and automatic credit at the IMF) available for trade, finance and reserves.

~~Insert A for Page 5 (page 4 of this insert)~~

currencies and the credit available ~~to~~ on a rather automatic basis in the IMF. The relation of these assets to short-term liabilities is usually meaningless to most countries because their currencies are not used as a vehicle in commercial transactions or held as reserves.

However, in the U. S. the corporate definition of liquidity that relates liquid assets to near-term liabilities is ~~crucial~~ more appropriate. It is in fact crucial because as I have pointed out $11 billion are held by private foreigners for trade and finance and $14 billion by official foreigners as reserves.

Thus, the proper definition of liquidity would probably be in ~~two~~ three parts. For most nations it could be defined as their holdings of convertible foreign currencies, gold and their IMF position. For the U. S. it is more precise to

~~Insert A for Page 5 (page 3 of this Insert)~~

When the outgoing items exceed the incoming, we say that we have a deficit; when the reverse is true we say that we have a surplus.

Now some one at this juncture will say, "It is nonsense to keep accounts like these. You have current items such as funds spent on imports or money spent by tourists lumped together with capital items such as long term loans and investments!"

This is very true indeed and that is where the question of liquidity enters the picutre. Just what do we mean by liquidity? The corporate explanation of liquidity is the relation between short term liabilities and short term assets. It seems to me that the international economists are much less precise in their definition. When they speak of liquidity, they usually refer to the official (government and central bank) holdings of gold and convertible

~~Insert A for Page 5 (page 2 of this insert)~~

7. Money sent abroad as payment of interest and principal due by U. S. borrowers.
8. Money remitted ~~sent abroad~~ as dividend payments to foreign holders of U. S. securities, or as branch income of foreign corporations.

What Funds Come In

1. Money spent by foreigners to buy our exports.
2. Money spent by foreign tourists in the U. S.
3. Money loaned by foreign banks and governments to U. S. borrowers.
4. Money invested by foreigners in U. S. industries.
5. Remittances of interest and principal payments on debts foreigners owe to U. S. lenders.
6. Remittance of dividend income and income of U. S. overseas branches to U. S. investors and corporations.

I have warned you that this is highly oversimplified accounting, but it does include the major items ~~in the accounting.~~

5-A

What Funds Go Out

1. Money spent to buy imports (including shipping costs to foreign lines).

2. Money spent by tourists.

3. Money spent by the U. S. in maintaining troops overseas.

4. Money loaned by banks and the Government to foreign borrowers.

5. Money invested in industries in foreign nations.

6. Money given as untied grants under our foreign aid program.

One final note on our dollar liabilities. While the large amounts of dollars which foreigners now hold represent liquid liabilities and potential claims on our gold reserves, the fact that the world is willing to hold such large amounts of dollars is testimony to their confidence in the dollar.

The program to which I refer next is designed to make sure that the integrity of -- and international confidence in -- the dollar are maintained.

The Twin Problems of Balance of Payments and World Liquidity.

Most of the current discussions of international finance concerns twin problems: our balance-of-payments deficit and world liquidity

I do not mean to insult your knowledge, but let's make certain of our definitions. First of all let's define the balance of payments. It is not as easy as it might seem because it is an accounting of our private and government transactions with the rest of the world. In dangerously simplified terms the major transaction would be like this:

(Insert F which becomes -- page -4-C --)

To illustrate, the amount of dollars (or any other vehicle currency) held by banks and businesses for trade and finance will probably grow as world trade grows and develops. The dollars held for reserves can vary with the judgment of central banks and governments on (a) what amount of reserves they need and (b) their judgment as to the potential value and usefulness of the dollar.

Those who hold the dollar as a reserve currency, central banks and treasuries, do so in the knowledge that these dollars are freely convertible into gold at the fixed price of $35 an ounce. The fact that we have not varied from this policy and the fixed price for over thirty years plus the fact that we are the only country which stands ready to exchange gold for holdings of its currency has made the dollar second only to gold as an international reserve asset.

Foreign monetary authorities hold about $14 billion in their reserves. These dollars are used to finance their balance-of-payments deficits and surpluses and as a cushion for the future.

While these two international roles of the dollar are interdependent -- dollars flow back and forth between official and private hands -- changes in the world's holdings of its ~~key~~ VEHI currency dollars can have quite different implications than changes in the world's holdings of its <u>reserve</u> currency dollars.

INSERT E:

By a reserve currency we mean that dollars are held by governments and central banks as a highly liquid and dependable asset that they can use along with gold to carry them over times of temporary imbalance -- precisely the way you, as businessmen, keep reserves for contingencies. But there is an important distinction between the role of the dollar as a vehicle currency and its role as a reserve currency. I have mentioned that probably the principal factor in the dollar's role as a vehicle currency is convenience. I believe that the principal factor in the dollar's role as a reserve currency is confidence -- confidence in the ability to use it quickly and at an assured price. These are approximately the criteria most businessmen use in acquiring and holding assets as contingent reserves.

To summarize, the dollar is available, it is safe, and it is enormously convenient to have one or (or if one includes the British pound and French franc) two or three currencies that many countries can use, in an infinite variety of bilateral trade transactions, as a kind of common denominator.

The dollar's third role -- that of a reserve currency -- has developed for many of the same reasons that have made it a ~~key~~ vehicle currency.

The Dollar as a Reserve Currency

Like its role as domestic or national currency, the need for dollars as a vehicle currency increases as world trade and financial transactions increase.

~~(STATISTICS HERE)~~

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102 currencies to the second power ~~of 10.442~~ to arrive at the different methods in which a transaction could be accounted for. To avoid this chaotic situation, when a businessman in Country A sells to a customer in Country B the transaction ~~may be~~ ususually will work like this: The customer in Country B buys dollars; with the dollars he buys the national currency of Country A and uses these funds to pay the seller.

This is why we sometimes refer to the role of the dollar as a vehicle currency. It is a crucial role and it acquired this role for the reasons I have listed above.

-- because of the importance of the United States in world trade was itself very large, as seen from most other countries;

-- because there were ample and versatile credit facilities available from which supplemental supplies of dollars could be obtained at short term;

-- because accumulations held for transactions purposes could be readily invested in liquid form at reasonable rates of return;

-- because foreign transactions form so small a part of the vast U.S. markets that foreign holders have little reason to fear that their operations would become conspicuous or subject to interference; and

-- because the dollar had an established tradition -- honored through various periods of stress -- of maintaining open markets free of the dictation and the intrusions characteristic of exchange control.

There is not such a clear understanding, however, of the second and third roles, and discussions of our balance of payments and world liquidity sometimes confuse the two.

When we speak of the dollar as a ~~key~~ VEHICLE currency, we refer to its use in financing international trade and payments. The dollar in this capacity is held by private banks, businesses

and individuals throughout the world as a medium of exchange for their international transactions; they use it just as they use their own currencies for their domestic transactions.

Dollars held for this purpose -- what we call private foreign dollar holdings -- amount to over $11 billion.

How did it come about that the dollar should serve this role more than any other currency? Robert Roosa puts it succinctly in his new book:

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2-A

~~INSERT C~~: The Dollar as a National Currency

The first role, as a national currency, is I think obvious to everyone. The dollar in this historic role is our domestic medium of exchange, designed to meet the needs of our domestic financial transactions. Also, I think most people understand that our domestic money supply must grow over the years as our economy grows. There is some limit on how many times a year you can use a dollar for different transactions and as the economy grows and transactions increase there is an obvious need for more dollars to keep things moving.

Specifically, I will discuss the role of the dollar in the world today, the problem of our balance of payments, its relationship to world liquidity, the Administration's approach to these matters and where we stand today.

As this address is designed more for information than for policy, I shall be delighted to answer any questions that may occur to you at the conclusion of my formal remarks.

The Role of the Dollar

When we discuss the American dollar, I think it is important to bear in mind that the dollar serves three roles: as a national currency, as a key (sometimes referred to as a vehicle) currency and as a reserve currency.

1-B

~~INSERT A:~~ -~~2~~- 42

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Therefore, my address today can be considered more as a paper on fundamentals rather than a statement of policy.

INSERT A

This is fair enough -- six years in American politics has convinced me that criticism and debate can be especially helpful in formulating our national financial policies. But I am concerned that this debate sometimes gets off the rails because the subject matter is novel and complex.

I would suppose that nearly every man and woman in this room has had some academic background in economics. I would suppose that most of us can carry on a good reasonable argument on monetary policy and on fiscal policy. But I wonder how many are fully grounded in the concepts of the international financial mechanism that has largely developed since World War II? I would venture that most of us could discourse reasonably on the old gold standard that we were taught in college. But how many understand the workings of the IMF, the concepts of liquidity and the role of the dollar in international

DRAFT: 9/17/65

Remarks by Under Secretary Joseph W. Barr
before the National Association of Manufacturers
on Tuesday, September 21, 1965, at Hot Springs, Va.

Time was when international finance was a subject confined for the most part to the officials of the larger banks, central banks and the Treasury. Not many people outside this small group understood or cared much about it. Not so today. It is one of the hottest topics going. It seems as though every publication ~~from the financial journals to the Readers Digest~~ has something to say at one time or another about our balance of payments, gold losses, and international liquidity.

This is a mixed blessing to us in the Treasury. On the one hand, a wide-spread interest among the public in this important national problem is an encouraging sign of an alert citizenry and ultimately it will be those outside the Government who will be responsible for the solution to our balance of payments problem.

On the other hand, the Treasury Department, having the primary responsibility for this area, is the focusing point for this intense public spotlight and we are frequently taken to task and called upon to account for our actions or inactions--as the case may be. But this is fair enough and

OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

FOR RELEASE ON DELIVERY

REMARKS BY THE HONL JOSEPH W. BARR
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ASSOCIATION OF MANFUACTUERS,AT THE HOMESTEAD,
HOT SPRINGS, VIRGINIA, TUESDAY, SEPT. 21, 1965,
10:30 A.M.,

TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

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What Funds Go Out

1. Money spent to buy imports (including shipping costs to foreign lines).

2. Money spent by tourists.

3. Money spent by the U. S. in maintaining troops overseas.

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6. Remittance of dividend income and income of U. S. overseas branches to U. S. investors and corporations.

I have warned you that this is highly oversimplified accounting, but it does inclue the major items.

When the outgoing items exceed the incoming, we say that we have a deficit; when the reverse is true we say that we have a surplus.

Now some one at this juncture will say, "It is nonsense to keep accounts like these. You have current items such as funds spent on imports or money spent by tourists lumped together with capital items such as long term loans and investments!"

This is very true indeed and that is where the question of liquidity enters the picture. Just what do we mean by liquidity? The corporate explanation of liquidity is the relation between short term liabilities and short term assets. It seems to me that the international economists are much less precise in their definition. When they speak of liquidity, they usually refer to the official (government and central bank) holdings of gold and convertible currencies and the credit available on a rather automatic basis in the IMF. The relation of these assets to short-term liabilities is usually meaningless to most countries because their currencies are not used as a vehicle in commercial transactions or held as reserves.

However, in the U. S. the corporate definition of liquidity that relates liquid assets to near-term liabilities is more appropriate. It is in fact crucial because as I have pointed out $11 billion are held by private foreigners for trade and finance and $14 billion by official foreigners as reserves.

Thus, the proper definition of liquidity would probably be in three parts. For most nations it could be defined as their holdings of convertible foreign currencies, gold and their IMF position. For the U. S. it is more precise to define liquidity as the relation between these assets and our short-term liabilities. For the world as a whole, you would probably define liquidity as the amounts of acceptable international resources (gold, convertible currencies and automatic credit at the IMF) available for trade, finance and reserves.

Now let's look at our balance of payments. In essence, the balance-of-payments problem is one of United States liquidity. Our over-all financial position is good and improving but our international liquidity has been deteriorating. To illustrate, at the end of 1964 our private foreign investments alone exceeded the total of all foreign claims on us -- official and private -- by over $18 billion. The comparable figure in 1958, when our balance of payments first became a serious problem, was less than $7 billion. This is without taking any account of our gold stock which at the end of 1964 amounted to over $15 billion and our Government claims on foreign countries which amounted to over $23 billion. Our over-all position, therefore, is obviously immensely strong.

But in the process of building up these tremendous foreign assets, most of which are long-term assets, we have incurred large short-term liquid liabilities, which, while much smaller than our long-term assets, have been large in relation to our gold reserves.

At the beginning of 1958 our holdings of gold came to almost $23 billion. They now stand at less than $14 billion. Over the same period our dollar liabilities to foreign official institutions rose from less than $9 billion to over $14 billion.

It is obvious that this process of lending long and borrowing short cannot go on indefinitely, and I think that most responsible observers are agreed that our balance of payments must be brought into equilibrium to bring it to an end. But at this point the second of our twin problems comes into focus. If the dollar outflow from the U. S. is ended, how will be world's needs for a key currency and a reserve currency be met?

You will remember that I have earlier indicated that net outflows of dollars have not always been turned back to the U. S. Some of these dollars have been retained by foreigners to increase working balances to finance an expanding level of trade and finance and some of these additional dollars have been held to build up official reserves.

On its face, it appears that we are faced with a dilemma. Actually, careful analysis leads us to believe that the ending of our deficit may not create a world liquidity problem for sometime to come.

Over the past four years, while we have not changed the basic structure of the international payments mechanism, we have substantially fortified it. Just this year, the members of the International Monetary Fund agreed to support a general increase in IMF quotas of 25 percent or about $5 billion. In 1961, the ten major industrial nations, 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."

Added to this multilateral source of funds are the various bilateral arrangements whereby the major countries stand ready to swap their currencies with one or more of the other countries in time of need. The substantial support which the IMF and the leading countries have extended to the pound sterling in recent months is testimony to the strength of the present system.

In noting these strengths of the present international payments system, I am not arguing that nothing further needs to be done. I note them only because in recent months some people have unjustifiably jumped to the conclusion that an ending of the U. S. balance of payments deficits will immediately bring about a shortage of world liquidity and a crisis.

In addition to overlooking the very real strength of the current system, those who make the over-simplified argument that we should continue our balance of payments deficit to maintain world liquidity, overlook two other basic points. First, the dollar cannot continue to be a reserve currency if we continue a balance of payments deficit of the magnitudes that have prevailed in the past. Sooner or later our liabilities will become so large in relation to our gold reserves that foreign central bankers will no longer believe that the dollar is, in fact, as good as gold and they will not be willing to hold it.

Secondly, a deficit in our balance of payments does not necessarily and automatically increase world liquidity if the countries which are receiving the dollars cash them in for gold. Their reserves go up but ours go down, and the world total remains the same. To illustrate the point, in the first quarter of this year the deficit in our over-all balance of payments, seasonally unadjusted, was $180 million. But these dollars did not become new additions to total world reserves. Rather, they came right back to the U. S. Treasury Department to be exchanged, along with dollars accumulated in past periods, for some $800 million worth of gold. A continuance of the dollar outflow would lead to more of the same, a transfer of gold from the U. S. to the European surplus countries with little or no gain for world liquidity as a whole but with continual decreases in our liquidity.

The Administration's Approach

The Administration's approach to these twin problems is to move quickly and certainly to balance of payments equilibrium and at the same time to move forward in discussions on improving the world's monetary system.

I have pointed out why it is imperative for us to restore equilibrium in our balance of payments. But what, it is asked, do we mean by equilibirum? Is it an exact balance or does it allow for some deficit, say $500 million, $1 billion, or even more?

Our feeling in the Treasury is that equilibrium cannot be defined solely in terms of a figure; it is importantly a matter of confidence. Whether a given figure for the over-all balance of our international transactions represents equilibrium depends on the particular circumstances at the particular time. But while we may not be able to define in precise numerical terms what equilibrium is, we can say that it does not exist when the United States is continually losing gold. Perhaps, then, the best indication of what equilibrium in the U. S. balance of payments is, is what the rest of the world thinks it is. The extent to which they cash in their dollars for gold is, in short, a very useful indicator.

We are seeking the long-run, basic solution to our balance of payments deficit through measures which are consistent with our domestic objectives and our foreign policy objectives, and consistent with a growing volume of world trade and capital movements. In brief, our long-run approach is to:

1. Continue to minimize the balance of payments impact of Government expenditures abroad.

2. Strive to increase our exports and receipts from foreign tourists.

3. Encourage other developed nations to take on more international financing to relieve us of a disproportionate share.

4. Take measures to encourage more foreign investment here.

To gain the necessary time for these longer run measures, we have undertaken shorter-run measures which President Johnson outlined in his message last February 10. These consist of efforts to reduce foreign travel expenditures by U. S. citizens; the extension and broadening of the Interest Equalization Tax; and, most importantly, the request that banks and corporations curtail or adjust their activities to lessen the balance of payments impact of capital outflows.

The key to success in this program, both in the short-run and in the long-run, is the business community. For the short-run, we must have the effective cooperation of the business community to give us the time for our longer-run measures to take effect. And in the long run, the competitive position of American business in relation to the other major trading countries will be critical.

First of all, we must maintain our good record of relative price stability. Secondly, American business must become more energetic and effective in finding and exploiting foreign markets for American exports.

Shortly after President Johnson announced his new balance of payments program on February 10, there was an encouraging swing to a surplus in our balance of payments. It is far too early, however, to conclude that this represents a permanent trend toward equilibrium. Some of the gains were due to special factors, some were one time gains. We are by no means out of the woods yet. But we do feel that have a program which is sound and can bring us to equilibrium <u>if all of us follow through on it</u>.

While the subject of world liquidity has only recently come into public prominence, the U. S., several years ago, joined with other major countries in comprehensive studies of the international monetary system, its recent evolution, its present effectiveness and its future. On June 1 of this year, this multilateral study group issued a report which exhaustively examines the possible ways to strengthen the system. In July, Secretary Fowler announced that the U. S. stood prepared to participate in an international monetary conference that would consider what steps we might jointly take to secure substantial improvements in international monetary arrangements.

On September 10, Secretary Fowler returned from a 10-day trip to Europe during which he exchanged views with officials of seven countries on how we might move ahead to improve the workings of the international monetary system. Secretary Fowler had earlier conferred in Washington with Canadian and Japanese officials.

He found agreement that present circumstances call for a reexamination of the free world's monetary arrangements; that we should begin contingency planning for the possible time ahead when new ways of providing for growth in monetary reserves will become necessary; and that active discussions on negotiations should begin in the near future at the level of policy-making officials.

The annual meeting of the International Monetary Fund beginning next week offers a logical opportunity to start putting the negotiating machinery in motion.

In both the case of the problem of the United States balance of payments and that of international monetary reform, therefore, there are signs of progress. I would rather close, however, on a note of caution. A basic change in the world's monetary system will not come about quickly or easily. To reach agreement among all the nations involved on anything so basic will require time and enormous effort.

A lasting improvement in our balance of payments -- lasting enough to be meaningful in the context I have described -- will also require time and effort.

The President's program is broad-gauged, requiring some sacrifice of many elements of the population but no unreasonable sacrifice, in our judgment, of any one element. Of course, more tourists would like to bring back more goods duty-free from abroad; of course, banks and other lenders would like to lend as freely as possible abroad; of course, businessmen would like to take advantage of every attractive overseas investment opportunity. Essentially, we are asking these groups to adjust -- not halt -- these practices, so that confidence in the dollar will be sustained.

If confidence in the dollar is sustained, if the international monetary system evolves in a sensible way, we will have created the best possible environment for the American economy -- American businessmen -- to demonstrate their formidable competitive strength in the world at large, in the year's ahead.

oOo

TREASURY DEPARTMENT

WASHINGTON, D.C.
September 20, 1965

FOR IMMEDIATE RELEASE

TEXT OF TAX PROTOCOL ANNOUNCED

The Treasury today published the attached text of the proposed protocol (amendment) to the Tax Convention (treaty) between the United States and Germany.

Signing of the protocol was announced Friday by the State Department.

Note: Copies of the State Department release and the text of the protocol are attached.

DEPARTMENT OF STATE

FOR THE PRESS

SEPTEMBER 17, 1965 NO. 224

SIGNING OF INCOME-TAX PROTOCOL WITH FEDERAL REPUBLIC OF GERMANY

On September 17, 1965, the American Ambassador at Bonn and the Minister of Foreign Affairs of the Federal Republic of Germany signed a protocol between the United States of America and the Federal Republic of Germany modifying the convention of July 22, 1954 for the avoidance of double taxation with respect to taxes on income.

Modification of the 1954 convention in certain respects has been made advisable by reason of experience in the application of the convention since its entry into force and by relevant changes in the Federal Republic's tax system.

A major feature of the revision effected by the protocol is a change in the taxation of dividends. Under the provisions as amended by the protocol, dividends passing from one country to the other will be subject to a reduced withholding tax of 15 percent. An exception to this rule is provided in respect of dividends paid by a Federal Republic company to a United States company having an interest of 10 percent or more in the Federal Republic company paying the dividends. The Federal Republic tax on dividends in such case will be withheld at the full rate of 25 percent, whenever the dividends are reinvested in the Federal Republic company. In this connection, reinvestment in any calendar year totalling less than 7.5 percent of the dividends received will be disregarded. On the other hand, any reinvestment made by the United States company in the year prior to or following the year in which the dividends are paid will be taken into account for purposes of imposing Federal Republic withholding tax at the full 25 percent rate.

Another important change effected by the protocol in the convention relates to know-how payments. Such payments will be treated as royalties and as such will be exempt from tax in the country of source as from January 1, 1963.

The definition of the term "permanent establishment" and the rule governing industrial and commercial profits are brought into line with the definition in other recent income-tax conventions concluded by the United States. Other changes effected by the protocol relate to the taxation of interest and capital gains. Double taxation of dividends from portfolio investments in the United States will be avoided by crediting United States tax against Federal Republic tax. The convention would be extended to include the Federal Republic trade tax and capital tax. The protocol provides for a broadening of the exemption with respect to personal service income and the provisions dealing with governmental salaries, wages, and pensions. American nonprofit institutions would be accorded exemption from Federal Republic tax comparable with that accorded Federal Republic nonprofit institutions under United States law.

Except as otherwise indicated in the protocol, the convention as amended is to apply as of January 1 of the year in which the exchange of instruments of ratification takes place. The article regarding taxation of dividends would have effect with respect to dividends paid on or after January 1, 1965.

The protocol will be transmitted to the Senate for advice and consent of the Senate to ratification.

* * *

Protocol

modifying the Convention of July 22, 1954, between the Federal Republic of Germany and the United States of America for the Avoidance of Double Taxation with respect to Taxes on Income

The Federal Republic of Germany

and the

United States of America

DESIRING to modify the Convention between the Federal Republic of Germany and the United States of America for the Avoidance of Double Taxation with respect to Taxes on Income, signed on July 22, 1954, and to extend it to certain other taxes, the Convention bearing the title

"Convention between the Federal Republic of Germany and the United States of America for the Avoidance of Double Taxation with respect to Taxes on Income and to certain other Taxes"

have agreed as follows:

Article 1

Article I of the Convention shall be deleted and replaced by the following:

"Article I

(1) The taxes referred to in this Convention are:

(a) In the case of the United States of America:
The Federal income taxes, including surtaxes
(hereinafter referred to as "United States tax");

(b) In the case of the Federal Republic of Germany:

The Einkommensteuer (income tax),
the Körperschaftsteuer (corporation tax),
the Gewerbesteuer (trade tax), and
the Vermogensteuer (capital tax)
(hereinafter referred to as "Federal Republic tax").

(2) The present Convention shall also apply to any other tax of a substantially similar character which may be imposed by one of the contracting States after the date of signature of the present Convention.

(3) The provisions of the present Convention in respect to the taxation of profits shall likewise apply to the Federal Republic trade tax (Gewerbesteuer) computed on a basis other than profits or capital."

Article 2

Article II (1) (c) of the Convention shall be deleted and replaced by:

"(c) (aa) The term "permanent establishment" means a fixed place of business in which the business of an enterprise of one of the contracting States is wholly or partly carried on.

(bb) A permanent establishment shall include especially:

a place of management;

a branch;

an office;

a store or other sales outlet;

a factory;

a workshop;

a mine, quarry or other place of extraction of natural resources;

a building site or construction or assembly project which exists for more than twelve months.

(cc) Notwithstanding subparagraph (c) (aa) of this paragraph a permanent establishment shall be deemed not to include one or more of the following activities:

the use of facilities for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

the maintenance of a stock of goods or merchandise belonging to the enterprise for the purpose of storage, display or delivery;

the maintenance of a stock of goods or merchandise belonging to the enterprise for the purpose of processing by another enterprise;

the maintenance of a fixed place of business for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

the maintenance of a fixed place of business for the purpose of advertising, for the supply of information, for scientific research or for similar activities, if they have a preparatory or auxiliary character, for the enterprise.

d) Even if an enterprise of one of the contracting States does not have a permanent establishment in the other State under subparagraph (c) (aa) to (cc) of this paragraph, nevertheless it shall be deemed to have a permanent establishment in the latter State if it is gaged in trade or business in that State through an agent who has an authority to conclude contracts in the name of the enterprise and regularly exercises that authority in that State, unless the exercise of authority is limited to the purchase of goods or merchandise for the account of the enterprise.

(ee)An enterprise of one of the contracting States shall not be deemed to have a permanent establishment in the other State merely because it is engaged in trade or business in that other State through a broker, general commission agent or any other agent of an independent status, where such person is acting in the ordinary course of business.

(ff)The fact that a resident or a corporation of one of the contracting States controls, is controlled by, or is under common control with, (i) a corporation of the other State or (ii) a corporation which engages in trade or business in that other State (whether through a permanent establishment or otherwise) shall not be taken into account in determining whether such resident or corporation has a permanent establishment in that other State."

Article 3

Article III of the Convention shall be deleted and replaced by the following:

"Article III

(1) Industrial or commercial profits of an enterprise of one of the contracting States shall be exempt from tax by the other State unless the enterprise is engaged in trade or business in such other State through a permanent establishment situated therein. If such enterprise is so engaged, tax may be imposed by such other State on the industrial or commercial profits of the enterprise but only on so much of them as are attributable to the permanent establishment or are derived from sources within such other State from sales of goods or merchandise of the same kind as those sold, or from other business transactions of the same kind as those effected, through the permanent establishment.

(2) Where an enterprise of one of the contracting States is engaged in trade or business in the other State through a

permanent establishment situated therein, there shall be attributed to such permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment. Where the enterprise, in addition to the profits derived through the permanent establishment, derives other profits of the kind referred to in paragraph (1), such other profits shall be treated as if they were derived through the permanent establishment.

(3) In determining the industrial or commercial profits of an enterprise of one of the contracting States which are taxable in the other State in accordance with paragraphs (1) and (2), there shall be allowed as deductions all expenses, wherever incurred, which are reasonably connected with the profits so taxable, including executive and general administrative expenses.

(4) No profits shall be deemed to be derived from sources within one of the contracting States by an enterprise of the other State merely by reason of the purchase of goods or merchandise by a permanent establishment of the enterprise, or by the enterprise itself, for the account of the enterprise.

(5) The term "industrial or commercial profits" means income derived by an enterprise from the active conduct of a trade or business, including income derived by an enterprise from the furnishing of services of employees or other personnel, but does not include income dealt with in Article VI paragraphs (1) to (6) (dividends), Article VII paragraphs (1) and (2) (interest), Article VIII paragraphs (1) to (3) (royalties), Article IX (income from real property and natural resources), Article IX A paragraphs (1), (2) and (4) (capital gains) and Article X (labor and personal services)."

Article 4

Article VI of the Convention shall be deleted and replaced by the following:

"Article VI

(1) Except as otherwise provided in this Article, United States tax on dividends received by a natural person resident in the Federal Republic or by a German company from a United States corporation shall not exceed 15 percent of the gross amount of the dividends.

(2) Except as otherwise provided in this Article, Federal Republic tax on dividends received by a resident or corporation or other entity of the United States from a German company shall not exceed 15 percent of the gross amount of the dividends.

(3) Notwithstanding paragraph (2) of this Article, Federal Republic tax on dividends received by a United States corporation or other entity from a German company at least 10 percent of the voting shares of which are owned directly by the former corporation or entity may exceed 15 percent but shall not exceed 25 percent of that portion of any dividend which, under paragraph (5) of this Article, is deemed reinvested. The foregoing provision shall apply only if at the time the dividend is distributed

the Federal Republic imposes a corporation tax on the distributed profits of the German company at a rate at least 20 percentage points lower than the corporation tax imposed upon its undistributed profits.

(4) The provisions of paragraph (3) of this Article shall apply, <u>mutatis mutandis</u>, to United States tax imposed on dividends received by a German company from a United States corporation.

(5) For purposes of paragraph (3) of this Article, if th United States corporation transfers money or other property, directly or indirectly, to the German company as a loan or as an increase in the equity capital of the German company, or as any other form of investment in such company, and if the amount so transferred exceeds 7.5 percent of the dividends received by the United States corporation from the German company in the calendar year in which such transfer is made, then the entire amount transferred shall be deemed to be a reinvestment of dividends received from the German company

(a) in the calendar year preceding the year in which the amount is transferred,

(b) in the calendar year in which the amount is transferred, and

(c) in the following calendar year,

in that order and to the extent of such dividends. With respect to dividends paid in any year there shall first be taken into account the amounts transferred in the preceding year to the extent that such amounts were deemed to be reinvestments and did not result in the imposition of tax under paragraph (3) of this Article on any prior dividend.

(6) Any reduction in withholding or refund of tax withheld on dividends to which paragraph (3) or paragraph (4) is applicable is subject to recapture if tax becomes due by reason of transfers that are deemed reinvestments under paragraph (5), the corporation receiving and that paying the dividend being jointly and severally liable for such recapture.

(7) The foregoing provisions shall not apply, if the recipient of the dividends has a permanent establishment in the United States, for the purposes of paragraphs (1) and (4), or in the Federal Republic, for the purposes of paragraphs (2) and (3), and the holding giving rise to the dividends is effectively connected with such permanent establishment.

(8) The term "dividends" shall include in the case of the Federal Republic, in addition to distributions by an "Aktiengesellschaft" (stock corporation), distributions with respect to shares in a "Gesellschaft mit beschränkter Haftung" (private limited company), in a "Kapitalanlagegesellschaft" (investment trust) or in a "Kommanditgesellschaft auf Aktien" (partnership limited by shares) and income derived from "Kuxe" (mining shares), from "Genussscheine" (profit participation certificates), or by a "stiller Gesellschafter" (sleeping partner) from his participation as such."

Article 5

Article VII of the Convention shall be deleted and replaced by the following:

"Article VII

(1) Interest on bonds, notes, debentures, securities or on any other form of indebtedness (including debts secured by mortgages or other encumbrances on real property) derived by a natural person resident in the Federal Republic or by a German company shall be exempt from tax by the United States.

(2) Interest on bonds, notes, debentures, securities or on any other form of indebtedness (including debts secured by mortgages or other encumbrances on real property) derived by a resident or corporation or other entity of the United States shall be exempt from tax by the Federal Republic.

(3) Paragraph (1) or paragraph (2) of this Article shall not apply if the recipient of the interest has a permanent establishment in the United States, for purposes of paragraph (1), or in the Federal Republic, for purposes of paragraph (2), and the debt-claim giving rise to the interest is effectively connected with such permanent establishment.

(4) Where, owing to a special relationship between the payor and the recipient or between both of them and some other person, the amount of the interest paid, having regard to the debt claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each contracting State, due regard being had to the other provisions of this Convention."

Article 6

Article VIII of the Convention shall be deleted and replaced by the following:

"Article VIII

(1) Royalties derived by a natural person resident in the Federal Republic or by a German company shall be exempt from tax by the United States.

(2) Royalties derived by a resident or corporation or other entity of the United States shall be exempt from tax by the Federal Republic.

(3) The term "royalties", as used in this Article,

(a) means any royalties, rentals or other amounts paid as consideration for the use of, or the right to use, copyrights, artistic or scientific works (including motion picture films, or films or tapes for radio or television broadcasting), patents, designs, plans, secret processes or formulae, trade-marks, or other like property or rights, or for industrial, commercial or scientific equipment, or for knowledge, experience or skill (know-how) and

(b) shall include gains derived from the alienation of any right or property giving rise to such royalties.

(4) Paragraph (1) or paragraph (2) of this Article shall not apply if the recipient of the royalties has a permanent establishment in the United States, for purposes of paragraph (1), or in the Federal Republic, for purposes of paragraph (2), and the right or property giving rise to the royalties is effectively connected with such permanent establishment.

(5) Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each contracting State, due regard being had to the other provisions of this Convention."

Article 7

Article IX of the Convention shall be deleted and replaced by the following:

"Article IX

(1) Income from real property situated in one of the contracting States and royalties in respect of the operation of mines, quarries or other natural resources located within that State, including gains derived from the alienation of items of the aforementioned property, may be taxed by that State.

(2) A natural person resident in the Federal Republic or a German company subject to tax in the United States, or a resident or corporation or other entity of the United States subject to tax in the Federal Republic, on any income mentioned in paragraph (1) of this Article may elect for any taxable year to compute tax on such income on a net basis at the tax rates that would apply to a resident or company of the contracting State in which the property is situated.

Article 8

The following new Article shall be inserted immediately after Article IX of the Convention:

"Article IX A

(1) Gain derived by a natural person resident in the Federal Republic or by a German company from the alienation of a capital asset (other than gain from the alienation of property referred to in Article IX of this Convention) shall be exempt from tax by the United States.

(2) Gain derived by a resident or corporation or other entity of the United States from the alienation of a capital asset (other than gain from the alienation of property referred to in Article IX of this Convention) shall be exempt from tax by the Federal Republic.

(3) Paragraph (1) or paragraph (2) of this Article shall not apply if the person deriving the gain has a permanent establishment in the United States, for purposes of paragraph (1), or in the Federal Republic, for purposes of paragraph (2), and the gain is derived from the alienation of a

capital asset which is effectively connected with such permanent establishment.

(4) Paragraph (1) of this Article shall not apply if:

(a) the person deriving the gai is a natural person resident in the Federal Republic who is present in the United States for a period equal to or exceeding an aggregate of 183 days during the taxable year, and

(b) the asset alienated was held by such person for six months or less."

Article 9

Article X of the Convention shall be deleted and replaced by the following:

"Article X

(1) Compensation for labor or personal services (including compensation derived from the practice of a liberal profession and the rendition of services as a director) performed outside the United States by a natural person resident in the Federal Republic shall be exempt from tax by the United States.

(2) Compensation for labor or personal services (including compensation derived from the practice of a liberal profession and the rendition of services as a director) performed in the United States by a natural person resident in the Federal Republic shall be exempt from tax by the United States if --

(a) he is present in the United States for a period or periods not exceeding a total of 183 days during a taxable year,

(b) such labor or personal services are performed as an employee of, or under contract with, a natural person resident in the Federal Republic or a German company, and such compensation is borne by such resident or company, and

(c) such compensation is not borne by a permanent establishment which such resident or company has in the United States.

(3) Compensation for labor or personal services (including compensation derived from the practice of a liberal profession and the rendition of services as a director) performed outside the Federal Republic by a resident of the United States shall be exempt from tax by the Federal Republic.

(4) Compensation for labor or personal services (including compensation derived from the practice of a liberal profession and the rendition of services as a director) performed in the Federal Republic by a resident of the United States shall be exempt from tax by the Federal Republic if --

(a) he is present in the Federal Republic for a period

or periods not exceeding a total of 183
days during a taxable year,

(b) such labor or personal services are performed as an employee of, or under contract with, a resident or corporation or other entity of the United States and such compensation is borne by such resident or corporation or other entity, and

(c) such compensation is not borne by a permanent establishment which such resident or corporation or other entity has in the Federal Republic."

Article 10

Article XI of the Convention shall be deleted and replaced by the following:

"Article XI

(1) (a) Wages, salaries and similar compensation and pensions paid by the United States or by its states, territories or political subdivisions, to a natural person, other than a German citizen, shall be exempt from tax by the Federal Republic.

(b) Wages, salaries and similar compensation and pensions paid by the Federal Republic or by its Laender or by municipalities, or by a public pension fund thereof, to a natural person, other than a citizen of the United States and other than an individual who has been admitted to the United States for permanent residence therein, shall be exempt from tax by the United States.

(c) Pensions, annuities and other amounts paid by one of the contracting States or by a juridical person organized under the public laws of that State as compensation for an injury or damage sustained as a result of hostilities or political persecution shall be exempt from tax by the other State.

(d) For the purposes of this paragraph the term "pensions" shall be deemed to include annuities paid to a retired civilian government employee.

(2) Private pensions and private life annuities which are derived from sources within one of the contracting States and are paid to a natural person resident in the other State shall be exempt from taxation by the former State.

(3) The term "pensions", as used in this Article, means periodic payments made in consideration for services rendered or by way of compensation for injuries received.

(4) The term "life annuities", as used in this Article, means a stated sum payable periodically at stated times during life, or during a specified number of years, under an obligation to make the payments in return for adequate and full consideration in money or money's worth."

Article 11

The following new Article shall be inserted immediately after Article XIV of the Convention:

"Article XIV A

With respect to taxes on capital, the following provisions shall apply:

(1) Capital represented by property mentioned in Article IX may be taxed in the contracting State in which such property is situated.

(2) Subject to the provisions of paragraph (3) below, capital represented by assets, other than property referred to in paragraph (1), which are effectively connected with a permanent establishment of an enterprise of one of the contracting States may be taxed in the State in which the permanent establishment is situated.

(3) Ships and aircraft of an enterprise of one of the contracting States and assets, other than property referred to in paragraph (1), pertaining to the operation of such ships or aircraft shall be exempt from tax by the other State.

(4) (a) All other elements of capital of a natural pers resident in the Federal Republic or of a German company shall be exempt from tax by the United States.

(b) All other elements of capital of a resident or corporation or other entity of the United States shall be exempt from tax by the Federal Republic

Article 12

Article XV (1) of the Convention shall be deleted and replaced by the following:

"(1) It is agreed that double taxation shall be avoided in the following manner:

(a) The United States, in determining United States tax in the case of its citizens, residents or corporations, may, regardless of any other provision of this Convention, include in the basis upon which such tax is imposed all items of income taxable under the revenue laws of the United States as if this Convention had not come into effect. The United States shall, however, allow to a citizen, resident or corporation of the United States as a credit against United States tax the appropriate amount of Federal Republic tax paid, other than the Vermögensteuer (capital tax) and that portion of the Gewerbesteuer (trade tax) computed on a basis other than profits. Such appropriate amount shall be based upon the amount of Federal Republic tax paid but shall not exceed that portion of the United States tax which net income from sources within the

Federal Republic bears to the entire net income. It is agreed that, by virtue of the provisions of this Article, the Federal Republic satisfies the similar credit requirement of the Internal Revenu Code with respect to Federal Republic tax.

(b) 1. Federal Republic tax shall be determined in tl case of a natural person resident in the Federal Republic or of a German company as follows:

(aa) Unless the provisions of subparagraph (bb) b apply, there shall be excluded from the basi upon which Federal Republic tax is imposed, item of income from sources within the Unite States or any item of capital situated withi the United States which, according to this Convention, is not exempt from tax by the Un States. The Federal Republic, however, reta the right to take into account in the determ tion of its rate of tax the items of income capital so excluded. The first sentence sha in the case of income from dividends, apply only to such dividends subject to tax under States law as are paid to a German company l by shares (Kapitalgesellschaft) by a United corporation, at least 25 percent of the voti shares of which are owned directly by the first-mentioned company. There shall also be excluded from the basis upon which Federal Republic tax is imposed any participation the dividends on which are excluded, or if paid would be excluded, from the tax basis according to the foregoing sentence.

(bb) United States tax payable under the laws of the United States and in accordance with this Convention on the following items of income shall be allowed as a credit against such Federal Republic tax/as is payable in respect of the following items of income:

on income

(i) dividends not dealt with in subparagraph (aa) above;

(ii) wages, salaries, pensions and similar compensation paid by the United States or by its states, territories or political subdivisions, not being exempt from Federal Republic tax under Article XI, paragraph (1), subparagraph (a) of this Convention.

Such credit shall not exceed that portion of the Federal Republic tax which such items of income bear to the total amount of all items of income.

2. Where a natural person subject to unlimited tax liability in the Federal Republic is also a resident of the United States for purposes of United States tax or a citizen of the United States, subparagraph 1 (aa) shall apply to those items of income from sources within the United States and those items of capital situated within the United States which, according to that subparagraph, are exempt from Federal Republic tax when received or owned by a natural person who is not a resident of the United States for the purposes of United States tax nor a citizen of the United States. All other items of income and capital shall be included in the basis upon which Federal Republic tax is imposed as if this Convention had not come into force. There shall, however, subject to paragraph 34 c of the German Income Tax Act, as amended, be allowed as a credit against Federal Republic income tax the United States tax on such other income from sources with the United States."

Article 13

The following new Article shall be inserted immediately after Article XV of the Convention:

"Article XV A

(1) A German company or organization operated exclusively for religious, charitable, scientific, educational or public purposes shall be exempt from tax by the United States, if and to the extent that --

(a) such company or organization is exempt from tax in the Federal Republic, and

(b) such company or organization would be exempt from tax in the United States if it were organized, and carried on all its activities, in the United States.

(2) A United States corporation or organization operated exclusively for religious, charitable, scientific, educational or public purposes shall be exempt from tax by the Federal Republic, if and to the extent that --

(a) such corporation or organization is exempt from tax in the United States, and

(b) such corporation or organization would be exempt from tax in the Federal Republic if it were a German company or organization and carried on all its activities in the Federal Republic."

Article 14

Article XVI paragraph (1) of the Convention shall be deleted and replaced by:

"(1) The competent authorities of the contracting States shall exchange such information (being information available under the respective taxation laws of the contracting States) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the like in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret but may be disclosed to persons (including a court or administrative body) concerned with assessment, collection, enforcement or prosecution in respect of taxes which are the subject of the present Convention. No information shall be exchanged which would disclose any trade, business, industrial or professional secret or any trade process."

Article 15

Article XVII of the Convention shall be deleted and replaced by the following:

"Article XVII

(1) Where a taxpayer shows proof that the action of th tax authorities of the contracting States has resulted or wi result in double taxation contrary to the provisions of the present Convention, he shall be entitled to present his case to the State of which he is a citizen or a resident, or, if the taxpayer is a company or a corporation of one of the contracting States, to that State. Should the taxpayer's cl be deemed worthy of consideration, the competent authority o the State to which the claim is made shall endeavor to come to an agreement with the competent authority of the other St with a view to avoidance of double taxation.

(2) The competent authorities of the contracting State may communicate with each other directly to implement the provisions of the present Convention. Should any difficulty or doubt arise as to the interpretation or application of th present Convention, or its relationship to conventions betwe one of the contracting States and any other state, the compe

authorities shall endeavor to settle the question as quickly as possible by mutual agreement.

(3) In particular, the competent authorities of the contracting States may consult together to endeavor to agree

(a) to the same attribution of industrial or commercial profits to an enterprise of one of the contracting States and to its permanent establishment situated in the other State,

(b) to the same allocation of profits between related enterprises as provided for in Article IV, or

(c) to the same determination of the source of particular items of income.

In the event that the competent authorities reach such an agreement taxes shall be imposed on such income, and refund or credit of taxes shall be allowed, by the contracting States in accordance with such agreement."

Article 16

This Protocol shall also apply to Land Berlin, provided that the Government of the Federal Republic of Germany has not delivered a contrary declaration to the Government of the United States of America within three months from the date of entry into force of this Protocol.

The effect of the O'Brien bridge has been to assure that every member has the chance to hear not only the Department's position, but the President's views on legislation he is sponsoring. The distinction may sound tenuous, but think back to my original point that the Congress usually tends to jump to a conclusion that departmental positions are narrow-minded and parochial. They do <u>not</u> take that attitude with Presidents. Even if they disagree with a position, as politicians they are acutely aware that a President stands for election before <u>all</u> the people.

It would be difficult to exaggerate the importance of

handful

this development involving only a hand~~f~~ful~~l~~ of people in the White House and 30 or 40 in the rest of the government. While maintaining the absolute independence of the individual member of Congress, the O'Brien bridge has in effect opened a parliamentary dialogue in a Congressional system. I mean by this that the politicians -- the Members and the President are now engaged in a ~~rather~~ direct dialogue as they would in a Parliament.

I believe that the recent legislative record will support my thesis that a dialogue between the politicians develops more understanding than the more traditional dialogue between the Congress and the departments.

III. Specialization

I have already referred to the fact that the variety of issues confronting the Congress makes it a practical necessity to rely on the judgment of Members who specialize in the particular area. As a Member I had a vague ; idea that the Congress was a body of generalists fragmented into areas of specialization. I was forming a dim idea that access to committee staffs and to the staffs of the Departments over which ~~you~~ ONE had oversight opened up extraordinary avenues for research in depth in particular areas. However, the extent and the quality of the Congressional system of specialization never became fully apparent until I was on the outside looking in.

My experience on the outside has had mainly to do with taxes and finance and has involved the Ways and Means Committee and Banking and Currency Committee of the House plus the Senate Finance, Banking and Currency, and Foreign Relations Committees. I cannot speak with a background of experience on the other Committees of the Congress but I can state emphatically that an Administration witness before any of the Committees I have named is always pressed-- and pressed hard -- to make a case. The Members of these Committees have had years of experience; they are backed up by excellent staffs; and their accumulated knowledge on almost any one of the problems that confront the Treasury is usually awe-inspiring.

There is nothing that irritates me more than a somewhat recurring theme that I encounter periodically to the effect that the Congress is a rubber stamp. To the people who make

These speeches and write these articles, I have always wanted to extend an invitation to testify on a highly technical + controversial subject before the Ways and Means Committee.

Let me give you an example. About a month ago I testified before Ways and Means on Unemployment Compensation legislation. This subject is always controversial and it is admittedly complex. However, for my own information I kept a log of the hours I ~~had~~ spent in preparing for the testimony. I logged a total of 34 hours -- usually late at night or early in the morning -- ~~pex~~ preparing myself for a three-hour session.

This may seem like super-caution, but too often I have seen intelligent, experienced witnesses demolished before these Committees because they had not taken the trouble to do their homework. Just this week one of our Assistant Secretaries went before the Senate Finance Committee to testify for a total of twenty minutes on the Canadian/auto parts legislation. This man told me that he had spent 29 hours in preparation.

I hope these illustrations will ~~illustrate~~ why I become so irritated at the "rubber stamp" charge that is ~~often~~ ~~levied~~ LEVELLED at the Congress. Any reasonable man with any experience in the affairs of this Government knows better. He knows that when he takes the Administration's case to the Congress -- no matter what the majority his party may have -- he is confronted with an independent panel of specialized experts who usually possess vastly more experience than he. Unless he is to disgrace himself, his Department, and the Administration, he has no alternative but to spend bone-crushing hours of preparatory homework.

It is from this particular angle that the Congress looks most different from the outside than from the inside.

~~And~~ I have often wondered whether it was not this degree of specialization that has developed in the United States Congress that has made it the tough, effective legislative body that it is today. We live in a world of specialists in every phase of our lives. While the Congressional system with its high degree of specialization may appear fragmented and disorderly to those who admire the symmetry of the Parliamentary system, I would submit that the Congressional system is peculiarly adapted to the world in which we live today.

It seems to me that this is especially true in the area of taxation. In a Parliamentary system a major overhaul of a nation's tax system can usually be accomplished in a month or two months. In the United States, I know from experience that it usually takes at least a year and in that period of a year /the legislation is debated in the Committees of the House and Senate, on the floor, in the press, at most business and labor gatherings, and eventually becomes the topic of almost general conversation in the nation. While this can be an excruciating and harassing experience for the Treasury, it does have one enormous advantage. If your case is solid and will stand the scrutiny of the Congress, the press, and the general public, -- NO MATTER HOW CONTROVERSIAL IT MAY APPEAR AT FIRST -- you will usually end up with a consensus ranging from two-thirds to three-fourths of the nation in support of the proposal. As a result, when the legislation is finally enacted, the nation ~~is generally informed~~ USUALLY BOTH UNDERSTANDS AND ~~and generally~~ supports ~~supporting~~ what has been done. In any area so vital to our ~~national~~ DOMESTIC welfare as taxation, I think this heavy consensus is crucial.

__Conclusion__ ~~I know of no one who has ever served in the~~

Congress of the United States who does not admire and feel a deep affection for the institution. At this particular moment in our history, when we are approaching the end of one of the most remarkable sessions in the history of the United States Congress, it is a distinct pleasure for me to be able to offer this tribute. ~~Some day, when I am old and retired, I would like to return to this manuscript, to expand it, and to include the critical comments which admittedly are absent today. But~~ At this ~~particular~~ moment, I am ~~more than satisfied to be able to offer the bright side of the coin.~~ I can only conclude from my vantage point first on the inside and then on the outside, the American Congress ~~hxx~~ as it exists today is a highly effective instrument reflecting the will of all the American people.

And when I look further at the cooperation and understanding that has been established between the politicians at both

PROFOUND

ends of Pennsylvania Avenue, I can feel a reasonable degree

CONFIDENCE IN

of certainty at the ability of this Nation to face up to its problems.

of the nation in support of the proposal. As a result, when the legislation is finally enacted, the nation usually both understands and supports what has been done. In any area so vital to our domestic welfare as taxation, I think this heavy consensus is crucial.

CONCLUSION

I can only conclude from my vantage point first on the inside and then on the outside~~,~~ THAT the American Congress as it exists today is a highly effective instrument reflecting the will of ~~all~~ the American people. And when I look further at the cooperation and understanding that has been established between the politicians at both ends of Pennsylvania Avenue, I feel a profound confidence in the ability of this Nation to face up to its problems.

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All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue at a specific rate or price, until after one-thirty p.m., Eastern Daylight Saving time, Tuesday, October 5, 1965.

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,non-competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 11, 1965, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are 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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F-207

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 22, 1965

FOR IMMEDIATE RELEASE

TREASURY OFFERS $1 BILLION IN JUNE TAX BILLS

The Treasury Department, by this public notice, invites tenders f $1,000,000,000, or thereabouts, of 254-day Treasury bills, to be issue on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series bill be designated Tax Anticipation Series, they will be dated October 11, 1965, and they wil mature June 22, 1966. They will be accepted at face value in payment of income taxes due on June 15, 1966, and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpayers desiring to apply these bills in payment of June 15, 1966, income taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, no more than fifteen days before June 15, 1966, and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before June 15, 1966, to the District Director of Internal Revenue for the District in which such taxes are payable. The bills will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,0 $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Tuesday, October 5, 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 trust company.

F-207

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TREASURY DEPARTMENT
Washington

September 22, 1965

FOR IMMEDIATE RELEASE,
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

(1) TREASURY OFFERS $1 BILLION IN JUNE TAX BILLS

The Treasury Department, by this public notice, invites tenders for $1,000,000,000 (2), or thereabouts, of 254 (3) -day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be designated Tax Anticipation Series, they will be dated October 11, 1965 (4), and they will mature June 22, 1966 (5). They will be accepted at face value in payment of income taxes due on June 15, 1966 (6), and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpayers desiring to apply these bills in payment of June 15, 1966 (7), income taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before June 15, 1966 (8), and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before June 15, 1966 (9), to the District Director of Internal Revenue for the District in which such taxes are payable. The bills will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving ~~Standard~~ time, Tuesday, October 5, 1965 (10). 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.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue at a specific rate or price, until after one-thirty p.m., Eastern Daylight Saving time, Tuesday, October 5, 1965.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $ 200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 11, 1965, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

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

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

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

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue at a specific rate or price, until after one-thirty p.m., Eastern Daylight Saving time, Tuesday, October 5, 1965.

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, non-competitive tenders for $400,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 11, 1965, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

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

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 22, 1965

FOR IMMEDIATE RELEASE

TREASURY OFFERS $3 BILLION IN MARCH TAX BILLS

The Treasury Department, by this public notice, invites tenders for $3,000,000,000, or thereabouts, of 162-day Treasury bills, to be issued on a discount basis under competitive and noncompetitive biddin as hereinafter provided. The bills of this series will be designated Tax Anticipation Series, they will be dated October 11, 1965, and they will mature March 22, 1966. They will be accepted at face value in payment of income taxes due on March 15, 1966, and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpayers desiring to apply these bills in payment of March 15, 1966, income taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, no more than fifteen days before March 15, 1966, and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before March 15, 1966, to the District Director of Internal Revenue for the District in which such taxes are payable. The bills will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,0 $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Tuesday, October 5, 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 urge 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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TREASURY DEPARTMENT
Washington

September 22, 1965

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TREASURY OFFERS $3 BILLION IN MARCH TAX BILLS

The Treasury Department, by this public notice, invites tenders for $3,000,000,000 X(2)X, or thereabouts, of 162 X(3)X -day Treasury bills, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be designated Tax Anticipation Series, they will be dated October 11, 1965 X(4)X, and they will mature March 22, 1966 XX(5)X. They will be accepted at face value in payment of income taxes due on March 15, 1966 X(6)X, and to the extent they are not presented for this purpose the face amount of these bills will be payable without interest at maturity. Taxpayers desiring to apply these bills in payment of March 15, 1966 X(7)X, income taxes have the privilege of surrendering them to any Federal Reserve Bank or Branch or to the Office of the Treasurer of the United States, Washington, not more than fifteen days before March 15, 1966 X(8)X, and receiving receipts therefor showing the face amount of the bills so surrendered. These receipts may be submitted in lieu of the bills on or before March 15, 1966 X(9)X, to the District Director of Internal Revenue for the District in which such taxes are payable. The bills will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern/Daylight Saving ~~Standard~~ time, Tuesday, October 5, 1965 X(10). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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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.

All bidders are required to agree not to purchase or to sell, or to make any agreements with respect to the purchase or sale or other disposition of any bills of this issue at a specific rate or price, until after one-thirty p.m., Eastern/~~Standard~~ Daylight Saving time, Tuesday, October 5, 1965.

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 $ 400,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 11, 1965, provided, however, any qualified depositary will be permitted to make payment by credit in its Treasury tax and loan account for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

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

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

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 September 30,1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing September 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 are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 22, 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 September 30,1965, in the amount of $3,202,999,000, as follows:

91-day bills (to maturity date) to be issued September 30, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated July 1, 1965, and to mature December 30,1965, originally issued in the amount of $1,000,158,000, the additional and original bills to be freely interchangeable.

182-day bills (to maturity date) to be issued September 30, 1965, in the amount of $1,000,000,000, or thereabouts, representing an additional amount of bills dated March 31, 1965, and to mature March 3 1966, originally issued in the amount of $1,000,304,000, the additional and original bills to be freely interchangeable.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, September 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. 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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TREASURY DEPARTMENT
Washington

September 22, 1965

FOR IMMEDIATE RELEASE,
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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 September 30, 1965 , in the amount of $ 3,202,999,000 , as follows:

91 -day bills (to maturity date) to be issued September 30, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated July 1, 1965 , and to mature December 30, 1965 , originally issued in the amount of $ 1,000,158,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 1,000,000,000 , or thereabouts, to be dated September 30, 1965 , and to mature March 31, 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 ~~XXXXXXXX~~ time, Monday, September 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. It is urged that tenders be made on the

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MR. MERRITT'S OFFICE

PUBLIC DEBT 1966

September 22, 1965

To Presidents, Federal Reserve Banks:

Boston	Cleveland	Chicago	Kansas City
New York	Richmond	St. Louis	Dallas
Philadelphia	Atlanta	Minneapolis	San Francisco

PERSONAL AND CONFIDENTIAL: Remytel today completing Press Statement BETA MODIFIED in first paragraph delete entire clause for describing 182-day bills and in lieu thereof substitute:

QUOTE 182-day bills (to maturity date) to be issued September 30, 1965, in the amount of $1,000,000,000, or thereabouts, representing an additional amount of bills dated March 31, 1965, and to mature March 31, 1966, originally issued in the amount of $1,000,304,000, the additional and original bills to be freely interchangeable.

Accordingly, delete fill in information items 11, 12, 13 and 14 in previous wire when sending confirmation and in lieu thereof confirm above quoted change. UNQUOTE

CARLOCK

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

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

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

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 22, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
STEEL WELDED WIRE MESH

The Treasury Department is instructing customs field officers to withhold appraisement of steel welded wire mesh for concrete reinforcement from Italy pending a determination as to whether this merchandise is being sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Notice to this effect is being published in the Federal Register.

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

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on March 3, 1965. This information was the subject of an "Antidumping Proceeding Notice" which was published pursuant to section 14.6(d), Customs Regulations, in the Federal Register of March 26, 1965, on page 3992 thereof.

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 22, 1965

FOR IMMEDIATE RELEASE

WITHHOLDING OF APPRAISEMENT ON
STEEL WELDED WIRE MESH

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 22, 1965

FOR IMMEDIATE RELEASE

TREASURY ANNOUNCES NEW TOUR SYSTEM AT BUREAU OF ENGRAVING AND PRINTING

Treasury Secretary Henry H. Fowler will inaugurate a new special tour system at the Bureau of Engraving and Printing at 10:00 A.M. Thursday, September 23, 1965.

The new "self-service" tour system will allow visitors, who total more than 600,000 a year, to view the manufacturing operations of the Bureau -- where the nation's paper money is printed -- in a more efficient manner than was permitted by the previous "guided-tour" system.

Under the old system, guides conducted parties of twenty-five visitors through the Bureau. During peak visitor periods, the four-man guide staff frequently had to be augmented by as many as two dozen production employees.

Despite these efforts, visitors frequently were obliged to wait for as long as two hours before they could be accommodated, and waiting lines outside the building occasionally numbered several thousand. The new system is designed to eliminate such waiting by allowing a continuous flow of visitors to enter the Bureau, witness operations from glass-enclosed galleries, and depart. The tour will take about twenty-five minutes.

The new system will also allow visitors to watch the printing of multi-colored postage stamps, an operation which was not previously open to the general public. Equipment now includes escalators as well as an audio system which will broadcast recorded messages explaining the currency and stamp manufacturing operations as they are viewed during the course of the tour.

Under the new system, tours will operate continuously from 8:00 A.M. to 2:30 P.M., an hour and a half longer than before.

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DRAFT TREASURY PRESS RELEASE   9/22/65
FOR IMMEDIATE RELEASE

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While the old system, during peak periods, allowed visitors to see only two currency operations and no postage stamp production at all, the new system permits the viewing of the complete currency printing and processing operation -- beginning with the blank paper going to press and ending with the packaging of completed notes.

~~The new tour takes approximately the same time as the old one, about 25 minutes.~~

Under the old system, ~~tours had been available on scheduled work days~~ from 8 A.M. to 11 A.M. and from 12:30 P.M. to 2:30 P.M., but under the new ~~tour~~ system tours will ~~be~~ OPERATE ~~open~~ continuously from 8 A.M. to 2:30 P.M. ~~ELIMINATING A PREVIOUS INTERRUPTION OF THE TOUR SCHEDULE AT NOON~~ AN HOUR AND A HALF LONGER THAN ~~AT PREVIOUS~~ BEFORE.

~~FOUR~~

DONE at Bonn in duplicate, in the English and German languages, each text having equal authenticity, this ___________ day of _______________, 1965.

FOR THE UNITED STATES OF AMERICA:

FOR THE FEDERAL REPUBLIC OF GERMANY:

property (a) held by such permanent establishment or (b) held specifically to promote its business activities.

4. Both delegations agree that the amendment effected by Article 6 of the Protocol shall not influence the interpretation to be given to Article VIII of the Convention prior to the amendment.

5. The exemption of capital gains provided by Article IX A of the Convention is understood to apply to the sale, liquidation or other alienation of a "wesentliche Beteiligung (substantial participation) in a company.

6. In the event that either the United States income tax or Federal Republic tax, as it applies to corporations, is substantially changed, or if experience in individual cases indicates that the application of Article VI leads to effects that are not in accordance with the basic principles underlyi that Article, the competent authorities of the contracting States shall consult together for the purpose of ascertaining whether it is necessary to amend Article VI.

of the corporation paying the dividend, as for example trade credit extended in accordance with the general credit practices followed in the trade or business concerned, shall not be deemed to constitute reinvestments. The renewal or conversion into equity capital of loans outstanding as of December 31, 1964, other than those mentioned in the foregoing sentence, shall not be deemed to constitute a reinvestment.

3. The term "effectively connected" as used in Articles VI, VII and VIII of the Convention shall be so construed that items of income referred to in the respective articles will be considered to be effectively connected with a permanent establishment if such items of income accrue to the recipient by virtue of assets (a) held by the permanent establishment or (b) held by the recipient specifically to promote the business activities of the permanent establishment, or if the activities of the permanent establishment are a material factor in realizing such items of income. As used in Article IX A of the Convention, the term "effectively connected" shall be so construed that gain to which the article applies will be considered to be effectively connected with a permanent establishment if the gain is derived from the alienation of

MEMORANDUM OF UNDERSTANDING BETWEEN TAX DELEGATIONS OF GERMANY AND THE UNITED STATES CONCERNING THE PROTOCOL SIGNED SEPTEMBER 17, 1965....., TO MODIFY THE INCOME TAX CONVENTION OF JULY 22, 1954

The representataves of the German Ministry of Finance and of the United States Treasury Department hereby agree that the Protocol modifying the Income Tax Convention of July 22, 1954, between Germany and the United States of America shall be applied in accordance with the following principles:

1. In the application of Article II of the Convention a hotel room or similar place temporarily occupied by officials of an enterprise exercising management functions shall not be interpreted to constitute "a place of management"

2. For purposes of determining whether a corporation that has received a dividend has made a reinvestment in the corporation paying the dividend so that paragraph (3) of Article VI of the Convention applies to the dividend deemed to have been reinvested, paragraph (5) of that Article shall be interpreted so that loans which do not constitute more than a temporary addition to the capital

Article 18

(1) This Protocol shall form an integral part of the Convention of July 22, 1954, and shall continue in force as long as that Convention remains effective.

(2) The competent authorities of the contracting States are authorized to publish the text of the Convention, as modified by this Protocol, after this Protocol comes into force.

DONE at .... in duplicate in the German and English languages, both texts being equally authentic.

For the Federal Republic of Germany:

For the United States of America:

Two presidents, John F. Kennedy and Lyndon B. Johnson, with the help of one man, Larry O'Brien, changed all this. In this particular Congress there are 92 new members. (83 House 9 Sen.) I know that everyone of them has a close relationship with Larry and his staff and at least some relationship with the President. While 72 of these new members (65 House 7 Senate) are members of the President's party, I know from personal observation that the new members of the opposite party are given the opportunity to establish a similar relation.

From the outside at least, it seems that this rather simple device of consciously building a bridge across the Constitutional Gulf has helped to combine the advantages of a Congressional and a Parliamentary system.

II. Separation of Powers

During my two years in the Congress I sometimes felt that there was an unbridgeable abyss between the Congress and the Executive. I could and did ~~throw out~~ build bridges to the Departments with which I was most involved because of Committee assignments -- Treasury, State, Defense, and to an independent agency, the Federal Reserve Board. But at that time there was no access to the White House for a freshman Congressman. I must admit that I was not disturbed by this situation. I merely assumed this was the way it had always worked, and my colleagues with much longer tenure had never seemed to have had more than a very tenuous relationship with the White House.

it to be gratifying to be able to pursue the issues with which we are associated in greater depth than I ever found possible in the Congress. But now I am frequently concerned that I do not completely understand how all the issues fit together in a national perspective. The Congressman, by the very allocation of his working time has a better opportunity to obtain a more accurate perspective.

One bit of advice suggests itself here. In ~~your~~ MAKING presentations to the Congress, ~~you~~ ONE should keep in mind that the case ~~you are~~ BEING present~~ing~~ED must not only stand on its own merits but must also make sense when it is lined up with all the other issues that are confronting the nation. Failure to recognize this relationship gives rise to the feeling in the Congress that the government is composed
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to help me through an issue that confused me. I suppose that I asked too many questions because finally Mr. Sam in exasperation said to me, "Joe, I am worried about you. You seem to have an orderly mind -- and this is a disorderly body."

In the final analysis you must usually take the word of someone you trust who is expert in the area under debate and vote with him. While it would seem that this procedure can eliminate the necessity for doing any studying on the issues, still I believe that the average Congressman has a ~~better~~ UNIQUE perspective of the totality of issues ~~than the rest of the government.~~

My views on this particular point have not changed after four years on the outside. Personally I have found paralleled only in the White House. (My reference here is to Presidential assistants with whom I have worked during the past four years -- not to the President, who is clearly in a position OF RESPONSIBILITY that cannot be compared with anything.) Finance, foreign policy, farm programs, commerce, conservation, roads, defense, human rights -- all these facets of American policy pour through the Congress. For anyone who enjoys the broad sweep of affairs it is an BOTH exhilarating and ~~heady~~ SOBERING experience.

But it also has its draw-backs. If you have an inquiring and analytical mind, the attempt to understand <u>all</u> the issues presented for a vote can be maddening. I am not certain that I qualify as an analytical mind, but I do remember on one occasion trying to get Speaker Rayburn

FOLLOWED

were augmented by three years of close work with the Congress in discharging my legislative responsibilities with the Treasury. In ~~some respects, these three years~~ gave me a broader look ~~than I might have had in the Congress itse~~lf. Secondly, I intend to omit critical comments and save them for a time when my operating responsibilities to the United States are ended. From a scholarly standpoint this will admittedly be a one-sided presentation. But at this moment my own feeling is that I am at liberty to give you about 80 percent of the story.

The Inside-Outside Approach from Various Points of View

I. Involvement in the Nation's affairs

OF CONGRESS

First of all, to a Member there is a sense of total involvement in the affairs of the United States that is

Its quality of uniqueness derives from the constitutional separation of executive and legislative powers -- a division which has puzzled, exasperated, and often outraged generations of scholars. Our Congressional system of government lacks the symmetry and simplicity which is associated with a Parliamentary government and this probably accounts for its rather low standing in scholarly circles and, possibly, for the fact that our system is not copied by the newly emerging nations. Perhaps my "inside...outside" attempt today will contribute some understanding and if not understanding, at least, hopefully, sympathetic admiration.

I have ~~two~~ ONE reservation~~s~~ to offer. [redacted], WHILE I AM ACUTELY AWARE THAT I served only two years in the Congress and this is hardly enough time to form critical judgments. However, th~~e~~ose two years

UNITED STATES PERSONAL

The American Congress -- A View from the Inside and Outside

INTRODUCTION

I will confess to an unabashed and unreserved admiration for the Congress and for the Congressional system. The opportunity to address myself to this topic today is designed to be a small but personal tribute to the Congress as it completes the first session of this 89th Congress. The constructive, thoughtful, and vigorous record it has established this year surely calls for such expressions of ~~gratitude~~ and admiration. Mine is offered herewith.

The Congress, as it exists and functions today, is a peculiarly American institution. There is no legislative body in any major nation today which resembles it very closely -- and for that matter there has been nothing quite like it in recorded history.

TREASURY DEPARTMENT
Washington

FOR RELEASE AT 12:30 P.M., EDT
WEDNESDAY, SEPTEMBER 22, 1965

REMARKS OF THE HONORABLE JOSEPH W. BARR
THE UNDER SECRETARY OF THE TREASURY
BEFORE THE AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION,
WASHINGTON, D. C., ON WEDNESDAY,
SEPTEMBER 22, 1965

THE UNITED STATES CONGRESS -- A PERSONAL VIEW

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I have one reservation to offer. I served two years in the Congress. While I am acutely aware that this is hardly enough time to form critical judgments, those two years were followed by three years of close work with the Congress in discharging my legislative responsibilities with the Treasury.

I. Involvement in the Nation's affairs

First of all, to a Member of Congress there is a sense of total involvement in the affairs of the United States that is paralleled only in the White House. (My reference here is to Presidential assistants with whom I have worked during the past four years -- not to the President, who is clearly in a position of responsibility that cannot be compared with anything.) Finance, foreign policy, farm programs, commerce, conservation, roads, defense, human rights -- all these facets of American policy pour through the Congress. For anyone who enjoys the broad sweep of affairs it is both an exhilarating and sobering experience.

But it also has its draw-backs. If you have an inquiring and analytical mind, the attempt to understand all the issues presented for a vote can be maddening. I am not certain that I qualify as an analytical mind, but I do remember on one occasion trying to get Speaker Rayburn to help me through an issue that confused me. I suppose that I asked too many questions because finally Mr. Sam in exasperation said to me, "Joe, I am worried about you. You seem to have an orderly mind -- and this is a disorderly body."

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My views on this particular point have not changed after four years on the outside. Personally I have found it to be gratifying to be able to pursue the issues with which we are associated in greater depth than I ever found possible in the Congress. But now I am frequently concerned that I do not completely understand how all the issues fit together in a national perspective. The Congressman, by the very allocation of his working time, has a better opportunity to obtain a more accurate perspective.

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Two presidents, John F. Kennedy and Lyndon B. Johnson, with the help of one man, Larry O'Brien, changed all this. In this particular Congress there are 92 new members, 83 of whom are in the House and 9 in the Senate. I know that everyone of them has a close relationship with Larry and his staff and at least some relationship with the President. While 72 of these new members, 65 in the House and 7 in the Senate, are members of the President's party, I know from personal observation that the new members of the opposite party are given the opportunity to establish a similar relation.

From the outside at least, it seems that this rather simple device of consciously building a bridge across the Constitutional Gulf has helped to combine the advantages of a Congressional and a Parliamentary system.

The effect of the O'Brien bridge has been to assure that every member has the chance to hear not only the Department's position, but the President's views on legislation he is sponsoring. The distinction may sound tenuous, but think back to my original point that the Congress usually tends to jump to a conclusion that departmental positions are narrow-minded and parochial. They do <u>not</u> take that attitude with Presidents. Even if they disagree with a position, as politicians they are acutely aware that a President stands for election before <u>all</u> the people.

It would be difficult to exaggerate the importance of this development involving only a handful of people in the White House and 30 or 40 in the rest of the government. While maintaining the absolute independence of the individual Member of Congress, the O'Brien bridge has in effect opened a parliamentary dialogue in a Congressional system. I mean by this that the politicians -- the Members and the President -- are now engaged in a direct dialogue as they would in a Parliament.

I believe that the recent legislative record will support my thesis that a dialogue between the politicians develops more understanding than the more traditional dialogue between the Congress and the Departments.

III. <u>Specialization</u>

I have already referred to the fact that the variety of issues confronting the Congress makes it a practical necessity to rely on the judgment of Members who specialize in the particular area. As a Member I had a vague idea that the Congress was a body of generalists fragmented into areas of specialization. I was forming a dim idea that access to committee staffs and to the staffs of the Departments over which one had oversight opened up extraordinary avenues for research in depth in particular areas. However, the extent and the quality of the Congressional system of specialization never became fully apparent until I was on the outside looking in.

My experience on the outside has had mainly to do with taxes and finance and has involved the Ways and Means Committee and Banking and Currency Committee of the House plus the Senate Finance, Banking and Currency, and Foreign Relations Committees. I cannot speak with a background of experience on the other Committees of the Congress but I can state emphatically that an Administration witness before any of the Committees I have named is always pressed -- and pressed hard -- to make a case. The Members of these Committees have had years of experience; they are backed up by excellent staffs; and their accumulated knowledge on almost any one of the problems that confront the Treasury is usually awe-inspiring.

There is nothing that irritates me more than a somewhat recurring theme that I encounter periodically to the effect that the Congress is a rubber stamp. To the people who make these speeches and write these articles, I have always wanted to extend an invitation to testify on a highly technical and controversial subject before the Ways and Means Committee.

Let me give you an example. About a month ago I testified before Ways and Means on Unemployment Compensation legislation. This subject is always controversial and it is admittedly complex. However, for my own information I kept a log of the hours I spent in preparing for the testimony. I logged a total of 34 hours -- usually late at night or early in the morning -- preparing myself for a three-hour session.

This may seem like super-caution, but too often I have seen intelligent, experienced witnesses demolished before these Committees because they had not taken the trouble to do their homework. Just this week one of our Assistant Secretaries went before the Senate Finance Committee to testify for a total of twenty minutes on the Canadian Auto Parts legislation. This man told me that he had spent 29 hours in preparation!

I hope these illustrations will help to show why I become so irritated at the "rubber stamp" charge that is sometimes levelled at the Congress. Any reasonable man with any experience in the affairs of this government knows better. He knows that when he takes the Administration's case to the Congress -- no matter what the majority his party may have -- he is confronted with an independent panel of specialized experts who usually possess vastly more experience than he. Unless he is to disgrace himself, his Department, and the Administration, he has no alternative but to spend bone-crushing hours of preparatory homework. It is from this particular angle that the Congress looks most different from the outside than from the inside.

I have often wondered whether it was not this degree of specialization that has developed in the United States Congress that has made it the tough, effective legislative body that it is today. We live in a world of specialists in every phase of our lives. While the Congressional system with its high degree of specialization may appear fragmented and disorderly to those who admire the symmetry of the Parliamentary system, I would submit that the Congressional system is peculiarly adapted to the world in which we live today.

It seems to me that this is especially true in the area of taxation. In a Parliamentary system a major overhaul of a nation's tax system can usually be accomplished in a month or two months. In the United States, I know from experience that it usually takes at least a year and in that period of a year the legislation is debated in the Committees of the House and Senate, on the floor, in the press, at most business and labor gatherings, and eventually becomes the topic of almost general conversation in the nation.

While this can be an excruciating and harassing experience for the Treasury, it does have one enormous advantage. If your case is solid and will stand the scrutiny of the Congress, the press, and the general public -- no matter how controversial it may appear at first -- you will usually end up with a consensus ranging from two-thirds to three-fourths of the nation in support of the proposal. As a result, when the legislation is finally enacted, the nation usually both understands and supports what has been done. In any area so vital to our domestic welfare as taxation, I think this heavy consensus is crucial.

CONCLUSION

I can only conclude from my vantage point first on the inside and then on the outside, that the American Congress as it exists today is a highly effective instrument reflecting the will of the American people. And when I look further at the cooperation and understanding that has been established between the politicians at both ends of Pennsylvania Avenue, I feel a profound confidence in the ability of this Nation to face up to its problems.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 22, 1965

FOR IMMEDIATE RELEASE

TREASURY OFFERING OF TAX ANTICIPATION BILLS

The Treasury clarified its Autumn borrowing plans today with the announcement that the bulk of this financing would be provided by a $4 billion tax anticipation bill package that includes $3 billion of March bills and $1 billion of June bills. These bills will be sold by competitive bidding on October 5 for payment October 11. Banks will be permitted to pay for their accepted tenders by 100 percent tax and loan account credit.

The addition of some June tax bills at this time will permit the Treasury to meet prospective cash requirements over this seasonally slack revenue period until late in November.

The Treasury also noted that additional June tax bills would be issued to meet the major portion of its remaining cash needs before the receipt of heavy tax payments in the Spring.

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present. But I would submit that we are in as strong -- and in some important respects stronger -- position to deal with any contingencies that the future may bring than for some time past. I would also suggest that, in assessing the outlook for financial markets and in full recognition of the role that expectations can play, that it would be a mistake to be beguiled by speculation in the press or elsewhere concerning what conceivably might happen at the expense of hard analysis of present trends and policies.

In the corporate area, where investment planning and financing involves longer lead times, there would appear to be a sizable potential for further savings, supplementing the more immediate benefits from the repatriation of liquid funds. There is also a clear potential for increased exports -- improving on the performance of the first half when the slower growth of some important foreign markets was one factor holding the total close to year ago levels. And, the process of reviewing Government expenditures abroad to seek out savings wherever possible without sacrificing other vital national objectives is continuing -- even though it must be recognized that the easy and obvious areas for saving have long since been fully exploited.

I am not about to try to strike a balance among these influences and try to forecast our balance of payments for this year or next. I would draw the conclusion that there is no cause for relaxation. But I would also feel grounds for confidence that, with this kind of effort, we are on the right track, and that we are building a foundation upon which discussions of international monetary reform can proceed to a fruitful conclusion in an atmosphere free from concern about the dollar itself.

The fact that uncertainties exist in the international area as well as in the domestic economy is undeniable -- they are always under no illusion that the job can be accomplished without effort, or that we can escape entirely from a deficit in the second half of the year.

One highly encouraging, and essential, ingredient for success over the period ahead is the clear evidence that the banks and other financial institutions are extending their full and continuing cooperation in the President's program. I suspect, too, that many of these institutions have, at the least, been finding growing opportunities for usefully employing within the domestic economy funds they have diverted from foreign lending. Moreover, with the great majority of the banks now comfortably within the guideline targets, I hope that the concern expressed in some quarters earlier that export financing might inadvertently be impeded has by now been fully dissipated. Incidentally, the inability of the Federal Reserve to find any hard evidence that exports were hampered by shortages of bank credit even during the period that many banks were aggressively pruning their foreign loans to bring them within the guidelines is a remarkable testimony to the efforts of the banks to respect the essential priorities within the program.

President's call to reduce and repatriate surplus liquid funds abroad, and the concerted efforts of the banks to bring their foreign credits within the Federal Reserve guidelines were reflected in a return flow during the second quarter alone of some $700 million. In contrast, the average quarterly outflow last year was $850 million. At the same time, exports, which had been hit hard by the dock strike in the first quarter, rebounded sharply, adding perhaps $450 million to the export volume that might otherwise have developed during the second quarter.

In part, these factors simply reflected a reversal of comparable adverse influences in the first quarter. For that reason, the point has been made that the deficit for the first half as a whole of $1.3 billion, at an annual rate, may be a fairer approximation of the progress that has been achieved. At any rate, it is clear that the second quarter results did include some favorable elements of a "once and for all" nature. Moreover, there is ample evidence that tourists have been traveling abroad in record volume this year -- placing a particular burden on the third quarter results and imports are responding to the growth in our economy.

The arithmetic is inescapable that to achieve and maintain a reasonable equilibrium, offsetting gains will be required in other sectors of our accounts. The potential is there, but I am markets. As a consequence, the crisis atmosphere that seemed to be developing during the summer has been dissipated.

Meanwhile, our own balance of payments, as you know, has improved dramatically since President Johnson's program was announced on February 10. It would be quite wrong to bask in the glow of the early response to that program, and interpret the small surplus of $100+ million in the second quarter as signifying that our goal of full and sustained equilibrium has been achieved, or is assured. Experience shows that our balance of payments outturn in any brief period can be sharply influenced, in one direction or another, by a variety of essentially transient influences, and we know that a number of the factors contributing to the surplus during the second quarter cannot be counted on to last.

Under the circumstances, nothing less than full scale implementation of the balance of payments program in the period ahead can be justified. I can assure you there is no inclination on the part of the Administration to relax in any way at the expense of risking a relapse into the kind of persistent deficit that would undermine the strength of the dollar in world markets.

The nature of the task ahead is implicit in recent developments. The quick and willing response of businessmen to the last to discount the importance of expectations as a market influence. But at the same time, I think we can all recognize that expectations can be highly volatile -- and that the basis for these expectations needs to be critically re-examined as new facts appear.

We have in recent weeks, for instance, had what I think must be termed a satisfactory and responsible settlement of the wage dispute in steel -- a settlement that the Government and private experts unaffiliated with the parties immediately at interest seem to agree is very close to the "guidepost" criteria. Instead of a potentially disruptive strike or the kind of signal of an inflationary trend in costs that had been feared, the actual outcome would seem to support the central objective of maintaining average wage increases in line with industry-wide growth in productivity -- a basic prerequisite for price stability. To turn to the international area, the increasingly visible signs that the British program to restore equilibrium to its balance of payments is beginning to take hold -- and the encouraging further step that has been taken to promote essential cost and price stability in the U.K. over the longer-term future -- have been reflected in the recent performance of sterling in the exchange as expansion programs of a number of companies have reached the point of requiring more external financing, has made those demands more clearly visible in the bond markets. But it is less frequently realized that the growth in mortgage credit -- which is far and away the largest single sector of the capital market -- has measurably slowed, in effect releasing more of the steadily growing volume of savings for placement in corporate or state and local government securities.

Even during the first half of the year, total private uses of longer-term investment funds were, as we add them up, almost precisely the same as a year earlier. The same thing was true the aggregate flow of funds through non-bank savings institutions. Meanwhile, commercial banks have successfully captured a larger share of the total savings flow, providing in that way most of the funds required to meet the exceptionally heavy loan demands. And, the balance of forces in the market seemed to be reasonably mirrored by the flat trend in interest rates.

This is perhaps the long way around to make the unexceptional point that expectational factors, more than any current change in the underlying flows of savings and investment, have seemed to account for the change in market climate and the tendency for yields in the sensitive bond markets to move higher. I would be the concern over a possible steel strike or an unsatisfactory wage settlement, it is hardly surprising that some potential buyers of fixed-interest securities reacted almost instinctively by retreating to the sidelines to await developments.

Nevertheless, in studying the available data on credit flows over this period, one is forced to conclude, I believe, that the very strong demands for credit that characterized much of the first half of the year were, with due allowance for the traditional summer lull, giving way to a pattern somewhat more closely in line with that of other recent years. While the continuing flow of corporate bond offerings has remained very sizable, the spring bulge which reached a peak in June has subsided. And, the trend of bank loans, which reflected more fully the direct and indirect effects of business hedgin against a steel strike, appears to have dropped appreciably in July and August from the extraordinary increase at an annual rate of 18½% during the first six months of the year -- and that was, of course, well before the stockpiling of steel could begin to be unwound.

Abstracting from the special influence of steel inventories, aggregate credit demands are, of course, still large when assessed in a longer perspective. Moreover, I suspect that the tendency over the past year for businesses to enter the market in larger volume, the bill area to be rolled over in 1965 would remain well below the average of the past five years. Moreover, from the standpoint of general economic policy, I am not aware of any compelling case for aggressive sales of longer-dated securities. The data we have on homebuilding, plant and equipment outlays, and other sectors of the economy dependent upon long-term credit simply do not suggest the kind of excesses that, according to traditional counter-cyclical theories, might call for dampening down by means of more aggressive Treasury competition for long-term funds.

I do not mean to suggest that Treasury safely can -- or will -- pass up every favorable opportunity for medium or longer-term financing indefinitely, for the debt structure could again become compressed and distorted. But neither do we feel any compulsion to take advantage of any and all opportunities for extension as soon as they might develop. In the prospective of the months ahead, I think this adds up to the fact that there need be no concern, in your own appraisals of prospective credit market conditions, that Treasury financing will impede the continued orderly flow of investment funds to other uses.

Our present cash offering is, of course, coming close on the heels of a period of considerable market uneasiness. Faced with the uncertainties of the Viet Nam situation, a renewed bout of speculation against sterling in July and early August, and

Obviously, in the absence of the Viet Nam imperatives, the President's tight control on expenditures and the higher revenues generated by a vigorous economy would have been reflected in an easier cash position over the rest of the fiscal year than can now be foreseen -- or for that matter easier than in any recent year.

But, in my judgment, it would be a mistake to jump to a conclusion that the new defense requirements place dimensions on our prospective cash needs for fiscal 1966 out of keeping with the general pattern of most recent years, or even decisively different from the prospect last spring before the current strength in our revenue picture had become fully apparent.

In reviewing our financing plans, I should also mention a rather obvious point that has been made on several occasions already. The successful efforts over the past four or five years to extend the debt and achieve a better balanced maturity structure have, over the time span encompassed by our immediate cash requirements, removed any sense of urgency from achieving still more extension. Indeed, if all our forthcoming financing were to be concentrated in strictly money market paper, the average maturity of the debt at the end of the year would still be about five years -- the same as at the end of 1964 -- and the volume of debt outside say these are the kinds of uncertainties with which markets have had to grow accustomed. But, I can refer you to the informed appraisal of defense spending trends made by the Chairman of the Council of Economic Advisers recently in discussing the business outlook.

As he indicated, the figures that have been loosely suggested by some of defense outlays rising by a rate of $10 billion and beyond, with the implication of a comparably heavy drain on cash balances as we approach the middle of next year, "can at this point only be pure figments of someone's imagination". Those figures are not reflected in our own cash planning for the very good reason that we have found no basis for numbers even approaching that magnitude. Granting all the uncertainties inherent in the situation, whatever further appropriations over and above the already requested $2.4 billion may prove necessary, their major impact on spending and borrowing requirements would be mainly felt in fiscal 1967, beyond the time horizon encompassed in the planning I have reviewed today. Full account will, of course, be taken of any requirements of that nature in shaping the blend of budgetary and fiscal planning that will be presented to the Congress in January.

Thereafter, the Treasury should be in a position to retire very sizable amounts of marketable debt over the rest of the fiscal year.

At this stage in the budgetary and Congressional process, it is simply not possible to pinpoint the amount of that debt retirement. But it does seem clear, in terms of what we know of the general contour of anticipated revenues and expenditures after the turn of the year, that a large share of the cash needs that will remain after the current $4 billion financing can and should also properly take the form of tax anticipation bills. As you know, those bills provide a particularly convenient investment outlet for corporations accumulating tax revenues, help to smooth our cash flows after tax dates, and typically can be placed in sizable volume with a minimum impact on the market generally.

My reason for emphasizing that rather conventional prospect is precisely to make clear that, in its general pattern and dimensions, our cash financing requirements over this fiscal year as a whole are rather closely comparable to those of last year, or most recent years, even after allowing for the increased defense outlays required by the Viet Nam situation. I will not attempt to pose as a foreign affairs expert, and try to balance for you the possibilit of new emergencies adding to the present Viet Nam requirements against the chances of a relaxation in tensions -- other than to entry into the market to meet the recurring seasonal deficit during the first six or eight months of a fiscal year -- a welcome dividend from the much improved budgetary position and unexpectedly high cash balance that materialized in fiscal 1965.

The timing of this financing is "on target" in terms of our earlier planning. Moreover, I am glad to report that the total amount of cash financing we now anticipate over the first six months of the fiscal year -- aggregating perhaps $7 billion -- remains very comfortably within the estimates we provided the market as long ago as last May -- well before decisions were reached as to the increased commitment of troops to Viet Nam. By raising over half of this $7 billion or so immediately -- at a time when entry into the market in some amount could not be long delayed in any event -- we are able to cover prospective cash requirements until sometime late in November. The current financing will also lay a basis, in terms of adequate cash balances, for approaching the small November refunding with flexibility to consider the full range of refinancing techniques.

In addition to the further amounts of new cash which will be required before the December tax payments, and looking ahead into early 1966, we will, as usual, need to return again to the market in January

FOR RELEASE ON DELIVERY

REMARKS OF PAUL A. VOLCKER
DEPUTY UNDER SECRETARY FOR MONETARY AFFAIRS
DEPARTMENT OF THE TREASURY
AT THE
450TH MEETING OF THE
NATIONAL INDUSTRIAL CONFERENCE BOARD
THE WALDORF-ASTORIA HOTEL, NEW YORK, N. Y.
SEPTEMBER 23, 1965, 2:30 P.M.

I fully recognize that no Treasury official participating in a panel on the Financial Outlook at this particular juncture will be permitted to escape without some observations on the internationa side of the equation. I shall attempt to discharge that obligation today -- without, I hope, contributing to further confusion in a complex area -- by a brief status report on our balance of payments progress and problems. But before turning to that subject, I would like to make a more mundane contribution to the session by outlining as clearly and concretely as I can the financing plans of the world's largest single borrower -- the U. S. Government.

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FOR RELEASE ON DELIVERY

TREASURY DEPARTMENT
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Our present cash offering is, of course, coming close on the heels of a period of considerable market uneasiness. Faced with the uncertainties of the Viet Nam situation, a renewed bout of speculation against sterling in July and early August, and concern over a possible steel strike or an unsatisfactory wage settlement, it is hardly surprising that some potential buyers of fixed-interest securities reacted almost instinctively by retreating to the sidelines to await developments.

Nevertheless, in studying the available data on credit flows over this period, one is forced to conclude, I believe, that the very strong demands for credit that characterized much of the first half of the year were, with due allowance for the traditional summer lull, giving way to a pattern somewhat more closely in line with that of other recent years. While the continuing flow of corporate bond offerings has remained very sizable, the spring bulge which reached a peak in June has subsided. And, the trend of bank loans, which reflected more fully the direct and indirect effects of business hedging against a steel strike, appears to have dropped appreciably in July and August from the extraordinary increase at an annual rate of 18½% during the first six months of the year -- and that was, of course, well before the stockpiling of steel could begin to be unwound.

Abstracting from the special influence of steel inventories, aggregate credit demands are, of course, still large when assessed in a longer perspective. Moreover, I suspect that the tendency over the past year for businesses to enter the market in larger volume, as expansion programs of a number of companies have reached the point of requiring more external financing, has made those demands more clearly visible in the bond markets. But it is less frequently realized that the growth in mortgage credit -- which is far and away the largest single sector of the capital market -- has measurably slowed, in effect releasing more of the steadily growing volume of savings for placement in corporate or state and local government securities.

Even during the first half of the year, total private uses of longer-term investment funds were, as we add them up, almost precisely the same as a year earlier. The same thing was true of the aggregate flow of funds through non-bank savings institutions. Meanwhile, commercial banks have successfully captured a larger share of the total savings flow, providing in that way most of the funds required to meet the exceptionally heavy loan demands. And, the balance of forces in the market seemed to be reasonably mirrored by the flat trend in interest rates.

This is perhaps the long way around to make the unexceptional point that expectational factors, more than any current change in the underlying flows of savings and investment, have seemed to account for the change in market climate and the tendency for yields in the sensitive bond markets to move higher. I would be the last to discount the importance of expectations as a market influence. But at the same time, I think we can all recognize that expectations can be highly volatile -- and that the basis for these expectations needs to be critically re-examined as new facts appear.

We have in recent weeks, for instance, had what I think must be termed a satisfactory and responsible settlement of the wage dispute in steel -- a settlement that the Government and private experts unaffiliated with the parties immediately at interest seem to agree is very close to the "guidepost" criteria. Instead of a potentially disruptive strike or the kind of signal of an inflationary trend in costs that had been feared, the actual outcome would seem to support the central objective of maintaining average wage increases in line with industry-wide growth in productivity -- a basic prerequisite for price stability. To turn to the international area, the increasingly visible signs that the British program to restore equilibrium to its balance of payments is beginning to take hold -- and the encouraging further step that has been taken to promote essential cost and price stability in the U.K. over the longer-term future -- have been reflected in the recent performance of sterling in the exchange markets. As a consequence, the crisis atmosphere that seemed to be developing during the summer has been dissipated.

Meanwhile, our own balance of payments, as you know, has improved dramatically since President Johnson's program was announced on February 10. It would be quite wrong to bask in the glow of the early response to that program, and interpret the small surplus of $100+ million in the second quarter as signifying that our goal of full and sustained equilibrium has been achieved, or is assured. Experience shows that our balance of payments outturn in any brief period can be sharply influenced, in one direction or another, by a variety of essentially transient influences, and we know that a number of the factors contributing to the surplus during the second quarter cannot be counted on to last.

Under the circumstances, nothing less than full scale implementation of the balance of payments program in the period ahead can be justified. I can assure you there is no inclination on the part of the Administration to relax in any way at the expense of risking a relapse into the kind of persistent deficit that would undermine the strength of the dollar in world markets.

The nature of the task ahead is implicit in recent developments. The quick and willing response of businessmen to the

President's call to reduce and repatriate surplus liquid funds abroad, and the concerted efforts of the banks to bring their foreign credits within the Federal Reserve guidelines were reflected in a return flow during the second quarter alone of some $700 million. In contrast, the average quarterly outflow last year was $850 million. At the same time, exports, which had been hit hard by the dock strike in the first quarter, rebounded sharply, adding perhaps $450 million to the export volume that might otherwise have developed during the second quarter.

In part, these factors simply reflected a reversal of comparable adverse influences in the first quarter. For that reason, the point has been made that the deficit for the first half as a whole of $1.3 billion, at an annual rate, may be a fairer approximation of the progress that has been achieved. At any rate, it is clear that the second quarter results did include some favorable elements of a "once and for all" nature. Moreover, there is ample evidence that tourists have been traveling abroad in record volume this year -- placing a particular burden on the third quarter results -- and imports are responding to the growth in our economy.

The arithmetic is inescapable that to achieve and maintain a reasonable equilibrium, offsetting gains will be required in other sectors of our accounts. The potential is there, but I am under no illusion that the job can be accomplished without effort, or that we can escape entirely from a deficit in the second half of the year.

One highly encouraging, and essential, ingredient for success over the period ahead is the clear evidence that the banks and other financial institutions are extending their full and continuing cooperation in the President's program. I suspect, too, that many of these institutions have, at the least, been finding growing opportunities for usefully employing within the domestic economy funds they have diverted from foreign lending. Moreover, with the great majority of the banks now comfortably within the guideline targets, I hope that the concern expressed in some quarters earlier that export financing might inadvertently be impeded has by now been fully dissipated. Incidentally, the inability of the Federal Reserve to find any hard evidence that exports were hampered by shortages of bank credit even during the period that many banks were aggressively pruning their foreign loans to bring them within the guidelines is a remarkable testimony to the efforts of the banks to respect the essential priorities within the program.

In the corporate area, where investment planning and financing involves longer lead times, there would appear to be a sizable potential for further savings, supplementing the more immediate benefits from the repatriation of liquid funds. There is also a clear potential for increased exports -- improving on the performance of the first half when the slower growth of some important foreign markets was one factor holding the total close to year ago levels. And, the process of reviewing Government expenditures abroad to seek out savings wherever possible without sacrificing other vital national objectives is continuing -- even though it must be recognized that the easy and obvious areas for saving have long since been fully exploited.

I am not about to try to strike a balance among these influences and try to forecast our balance of payments for this year or next. I would draw the conclusion that there is no cause for relaxation. But I would also feel grounds for confidence that, with this kind of effort, we are on the right track, and that we are building a foundation upon which discussions of international monetary reform can proceed to a fruitful conclusion in an atmosphere free from concern about the dollar itself.

The fact that uncertainties exist in the international area as well as in the domestic economy is undeniable -- they are always present. But I would submit that we are in as strong -- and in some important respects stronger -- position to deal with any contingencies that the future may bring than for some time past. I would also suggest that, in assessing the outlook for financial markets and in full recognition of the role that expectations can play, that it would be a mistake to be beguiled by speculation in the press or elsewhere concerning what conceivably might happen at the expense of hard analysis of present trends and policies.

TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR IMMEDIATE RELEASE September 23, 1965

ANTIDUMPING PROCEEDING ON
CEMENT

On August 27, 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 cement, white portland, imported from Japan, manufactured by Onoda Cement Company, Tokyo, Japan, is being, or likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

White cement is used instead of gray cement where the purity of color is a paramount consideration.

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 Covington & Burling, Washington, D. C., on behalf of Riverside Division of American Cement Corporation, Los Angeles, California.

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 period January 1, 1965, through August 31, 1965, amounted to approximately $175,000.

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TREASURY DEPARTMENT

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, September 28, 1965.

WASHINGTON. D.C.
September 27, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that tenders for the additional iss on September 30 of two series of Treasury bills, one series dated July 1, 1965 (91 days to maturity) and the other series dated March 31, 1965 (182 days to maturity), which we offered on September 22, were opened at the Federal Reserve Banks on September 27. Ten 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 December 30, 1965		182-day Treasury bills maturing March 31, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.998 a/	3.964%	97.917 b/	4.120%
Low	98.984	4.019%	97.903	4.148%
Average	98.993	3.983% 1/	97.911	4.133% 1/

a/ Excepting 1 tender of $1,225,000
54 percent of the amount of 91-day bills bid for at the low price was accepted
68 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 20,040,000	$ 10,040,000	$ 19,523,000	$ 19,523,00
New York	1,132,821,000	708,221,000	1,046,781,000	682,381,00
Philadelphia	27,979,000	15,979,000	11,282,000	3,282,00
Cleveland	30,906,000	30,906,000	43,082,000	43,082,00
Richmond	19,412,000	19,412,000	5,884,000	5,589,00
Atlanta	46,443,000	39,983,000	24,854,000	14,854,00
Chicago	289,808,000	165,348,000	264,519,000	126,519,00
St. Louis	45,563,000	41,563,000	33,069,000	23,569,00
Minneapolis	19,394,000	19,394,000	12,233,000	11,313,00
Kansas City	32,259,000	32,259,000	15,728,000	15,728,00
Dallas	27,277,000	23,817,000	12,073,000	11,073,00
San Francisco	103,087,000	93,087,000	59,765,000	43,105,00
TOTALS	$1,794,989,000	$1,200,009,000 b/	$1,548,793,000	$1,000,018,00

b/ Includes $263,867,000 noncompetitive tenders accepted at the average price of 98.99
c/ Includes $122,334,000 noncompetitive tenders accepted at the average price of 97.91
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.08%, for the 91-day bills, and 4.28%, 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,
Saturday, September 25, 1965.

September 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 September 30, 1965, and to mature September 30, 1966, which were offered on September 16, were opened at the Federal Reserve Banks on September 24.

The details of this issue are as follows:

Total applied for - $2,969,748,000
Total accepted - 1,000,359,000 (includes $56,988,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 95.722	Equivalent rate of discount approx. 4.219% per annum	
Low	- 95.698	" " " " " 4.243% " "	
Average	- 95.705	" " " " " 4.236% " "	1/

(40% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 82,730,000	$ 55,730,000
New York	2,261,017,000	769,503,000
Philadelphia	13,038,000	2,938,000
Cleveland	51,672,000	5,092,000
Richmond	4,732,000	2,732,000
Atlanta	33,866,000	6,231,000
Chicago	303,828,000	95,098,000
St. Louis	25,758,000	15,058,000
Minneapolis	9,647,000	1,647,000
Kansas City	16,511,000	8,911,000
Dallas	32,877,000	2,372,000
San Francisco	134,072,000	35,047,000
TOTAL	$2,969,748,000	$1,000,359,000

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 4.44%. 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-211

TREASURY DEPARTMENT

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, September 28, 1965.

WASHINGTON, D.C.
September 27, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

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RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing December 30, 1965		182-day Treasury bills maturing March 31, 1966	
	Price	Approx. Equiv. Annual Rate	Price	Approx. Equiv. Annual Rate
High	98.998 a/	3.964%	97.917 b/	4.120%
Low	98.984	4.019%	97.903	4.148%
Average	98.993	3.983% 1/	97.911	4.133% 1/

a/ Excepting 1 tender of $1,225,000
54 percent of the amount of 91-day bills bid for at the low price was accepted
68 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	Applied For	Accepted
Boston	$ 20,040,000	$ 10,040,000	$ 19,523,000	$ 19,523,000
New York	1,132,821,000	708,221,000	1,046,781,000	682,381,000
Philadelphia	27,979,000	15,979,000	11,282,000	3,282,000
Cleveland	30,906,000	30,906,000	43,082,000	43,082,000
Richmond	19,412,000	19,412,000	5,884,000	5,589,000
Atlanta	46,443,000	39,983,000	24,854,000	14,854,000
Chicago	289,808,000	165,348,000	264,519,000	126,519,000
St. Louis	45,563,000	41,563,000	33,069,000	23,569,000
Minneapolis	19,394,000	19,394,000	12,233,000	11,313,000
Kansas City	32,259,000	32,259,000	15,728,000	15,728,000
Dallas	27,277,000	23,817,000	12,073,000	11,073,000
San Francisco	103,087,000	93,087,000	59,765,000	43,105,000
TOTALS	$1,794,989,000	$1,200,009,000 b/	$1,548,793,000	$1,000,018,000 c/

b/ Includes $263,867,000 noncompetitive tenders accepted at the average price of 98.993
c/ Includes $122,334,000 noncompetitive tenders accepted at the average price of 97.911
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.08%, for the 91-day bills, and 4.28%, 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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DRAFT PRESS RELEASE

For September 28, 1965

TREASURY ANNOUNCES U.S. DRAWING ON IMF

Secretary of the Treasury Henry H. Fowler today announced a drawing by the United States on the International Monetary Fund in the amount of $60 million. The drawing was made in Canadian dollars.

This drawing is the seventh in a series of what have been termed "technical" drawings and which began in February 1964. The currencies drawn by the United States are expected to be sold for dollars to other Fund members for their use in making repayments to the Fund over the next several months.

The last such drawing was in March of this year but, as previously announced, a drawing was made this July to provide foreign exchange to the U. S. to directly finance its international payment.

(Initialed) H.H.F.

Approve: ______________

Disapprove: ______________

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TPN

OASIA:TPNelson:dlt:9/22/65

TREASURY DEPARTMENT

WASHINGTON, D.C.

September 28, 1965

FOR IMMEDIATE RELEASE

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F-213

TREASURY DEPARTMENT
Washington

FOR RELEASE UPON DELIVERY
(APPROXIMATELY 11:00 A.M., EDT)

REMARKS OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY OF THE UNITED STATES
AND
UNITED STATES GOVERNOR OF THE INTERNATIONAL MONETARY FUND
BEFORE THE
ANNUAL MEETING OF THE INTERNATIONAL MONETARY FUND,
SHERATON PARK HOTEL, WASHINGTON, D. C.
SEPTEMBER 29, 1965

Fellow Governors of the International Monetary Fund, ladies and gentlemen. We are complimented by the presence in our capital city of so many distinguished people, from so many nations throughout the world. With the addition of Zambia last week and of Malawi in July -- to whom I extend my own and my country's hearty welcome -- the Fund now numbers 103 countries.

Each of the annual meetings of the great organizations for international financial cooperation that we take part in leaves the world a little changed, and changed for the better. What we say each year rests upon what we have accomplished, and what we have learned, in another year of world-wide cooperation and constructive endeavor in the management of our financial and economic problems.

This year -- my first as a Governor of the Fund -- we can look back with special pride. During the year just past our processes of consultation and cooperation passed stern tests of their practical effectiveness. We are implementing a significant increase in IMF quotas. The general arrangements to borrow were twice called into operation and the participating countries have indicated that they are prepared to continue the arrangements if the Fund so requests.

I consequently look forward with confidence to continued progress in seeking a consensus on matters of very far reaching importance for all our countries, and for a long time ahead.

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I hope that when we meet next year we will find ourselves near the final stages of policy agreement in the field of improved international monetary arrangements.

The United States regards the Fund as an essential part of international financial arrangements. Since the inception of the Fund large sums in dollars have been used by the Fund to accommodate drawings by other countries. Over the years, these dollars have been repaid to the Fund. In the last two years, my country has also drawn on the Fund. Our drawings have been, in large part, technical arrangements making possible the continued use of dollars in the settlement of the obligations of other countries with the Fund.

However, at the end of last July, the United States made a regular drawing of $300 million through which it acquired foreign currencies for its own use in financing international payments.

All of these events provide evidence that the availability of Fund resources is increasingly important for all of the Fund members, large or small, industrial or developing.

The economic health of the United States affects world economic health in many ways, but in no way more fundamentally than in the reflection of United States economic conditions in the strength of the dollar.

During the past year the value of the dollar -- and therefore the value of that large part of the world's monetary reserves kept in dollars -- was reinforced in two ways: continued vigorous and sound economic growth in the United States, and progress toward eliminating our balance of payments deficit.

In the fiscal year ending last June, national output increased by about $41 billion, equivalent to almost 5 percent in real terms, continuing the longest peacetime economic expansion we have known. Prospects for maintaining our forward momentum are favorable. Despite its record length of 55 months, the current expansion has remained remarkably well-balanced and free from inflationary distortions.

In our manufacturing sector, increases in productivity and in wages received have been sufficiently in harmony so that labor costs per unit of output over the past year have again been stable. Since 1960, our unit labor costs have declined by 3.3 percent. We calculate that the recent key settlement in the steel industry, provides increased wages and benefits over a 39-month period equivalent to a little over 3 percent per year. We are hopeful that this will help sustain a pattern of balance between wages and productivity in industry generally, and will be accompanied by a continuation of stable prices.

Under the stimulus of improved incentives and prospects for expanding markets, capital spending by private industry continues to move ahead vigorously, as it has over the past three years, providing assurance against strains on capacity.

In the light of this continued expansion in the domestic economy of the United States, it is particularly encouraging that I am also able to report a significant improvement in the U. S. balance of payments position since the announcement of President Johnson's program on February 10. In the second quarter of this year, we experienced a surplus of $119 million, seasonally adjusted, compared with deficits of $780 million in the first quarter and $1,551 million in the fourth quarter of 1964.

We do not by any means conclude from three months' data that our balance of payments problem has been solved. Over any short-term period, balance of payments accounts exaggerate the effects of particular transactions, whether these be favorable or unfavorable. On balance, we believe that our second quarter figures were distorted in a favorable direction.

I regard it as more prudent for us to look at the combined results of the first and second quarters of the calendar year. During the first half of 1965, our balance of payments position was much improved, although there was still a deficit. This amounted to $661 million in the six-month period and represents an annual rate of about $1.3 billion.

The figures I have used are in terms of the "regular" deficit concept which has been used generally in recent years in our balance of payments accounting. This concept has been criticised in that it includes in our deficit additions to private balances of dollars which represent working balances and investments by private parties. As many of the Governors know we intend to report our balance of payments data on the official settlements basis as well as the usual form in order to make our figures more comparable with those of other countries. On the official settlements basis our deficit in the first half of the year, seasonally adjusted, was about $400 million, or an annual rate of $800 million.

This improvement gives us confidence that our efforts over several years, supplemented by a vigorous new attack on the problem proposed by President Johnson last February, are moving the United States toward the equilibrium we are determined to attain and sustain. Our programs will be vigorously pursued until we are certain that the conditions have been created in which equilibrium in our international accounts can be sustained. In this, it is clear that we have the support of the Congress and the U. S. public at large.

This brings us to the heart of the matter: will the Free World continue in the years ahead to be able to increase the reserves in our international monetary system sufficiently and in season to be certain that the sound employment of the world's economic resources for growth and improvement is not crippled by inadequate financial means?

This question must be asked because in the future the world's reserve needs will no longer be met by United States deficits, and because in recent years additions to reserves have depended so heavily upon dollar outflows. The record is as follows:

The United States has supplied about three-quarters of the new reserves accumulated by the rest of the world since the end of 1958. Only about one-quarter of this increase came from new supplies of monetary gold and from the credit operations of the International Monetary Fund. We estimate that as of the end of 1964 more than a quarter of the official reserves of the rest of the world were held in the form of dollars.

Reserves deriving from the United States deficit grew in two forms -- dollar balances held as such, and dollars acquired and converted into gold. The latter development, of course, resulted in a decline in United States reserves.

Thus, we have before us a problem of conflicting objectives. Resolution of this problem is of central importance to the United States and to the rest of the world:

(a) On the one hand there is the need to achieve and sustain equilibrium in the U. S. balance of payments, in order to preserve the integrity of the dollar at home and abroad, to the end that the dollar can continue to function as an essential part of the world's monetary system, and in order to arrest further drains on United States reserves, and

(b) On the other hand, there is the need to continue to supply additions to reserves for continued economic expansion and betterment in all our countries.

All our countries are fully committed to a policy of dynamic growth in a dynamic world economy. This means growing international trade, growing domestic supplies of money, growing national outputs, and growing real incomes and profits.

If this expansion is to occur it is reasonable to expect that the Free World, including the United States, will, in the course of time, face growing needs for monetary reserves.

We can hardly expect that either the industrial nations that have experienced such reserve growth or the rest of the world can be satisfied very long to limit future growth in reserves to the very modest level of new monetary gold supplies and such limited increases as come from normal IMF drawings.

These are the principal considerations that led my Government to take the initiative in suggesting that it is now time to negotiate new monetary arrangements which will enable the nations of the world to deal with future demands upon the international monetary system.

It is not my intention in these remarks to comment on the substantive proposals and the issues that have already been set forth for us in the work of the Deputies of the Group of Ten, the Ossola Group, and the Reports of the International Monetary Fund. The process of attaining a general consensus on the best ways of providing additional reserve assets will take time and great effort.

I do, however, wish to draw your attention to some important objectives to keep in mind as we go forward with the work of improving the international monetary system.

1. As I have stated, we should not expect to rely upon the dollar to continue to supply the major part of the growth in world reserves. The responsibility for providing reserves should be shared. This means that other ways of creating reserve assets will be needed to provide assurance that their total will grow at a rate that will encourage a continuation of the impressive growth in world economic production and trade.

2. The adjustment of imbalance should be brought about firmly but smoothly, in order to avoid disrupting effects on other countries and on the system as a whole. And here I want to stress that it is of key importance for surplus countries to adjust their positions as well as for deficit countries to do so. The adjustment burden not only should not -- realistically, it cannot -- rest solely on deficit countries. In the field of medium-term credit, in which the Fund has a pre-eminent place, we should assure that there are adequate amounts of such credit available to enable the adjustment process to function in ways consistent with the economic and political realities of modern society.

3. We should, at the same time, perfect the defenses of the international monetary system against its vulnerability to massive destabilizing movements of funds. In this area, international monetary cooperation in general, and especially short-term credit facilities among major countries, are important.

As I have said before, in pursuing these objectives the United States is wedded to no specific plan. We are impressed with the wide variety of technical possibilities which have been developed in the writings of distinguished economists here and abroad. And we have, in addition to these plans, the extremely valuable exploration of basic issues that has been developed by the Study Group on the Creation of Reserve Assets, under the Chairmanship of Mr. Rinaldo Ossola, of Italy. This report not only provides a useful guide to current concepts, but has brought out clearly that the obstacles to progress are not questions of technical ability to create reserve assets, but policy issues concerning how, when and where to create and distribute them. The problem is to reconcile the objectives of governmental policies so as to find ways of making progress that will find broad support.

It is therefore appropriate and gratifying that the Ministers of the Group of Ten have decided on Monday of this week to move from preliminary and technical consideration of improvements in the international monetary system to a level of active negotiation among responsible policy officials.

This is the first phase of preparation for new and improved international monetary arrangements. I urge that these negotiations to identify a broad measure of underlying agreement go forward with concentration, vigor and dispatch.

It is commendable that the Ministers of the Ten have requested the active participation in this first phase of preparation of the representatives of the Managing Director of the International Monetary Fund and of the O.E.C.D. and the Bank for International Settlements in these deliberations.

With respect to the Fund itself, it is the hope of the United States that in this first phase of preparation the management of the Fund will keep the Executive Directors fully appraised of work going on in the Group of Ten, and that the Fund will keep the Group of Ten informed of results of discussions and considerations by the Executive Board of the International Monetary Fund.

Beyond this, there lies a second phase of preparation of the utmost importance, on which the United States has been both insistent and persistent in its pursuit of appropriate preparation for an international monetary conference. This second phase should be designed primarily to assure that the basic interests of all members of the Fund in new arrangements for the future of the world monetary system will be adequately and appropriately considered and represented before significant intergovernmental agreements for formal structural improvements of the monetary system are concluded. Within the Fund membership there are variations in the extent to which individual countries are able to, or choose to, accumulate and hold large reserve balances. All, however, have a vital interest in the evolution of the world's monetary arrangements.

Twenty-one years ago, the Coordinating Committee of the Bretton Woods Conference submitted to the full Conference its report recommending that the IMF and IBRD be favorably considered by governments. The section of the report dealing with the IMF began with these words:

> "Since foreign trade affects the standards of life of every people, all countries have a vital interest in the system of exchange of national currencies and the regulations and conditions which govern its working."

I believe that thought is as true and as important today as it was in 1944.

It is true that only a limited number of countries hold the bulk of the official reserves of the world. No doubt these countries, including my own, have deep interests and responsibilities of a unique kind in the system by which reserves are generated and regulated. But other countries, which are not large reserve holders, also have legitimate and vital interests in these matters. This is why all the countries of the free world have a fair and reasonable claim that their views must be heard and considered at an appropriate stage in the process of international monetary improvement.

I welcome the action of the Group of Ten Ministers and Governors in recognizing this essential requirement for our continued efforts toward improvement of the free world's international monetary system. The United States views with hearty approval the Managing Director's suggestions to make suitable arrangements so that the efforts of the Executive Directors of the IMF and those of the Deputies of the Group of Ten can be directed toward a consensus as to desirable lines of action and the agreement of the Ministers of the Group of Ten on this point. We are looking forward to bringing together these two groups, which together can contribute so much b

experience and knowledge to the solution of the world's monetary problems, into full fledged preparatory discussions. This combination provides an adequate and appropriate preparatory committee for a significant international monetary conference provided, of course, that a meaningful basis for substantive agreement can be reached in advance.

Let me close with a plea that formidable and complex as is the task of extending and improving the workings of our international monetary system, we lift our eyes from it long enough to see what it is, in reality, that we are about.

Let me say -- and President Johnson's policies in this respect as in many others are predicated upon this -- that what we are engaged upon is the task of creating in the Free World an international monetary structure strong enough, flexible enough, and with adequate elements of growth, to provide the financial framework for the building of a greater society of nations.

These international arrangements we debate, the improved international monetary system that we grope toward, are the extension of the great international task of economic development to which so many of us have dedicated so much of our resources.

I say this not to magnify our undertakings, but to give them the inspiration of their true perspective setting.

Let us build patiently, and strong, for much of our fondest hopes rest upon what we are undertaking in our monetary as in our development tasks. But there is too much to be done to permit us the luxury of delay. So let us go forward, with confidence that the institutions and processes of international consultation and collaboration we have brought into being are adequate to keep our problems from mastering us, and that they will permit, instead, that we shall master our problems, in peace and increasing plenty.

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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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printed forms and forwarded in the special envelopes which will be supplied by Federa 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 bil 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 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 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 October 7, 1965 (X16), in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 7, 1965 (X17). 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 th

TREASURY DEPARTMENT
Washington

September 29, 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 October 7, 1965 , in the amount of $2,202,664,000 , as follows:

91 -day bills (to maturity date) to be issued October 7, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated July 8, 1965 , and to mature January 6, 1966 , originally issued in the amount of $ 1,000,904,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 1,000,000,000 , or thereabouts, to be dated October 7, 1965 , and to mature April 7, 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, October 4, 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

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WASHINGTON, D.C.

September 29, 1965

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

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TREASURY DEPARTMENT

WASHINGTON, D.C.

September 29, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON OFFICE MACHINE SPOOLS
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of office machine spools from West Germany, manufactured by Regentrop & Bernard, Wuppertal, Germany. 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 West Germany, manufactured by Regentrop & Bernard, Wuppertal, Germany, has not been withheld.

Imports of the involved merchandise received during the period October 1, 1964, through June 30, 1965, were worth approximately $22,500.

TREASURY DEPARTMENT

WASHINGTON, D.C.

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September 29, 1965

FOR IMMEDIATE RELEASE

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