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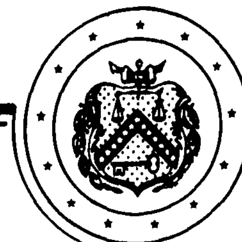


WASHINGTON, D.C.
October 1, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON BRAKE DRUMS
UNDER THE ANTIDUMPING ACT

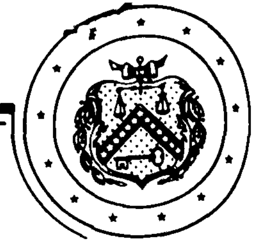
The Treasury Department has determined that brake drums from Canada, manufactured by Atom-Otive Products Co., Rexdale, Ontario, Canada, are not being, nor likely to be, sold at less than fair value within the meaning of the Antidumping Act. A "Notice of Intent to Discontinue Investigation and to Make Determination That No Sales Exist Below Fair Value," was published in the Federal Register on August 3, 1965, stating that termination of sales with respect to brake drums imported from Canada, manufactured by Atom-Otive Products Co., Rexdale, Ontario, Canada, was considered to be evidence that there are not, and are not likely to be, sales below fair value.

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

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

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

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 1, 1965

FOR IMMEDIATE RELEASE

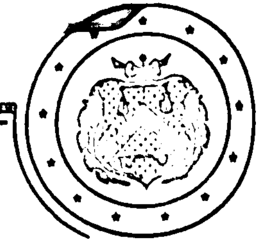
TREASURY DECISION ON PERCHLORETHYLENE SOLVENT UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of perchlorethylene solvent from France, manufactured by Solvay & Cie, Paris, France. A notice of intent to close this case with a determination that this merchandise is not being, nor likely to be, sold at less than fair value will be published in an early issue of the Federal Register.

Appraisement of the above-described merchandise from France, manufactured by Solvay & Cie, Paris, France, has been withheld.

Imports of the involved merchandise received during the period July 1, 1964, through August 31, 1965, were worth approximately $450,000.

TREASURY DEPARTMENT



FOR RELEASE A.M. NEWSPAPERS,
Tuesday, October 5, 1965.

WASHINGTON, D.C.
October 4, 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 July 8, 1965, and the other series to be dated October 7, 1965, which were offered on September 29, were opened at the Federal Reserve Banks on October 4. 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 January 6, 1966		:	182-day Treasury bills maturing April 7, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv Annual Rate
High	98.981 a/	4.031%	:	97.884 b/	4.185%
Low	98.972	4.067%	:	97.870	4.213%
Average	98.976	4.050% 1/	:	97.876	4.201% 1/

a/ Excepting one tender of $600,000; b/ Excepting one tender of $20,000
69 percent of the amount of 91-day bills bid for at the low price was accepted
18 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 32,251,000	$ 22,251,000	:	$ 22,949,000	$ 17,949,000
New York	1,520,164,000	755,414,000	:	1,291,780,000	578,880,000
Philadelphia	26,816,000	14,816,000	:	14,941,000	6,891,000
Cleveland	30,845,000	30,845,000	:	29,590,000	29,590,000
Richmond	17,165,000	17,165,000	:	9,888,000	8,888,000
Atlanta	38,967,000	27,564,000	:	28,174,000	17,774,000
Chicago	257,535,000	134,815,000	:	285,653,000	146,093,000
St. Louis	42,239,000	38,619,000	:	20,221,000	14,811,000
Minneapolis	16,597,000	15,287,000	:	12,223,000	10,723,000
Kansas City	32,609,000	32,609,000	:	17,414,000	15,364,000
Dallas	32,940,000	22,940,000	:	17,787,000	12,967,000
San Francisco	106,495,000	88,085,000	:	241,435,000	140,140,000
TOTALS	$2,154,623,000	$1,200,410,000	c/	$1,992,055,000	$1,000,070,000

c/ Includes $242,905,000 noncompetitive tenders accepted at the average price of 98.97
d/ Includes $114,016,000 noncompetitive tenders accepted at the average price of 97.87
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.15%, for the 91-day bills, and 4.35% 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.

Draft of Speech by Joseph Barr before the Tax Executives Institute, October 1965

As the world economy grows more complex and interdependent, the United States, along with other industrial countries, must pay increasing attention to the needs of the less developed countries of the world. The giving of economic assistance to these countries is clearly far more than an act of charity. The United States has a great stake in the growth of viable and free economies in the less developed world. (Insert A) A growing world economy represents a growing world market for United States products and services, it represents a growing source of raw materials necessary to support industrial expansion in the United States; it also represents a means to relieve the pressures of an ever growing world population which often find their release in political upheaval.

The United States Government, through four administrations since World War II, has committed itself to the importance of a strong and imaginative foreign assistance program. Following the reconstruction of

①

4

Insert 1.

A growing world economy does provide the proper setting in which the developing nations can advance their own plans for the achievement of human PROGRESS. + economic [dignity] x But a growing world economy also represents a growing world market for U.S. products +

~~represents a~~

~~[illegible]~~

Europe after World War II, the focus of our programs shifted from Europe to the less developed world. Many billions of dollars have been spent by our government in a variety of programs to foster economic growth in the countries of Asia, Africa and Latin America. Billions more have been spent individually by other industrial countries and jointly by associations of countries. Viewed alone, these amounts are staggering in proportion. Viewed in the context of the tremendous and growing job to be done, however, they cannot be considered as more than a beginning, and although we must start at the beginning, we cannot permit our efforts to end there.

The potential for expanding official economic development assistance clearly falls far short of the level which should be achieved. sectors responsibility. The key role which our private sector can best play in this endeavor is that of providing concurrently supplies of capital, know-how and management skills for the

I will mention briefly

IMPORTANT FACTORS

Three [reasons for this

AFFECTING THE POTENTIAL

short fall, ...]

(1) allocation of national resources;

AND (3)

(2) balance of payments; access

to capital markets x

Allocation of Resources

The history of the United

States since the end of WW II

is a magnificent record of

generous + far-seeing allocation

[illegible] billions

the responsibility

~~2nd~~

O Kun.

2nd half + 5.5 bill. ~~expires~~ - Nil. - normal tax. ~~taxes~~

Drop in T.T.'s promised about 1 - bill. last half of 66 x

2 billion impact (+) in '66

W~~ith full emp. surp~~

F.E.P. from 1st half of '66

in the re-building of Europe, Japan & more recently in the developing nations. But there is strong evidence appearing that we have ~~enormous~~ INCREASING internal needs emerging in the areas of education, pollution, conservation, health, ~~education~~, the attack on poverty; & the regeneration of our cities. It

Walker

[illegible] [illegible] [illegible]

Appreciation of need for monetary reform x

Decrease of $600 [illegible] in [illegible] [illegible] [illegible] x

Slowing down increase of expenditures x

Hard to [illegible] image of [illegible] goal.

[illegible] [illegible] [illegible], [illegible] current situation, [illegible] pressure can be handled x No doubt about their determination x

Shrinking sterling area throws more pressure on dollar as reserve country x

Initiative – Germans feel we should wait x

Approach –

Some countries [illegible] [illegible]

the peace of our [illegible] official [illegible] while confronted with these pressing domestic problems & ~~[illegible]~~ & ~~with [illegible] [illegible] rate of [illegible] it is difficult~~

Balance of Payments

As long as the United States & ~~[illegible]~~ ~~are~~ is struggling to bring ~~this~~ its

The role of [illegible] available [illegible] in the form of aid tied to U.S. procurement. It is equally difficult for us to increase our contribution to ~~[illegible]~~ international development institutions except in areas of the very highest priority such as the Asian Development Bank x

~~The [illegible]~~

[illegible] [illegible]

~~For the~~

~~Therefore my discussion~~

~~today will be~~

~~Insert~~ (1)

It does seem to me, however, that the Treasury can serve a useful ~~discussion~~ purpose in these discussions by attempting to describe where we are & how we got here.

~~reserve~~ [illegible]
supplies [illegible] the world's needs
for [illegible] ~~[illegible]~~
to the [illegible] of this dilemma &
as the United States [illegible]
[illegible] [illegible] [illegible]
off the supply of [illegible]
by our [illegible], then some
method of supplying adequate
reserve [illegible]
— TO PREVENT
& agreed upon [of the [illegible]
A SHORTAGE [illegible] INTERNATIONAL
[illegible]

[illegible]

discharging our responsibilities
under the Employment Act, &
~~A mix of policies with
shifting emphasis has
characterized our approach
in the past 4 1/2 years, &
this is the approach that
we are continuing~~

~~Therefore, I~~

While my discussion
of future policy may be
rather vague & general, I
think it is appropriate

(A) 30

WITH AID AND TRADE WITH THE DEVELOPING NATIONS.

~~make [illegible]~~

protect themselves against

[illegible] [illegible] [illegible]

proceeding with their aid

to developing nations x]

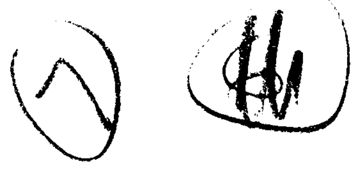
Access to Capital Markets

In this time of rather general [world wide] prosperity AMONG THE DEVELOPED NATIONS, [it seems that] the demand for capital IS INCREASING STEADILY. [increases in quantum jumps] x The capital markets

The need for [illegible] and efficiency [illegible]

adequate to

witness in hearings, in public discussions involving future policy. Prediction is about as popular in the Treasury as a skunk in the window well, and understandably so. Any prediction that might inhibit the flexibility of our approach could be disastrous. Because if we have learned anything in the past four years it is that there is no certain



THIS ~~MEAN THAT [illegible]~~

INCREASES THE PRIORITY WHICH

OTHER
DEVE[illegible] A [illegible] SHOULD

ATTACH TO [illegible] THEIR

CAPITAL MARKETS FROM

RESTRI[illegible] [illegible] BARRIERS

TO THEIR [illegible]STANDING [illegible]

AT [illegible] [illegible]TIONS.

Assuming a continuation of the current rate of world-wide economic expansion, it is difficult to see any time in the near future when these pressures will abate & when capital markets are [likely] [illegible], it is ~~extremely difficult~~ not easy for govts, & international development institutions to compete vigorously [illegible] for funds [illegible]

~~decision~~ x Most of us
who have labored in
the financial ~~committees~~ areas of
the Congress or the Administration
have looked rather wistfully
at ~~this~~ this Com. & the C.I.A.
where the luxury of discussion
is not followed inexorably
by the necessity to vote
or to decide x

It is the inexorable
necessity for decision that
makes the Treasury a
rather ~~[illegible]~~ unresponsive

It is for these reasons that I believe that the potential for expanding *official* development assistance is under constraint at this particular time & the needs for expanded assistance are [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible]

this Committee & to the C.I.A.

I believe that many

men could describe on the

whether the ... or the

institution have been the

more ~~important~~ valuable. But in

my own opinion, at least,

the creation of two areas in

this point, definitely to far

reading ~~& searching~~ research

analysis & divorced from

the distraction of operating

responsibility has been

constructive & rewarding ~~affair~~

development of viable industrial bases in the economies of the less developed countries.

As the richest and most technically advanced country in the world, we clearly have the ability ~~and resources~~ to perform this role. However, before we can do so adequately many economic and institutional barriers to such investment must be lowered. These barriers take the form of a lack of knowledge of the opportunities which exist in these countries for profitable investment; a lack of understanding and, therefore, a fear of involvement in the commercial, financial and legal institutions in these countries; the very real economic and political risks which accompany investment in less developed countries; the lack of an adequate supply of human resources in these countries; and a host of other impediments which reflect themselves in what appears to be inertia on the part of American business.

There is much that can be done both through public and private initiative to lower or eliminate these barriers.

Much is now being done and more can be done by our Federal Government, by the governments of the less developed countries, by world organizations like the UN and the OECD, by private trade associations and by interested business firms and individuals.

A high level advisory committee, under the chairmanship of Arthur K. Watson, was formed in 1964 to make a thorough study of the present government policies for channelling private investment into less developed countries. In the report of that committee, published in July 1965, a great many recommendations were made, worthy of careful consideration by the government agencies concerned. These recommendations deal with many aspects of the problem.

The Effect of a Less Developed Country Investment Promotion Policy on the Balance of Payments

Before entering into a discussion of specific policies and programs, a few remarks may be in order regarding the possible effect on the United States balance of payments of a policy to promote an expansion

of the outflows of American capital to less developed countries. The Administration has made abundantly clear its view that the recent improvement in our balance of payments must not be interpreted as a sign that the time has now come to relax our policies aimed at strengthening our balance of payments position. In light of this, one might be led to question whether this policy of selective foreign investment promotion is consistent with our balance of payments policies, particularly the voluntary foreign investment restraints and the interest equalization tax. The answer to this question clearly is yes, the two are consistent, as a brief analysis of the facts will indicate. You will note that this affirmative answer underlies our entire balance of payments program. Less developed country investment is exempt from the interest equalization tax; the voluntary investment restraints do not apply to less developed countries; while the Federal Reserve Guidelines do not exempt loans to less developed countries from the overall ceilings which they impose, such loans are to be given priority.

In the most short run sense, all foreign investment is reflected in a balance of payments drain in the amount of the investment, whatever the nature of the recipient country.

This is clearly not a realistic way of viewing the problem, for it considers only one part of a much longer process. This initial investment, whether it be in an industrial or a less developed country, will generally lead to some export of capital equipment, raw materials and semifinished goods produced in the United States, of American patents and know-how and of the services of American technicians, all necessary to support the investment. In addition, if the venture is successful, profits will be earned and, at least in part, repatriated to the investor. The relevant focus, therefore, is the net balance of payments cost of an investment. That is, the initial capital outflow minus the export receipts and dividend receipts generated by the investment. Over a sufficiently long period of time this net figure is likely to become positive for any

investment as the receipts, particularly the income receipts, increase in relation to the fixed initial investment.

It is at this point in the analysis that a clear distinction can be made between investment in developed countries and investment in less developed countries. The volume of United States exports generated by a dollar of American capital invested in a less developed country tends to be much greater than that generated by a dollar invested in an industrial country.

In his testimony before the Senate Finance Committee in support of the 1962 Revenue Act, Secretary Dillon presented the results of a study which showed that for the years 1959 and 1960, a dollar invested in Europe returned about four cents in direct net United States exports annually, while a dollar invested in the less developed world generated direct American exports in an amount exceeding forty cents per year. This very striking difference is accounted for by the fact that domestic sources of

supply in the less developed countries of capital goods, raw materials, intermediate products and technical knowledge and skills are very limited. American subsidiaries in these countries, therefore, find it necessary to fall back on American markets for a substantial part of their requirements. This is much less true for investment in industrial countries.

We must also look at the return flow of dividends generated by less developed country investment as compared with that of industrial country investment. Our data indicate that the ratio of dividends to net profit for less developed country subsidiaries tends to be somewhat lower than the average ratio for industrial countries. However, rates of return on capital are much higher for less developed country investment than for investment in developed countries. There are subsidiaries in less developed countries earning returns consistently in excess of 50 percent. These high returns, in many cases, more than offset the lower distribution

ratios, with the result that United States dividend receipts from less developed country subsidiaries will generally be higher per dollar of investment than receipts from developed country subsidiaries.

This ~~Combining these two~~ factor~~s~~ of high direct net export receipts ~~and high dividend receipts, it becomes~~ by itself makes it clear that the net balance of payments effect of a dollar invested in a less developed country ~~will become positive in a matter of a relatively short time while~~ is highly favorable when compared to a dollar invested in an industrial country ~~may require many years to become a net balance of payments asset~~.

The Use of Tax Policy to Promote Private United States Direct Investment in Less Developed Countries

The Treasury Department is joining in the effort to find ways to increase United States investment in less developed countries by developing its own programs and by lending support to the programs of other agencies. The primary tool which the Treasury has used in fostering private investment in less developed countries has been tax policy.

~~Tax Legislation~~

In the Revenue Act of 1962, a distinction was first established in the Internal Revenue Code between developed countries and less developed countries. The requirement in Section 902 that dividends received from industrial country subsidiaries be grossed-up by the amount of the foreign corporate tax, while permitting less developed country subsidiary dividends to continue to be taxed on a non-grossed-up basis, may give a several percentage point tax advantage to the less developed country subsidiary dividend, depending on the rate of foreign tax. The maximum advantage of almost 6 percentage points occurs when the foreign tax rate is 24 percent. In many less developed countries, the corporate tax rate is in the neighborhood of 24 percent, and in such cases the non-gross-up provision confers a substantial benefit.

Exceptions were written into the "tax haven" provisions in the 1962 Revenue Act to the benefit of less developed countries. Foreign base

company income was defined not to include dividends, interest and gains from qualified investments in less developed countries, if reinvested in less developed countries.

The Interest Equalization Tax, enacted in 1964, and extended in 1965, is designed to stem the outflows of certain forms of United States capital. Despite the alarming proportions which these outflows had taken by 1963, the Administration took a clear stand, in proposing this legislation, that it was not to apply to investment in less developed countries.

A bill sponsored by AID was introduced in the 88th Congress to grant a credit against United States tax liability to American investors, equal to 30 percent of amounts invested in qualified enterprises in less developed countries. No action was taken on this legislation in the last Congress. It is presently being reconsidered and has not yet been reintroduced.

Tax Treaty Policy

Just over a year ago, Assistant Treasury Secretary Surrey addressed this organization at a meeting in Montreal, at which time he made what

remains today the best overall statement available of United States Treasury goals in negotiating income tax conventions with less developed country treaty partners. I will not attempt to improve upon Mr. Surrey's remarks on this subject, but will concentrate on the investment promotion policy aspects of our less developed country treaties rather than the more technical tax policy aspects. In the last year our less developed country treaty program has developed to a point where treaties with Thailand and Israel embodying the philosophy which Mr. Surrey outlined to you last year have been signed and are awaiting Senate ratification and a third treaty, with India, is now in its final stages of negotiation.

Viewed in their entirety, these treaties may be considered as investment promotion devices, for one objective of the sum of the separate treaty provisions is to impart a measure of certainty to what is often, in the absence of a treaty, a highly uncertain tax situation. Thus the risk of capricious tax administration in the less developed country

These treaties also serve to limit the foreign tax, in most cases, to a level which permits full creditability in the United States. This also reduces a tax barrier to investment in these countries. The recent less developed country treaties, however, are also investment promoting in a more explicit sense.

A noteworthy investment feature of these treaties is the 7 percent investment credit which will be available to eligible American investors investing in qualified foreign enterprises. This credit will be available both for new outflows of American capital and for reinvested earnings, to the extent that they exceed one-half of the earnings and profits of the foreign subsidiary.

This credit will have the effect of extending to investment in selected less developed countries the domestic investment credit which became law as part of the 1962 Revenue Act. Since, under the domestic credit, eligible capital goods must be used in this country in order to give

rise to a credit, investment abroad is placed at a disadvantage vis-a-vis domestic investment, in this respect. While this may be a desirable result with respect to investment in industrial countries, it runs counter to our policies with respect to less developed countries. The granting of a 7 percent credit under these treaties, may, therefore, be considered as ~~an effort to~~ re-establish ~~a~~ parity between domestic and foreign investment which was broken in 1962.

The treaty credit and the domestic credit appear on the surface to be quite different. The treaty credit is broader in scope, since the full amount of the investment in a qualified enterprise may be used as a basis for the credit, regardless of the type of property purchased. The domestic credit, on the other hand, though narrower in scope, is repetitive, ~~and~~ each time an eligible piece of equipment is replaced a new credit may be taken. Thus the ~~breadth~~ of the one-time treaty credit is balanced by the repetitiveness of the more narrow domestic credit. ~~This rough parity~~

of the two credits can be shown by arithmetic example assuming, say, a 20 year time period.

What might, in fact, be the impact of the credit on investment in the selected less developed countries? One cannot make a quantitative estimate. However, carrying forward the domestic credit analogy, the record of our 7 percent credit provides a clue to the expected investor response to the treaty provision. There was a gradual upward trend in expenditures on new plant and equipment in this country until 1962. A small decline in late 1962 was followed by a sharp upturn at a rate averaging between 10 and 15 percent per year. There is no way to tell the extent to which this increase reflects the investment credit, since the new depreciation guidelines were put into effect at about the same time. It is probably the case, however, that the investment credit is, at least in part, responsible.

In selecting those countries to which the investment credit will be offered by treaty, effort is made to insure that the institutional frame-

INSERT C, ? 15

2

However, our experience has made clear that unless some provision of the treaty contains a specific encouragement to investment, the less developed countries believe that the treaty will reduce their revenues without compensating benefits to them. Therefore without the credit provisions there will be no treaty and hence any investment gain from the treaty must be ascribed to it.

work in the partner country is one that will provide a receptive atmosphere for American capital. In part, the treaty itself strengthens this atmosphere of receptiveness. Thus some of the barriers that typically discourage the American investor considering the prospect of investment in a less developed country may not be present in these cases. This gives us all the more hope that a 7 percent credit will provide sufficient stimulus to draw investment which might not otherwise be forthcoming into these countries.

Another provision of these treaties designed specifically to promote a particular form of private investment in the partner countries is the deferral of tax on the exchange of technical assistance and know-how for the stock of the corporation receiving the assistance. American business has developed many advanced techniques of production which would be of great value in the industrial growth of less developed countries.

The United States Government strongly supports efforts to transfer this knowledge to less developed countries. Many firms are willing to enter into agreements to make their services and know-how available to

companies in less developed countries. It is often the case, however, that these foreign companies do not have the cash or the access to foreign exchange to purchase the property or services outright. The acquisition in return for stock is an alternative which may be satisfactory to both parties. However, in many cases, the United States resident or company transferring the property will be willing to do so in return for stock only if the tax on the transaction can be deferred until the stock is disposed of. Otherwise, the problem arises of paying current tax on a nonliquid acquisition. The deferral provision solves this liquidity problem and, it is hoped, will lead to an expanded use of American skills and knowledge in the less developed world.

It is our hope that the pending treaties with Thailand and Israel will receive strong Senate endorsement so that the precedents established in these treaties may form the basis of an extensive network of treaties

with less developed countries, thus permitting the treaty benefits to be enjoyed by all deserving countries.

Other Tax Policies

The Treasury Department, through the facilities of the Internal Revenue Service, is engaged in still another program designed, not specifically to promote United States private investment in less developed countries, but rather to improve the investment climate in these countries so that the prospects for investment will appear more favorable. I refer to the Foreign Tax Assistance Program. Organized in 1962, and growing out of our Latin American aid programs, the Foreign Tax Assistance Staff offers help to less developed countries, particularly those in Latin America, in improving the administration of their tax systems.

By the end of fiscal year 1965, technical assistance teams had been sent on long-term missions of two years or more to 17 countries, 14 of which are in Latin America. Short-term missions of 30 to 90 days have

countries with the resources necessary to undertake investment in public projects such as transportation, power and communication facilities which must precede almost any successful industrial venture.

In official statements, the Organization of American States, the Inter-American Development Bank and the Chamber of Commerce have all pointed to the tax assistance program as being one of the most successful of our Latin American development projects.

Other Government Policies INVESTMENT DISPUTES.

Apart from these initiatives in the tax field, the Government has been moving forward with a number of other projects designed to stimulate private investment in less developed countries. On August 27 of this year the United States signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. This Convention, which as of September 30 had been signed by twenty-one countries in addition to the United States, would establish a Center associated with the World Bank which would provide facilities for the settlement by con-

I need not remind you that these disputes are often acrimonious, & charged with emotional over-tones & quite often it is difficult in the midst of such confusion the hullabaloo to determine where the equity really lies. But it is certain that these investment disputes have been a serious impediment to

an[illegible] [illegible] capital [illegible]
[illegible] nations [illegible]

Oral Stat[illegible]

Madame Chairman,

This opportunity of appearing before your [illegible] is a unique ~~opportunity~~ pleasure for me & ~~I have~~ I have always found the Employment Act of 1946 an intriguing piece of legislation because in addition to establishing a national economic policy it created two havens of contemplation in the U.S., -- one in the Congress & one in the Executive.

I am referring of course to

ciliation or arbitration of investment disputes between private citizens or corporations of one country and the government of another country. Recourse to conciliation or arbitration under the auspices of the Center would be entirely voluntary and would be based on the written consent of a private investor and a host State. There is now no effective international forum to which private investors and capital-importing countries can take investment disputes that may arise between them. The Convention will fill this gap. In this way it is hoped it will act as an important spur to the movement of private capital into less developed regions.

In order to enter into force, the Convention must be ratified by twenty countries. The Convention will soon be submitted to our Senate for advice and consent to ratification. We expect that the United States will be able to ratify sometime in 1966.

Another project of interest was approved by Congress during its current session when it enacted legislation which will authorize the

World Bank to make loans to the International Finance Corporation in an amount up to four times the $100 million subscribed capital of the Corporation, that is, approximately $400million. The International Finance Corporation is designed to encourage the growth of productive private enterprise in less developed member countries, and it engages in financing activities in association with private investors. The additional capital which will now be available to the Corporation will enable it to greatly expand its operations and to work even more effectively in joint ventures with private capital.

I would also like to tell you about the progress we are making in drafting a charter for an Asian Development Bank in consultation with other member countries of the United Nations Economic Commission for Asia and the Far East. On April 20 of this year President Johnson announced that the United States would be willing under appropriate conditions to join with the countries of Asia in establishing a regional

bank for the purpose of speeding the process of economic development there. While the initial funds of the Bank will have to be provided by government subscriptions to its capital stock, it is hoped that eventually it will be able to meet a substantial part of its needs for capital by borrowings in the private capital markets of member countries which are exporters of capital. Later this month a meeting will be held in Bangkok with interested Asian countries and interested non-Asian capital-exporting countries in order to work out the final text of a charter for the Bank. We hope to be able to submit the completed charter to Congress early next year for the necessary legislation authorizing United States participation in the Bank. The Asian Development Bank will be engaged primarily in making loans to the governments of countries in Asia and the Far East. As such it will not be directly promoting the the investment of private capital in these countries, but like much of our foreign aid program, it will help to establish the sort of environment in these countries in which private investment may be successful.

These recent developments supplement a variety of existing programs to promote private investment, such as the AID investment gurantees and Commerce Department studies of investment potential in many areas of the world. I am sure you are familiar with these programs.

I hope that this brief statement of Administration goals and review of programs to promote private American direct investment in less developed countries will be indicative of our Government's resolve to help provide the less developed countries with the resources necessary to achieve a position of economic independence. It should be clear that direct Government assistance cannot do the job alone. I want it also to be clear that the Government stands ready and able to offer assistance to the private sector in fulfilling its part in this mission.

FOR RELEASE ON DELIVE

REMARKS
UND

20TH ANNUAL CONF

CHASE-PARK
TUESDAY, C

Room 3417
OFFICE OF INFORMATION
Ext. 2041
TO
DATE

As the world eco[illegible] the United States, along with other industrial countries, must pay increasing attention to the needs of the less developed countries of the world. The giving of economic assistance to these countries is clearly far more than an act of charity. The United States has a great stake in the growth of viable and free economies in the less developed world. A growing world economy does provide the proper setting in which the developing nations can advance their own plans for the achievement of human and economic progress. But, a growing world economy also represents a growing world market for United States products and services.

The United States Government, through four administrations since World War II, has committed itself to the importance of a strong and imaginative foreign assistance program. Following the reconstruction of Europe after World War II, the focus of our programs shifted from Europe to the less developed world. Many billions of dollars have been spent by our government in a variety of programs to foster economic growth in the countries of Asia, Africa and Latin America. Billions more have been spent individually by other industrial countries and jointly by associations of countries. Viewed alone, these amounts are staggering in proportion. Viewed in the context of the tremendous and growing job to be done, however, they cannot be considered as more than a beginning, and although we must start at the beginning, we cannot permit our efforts to end there.

~~DRAFT~~ REMARKS BY THE HONORABLE JOSEPH W. BARR
UNDER SECRETARY OF THE TREASURY
BEFORE THE
0TH ANNUAL CONFERENCE OF THE TAX EXECUTIVES INSTITUTE
AT THE
CHASE-PARK PLAZA HOTEL, ST. LOUIS, MISSOURI
TUESDAY, ~~SEPTEMBER~~ OCTOBER 5, 1965
12:00 NOON, CDT

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TREASURY DEPARTMENT
Washington

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As the world economy grows more complex and interdependent, the United States, along with other industrial countries, must pay increasing attention to the needs of the less developed countries of the world. The giving of economic assistance to these countries is clearly far more than an act of charity. The United States has a great stake in the growth of viable and free economies in the less developed world. A growing world economy does provide the proper setting in which the developing nations can advance their own plans for the achievement of human and economic progress. But, a growing world economy also represents a growing world market for United States products and services.

The United States Government, through four administrations since World War II, has committed itself to the importance of a strong and imaginative foreign assistance program. Following the reconstruction of Europe after World War II, the focus of our programs shifted from Europe to the less developed world. Many billions of dollars have been spent by our government in a variety of programs to foster economic growth in the countries of Asia, Africa and Latin America. Billions more have been spent individually by other industrial countries and jointly by associations of countries. Viewed alone, these amounts are staggering in proportion. Viewed in the context of the tremendous and growing job to be done, however, they cannot be considered as more than a beginning, and although we must start at the beginning, we cannot permit our efforts to end there.

The potential for expanding official economic development assistance clearly falls far short of the level which should be achieved. I will mention briefly three important factors affecting this potential --

(1) allocation of national resources;

(2) balance of payments; and

(3) access to capital markets.

Allocation of Resources

The history of the United States since the end of World War II is a magnificent record of generous and far-seeing allocation of our own resources between our internal needs and the needs of the world -- first in the re-building of Europe and Japan and more recently in the developing nations. But there is strong evidence appearing that we have increasing internal needs emerging in the areas of education, pollution, conservation, health; the attack on poverty; and the regeneration of our cities. It is probably unrealistic to assume that in the near future we can step-up the pace of our external official assistance while confronted with these pressing domestic problems.

Balance of Payments

So long as the United States is struggling to bring its balance of payments into equilibrium, it is difficult for this nation to increase the rate of our bi-lateral assistance other than in the form of aid tied to United States procurement. It is equally difficult for us to increase our contributions to international development institutions except in areas of the very highest priority such as the Asian Development Bank. Secretary Fowler's call for an intensified effort to agree on new methods of supplying the world's needs for liquidity and reserves goes to the root of this dilemma. As the United States comes into payments balance and shuts off the supply of reserves credited by our deficits, then some method of supplying adequate reserves must be discovered and agreed upon to prevent a shortage of international liquidity from interfering with aid and trade with the developing nations.

Access to Capital Markets

In this time of rather general prosperity among the developed nations, the demand for capital is increasing steadily. The capital markets of the world, organized in the most effective and efficient manner are obviously necessary if supplies adequate to Free World needs are to be available.

This increases the priority which other developed nations should attach to freeing their capital markets from restrictions and barriers to their constructive use by developing nations.

It is for these reasons that I believe that the potential for expanding official development assistance is under constraint at this particular time. The needs for expanded assistance are obvious so it is surely appropriate for us to examine how the private sectors of our economy can assume an increasing share of the responsibility.

The key role which our private sector can play in this endeavor is that of providing concurrently supplies of capital, know-how and management skills for the development of viable industrial bases in the economies of the less developed countries.

As the richest and most technically advanced country in the world, our private sector clearly has the ability to perform this role. However, before we can do so adequately many economic and institutional barriers to such investment must be lowered. These barriers take the form of a lack of knowledge of the opportunities which exist in these countries for profitable investment; a lack of understanding and, therefore, a fear of involvement in the commercial, financial and legal institutions in these countries; the very real economic and political risks which accompany investment in less developed countries; the lack of an adequate supply of human resources in these countries; and a host of other impediments which reflect themselves in what sometimes appears to be inertia on the part of American business.

There is much that can be done both through public and private initiative to lower or eliminate these barriers.

The Effect of a Less Developed Country Investment Promotion Policy on the Balance of Payments

Before entering into a discussion of specific policies and programs, a few remarks may be in order regarding the possible effect on the United States balance of payments of a policy to promote an expansion of the outflows of private American capital

to less developed countries. The Administration has made abundantly clear its view that the recent improvement in our balance of payments must not be interpreted as a sign that the time has now come to relax our policies aimed at strengthening our balance of payments position. In light of this, one might be led to question whether this policy of selective foreign investment promotion is consistent with our balance of payments policies, particularly the voluntary foreign investment restraints and the interest equalization tax. The answer to this question clearly is yes, the two are consistent, as a brief analysis of the facts will indicate. You will note that this affirmative answer underlies our entire balance of payments program. Less developed country investment is exempt from the interest equalization tax; the voluntary investment restraints do not apply to less developed countries; while the Federal Reserve Guidelines do not exempt loans to less developed countries from the overall ceilings which they impose, such loans are to be given priority.

In the most short run sense, all foreign investment is reflected in a balance of payments drain in the amount of the investment, whatever the nature of the recipient country.

This is clearly not a realistic way of viewing the problem, for it considers only one part of a much longer process. This initial investment, whether it be in an industrial or a less developed country, will generally lead to some export of capital equipment, raw materials and semifinished goods produced in the United States, of American patents and know-how and of the services American technicians, all necessary to support the investment. In addition, if the venture is successful, profits will be earned and, at least in part, repatriated to the investor. The relevant focus, therefore, is the net balance of payments cost of an investment. That is, the initial capital outflow minus the export receipts and dividend receipts generated by the investment. Over a sufficiently long period of time this net figure is likely to become positive for any investment as the receipts, particularly the income receipts, increase in relation to the fixed initial investment.

It is at this point in the analysis that a clear distinction can be made between investment in developed countries and investment in less developed countries. The volume of United States exports generated by a dollar of American capital invested in a less developed country tends to be much greater than that generated by a dollar invested in an industrial country.

In his testimony before the Senate Finance Committee in support of the 1962 Revenue Act, Secretary Dillon presented the results of a study which showed that for the years 1959 and 1960, a dollar invested in Europe returned about four cents in direct net United States exports annually, while a dollar invested in the less developed world generated direct American exports in an amount exceeding forty cents per year. This very striking difference is accounted for by the fact that domestic sources of supply in the less developed countries of capital goods, raw materials, intermediate products and technical knowledge and skills are very limited. American subsidiaries in these countries, therefore, find it necessary to fall back on American markets for a substantial part of their requirements. This is much less true for investment in industrial countries.

This factor of high direct net export receipts by itself, makes it clear that the net balance of payments effect of a dollar invested in a less developed country is highly favorable when compared to a dollar invested in an industrial country.

The Use of Tax Policy to Promote Private United States Direct Investment in Less Developed Countries

The Treasury Department is joining in the effort to find ways to increase United States investment in less developed countries by developing its own programs and by lending support to the programs of other agencies. The primary tool which the Treasury has used in fostering private investment in less developed countries has been tax policy.

Current Programs -- Tax Legislation

In the Revenue Act of 1962, a distinction was first established in the Internal Revenue Code between developed countries and less developed countries. The requirement in Section 902 that dividends received from industrial country subsidiaries be grossed-up by the amount of the foreign corporate tax, while permitting less developed country subsidiary dividends to continue to be taxed on a non-grossed-up basis, may give a several percentage point tax advantage to the less developed country subsidiary dividend, depending on the rate of foreign tax. The maximum advantage of almost 6 percentage points occurs when the foreign tax rate is 24 percent. In many less developed countries, the corporate tax rate is in the neighborhood of 24 percent, and in such cases the non-gross-up provision confers a substantial benefit.

Exceptions were written into the "tax haven" provisions in the 1962 Revenue Act to the benefit of less developed countries. Foreign base company income was defined not to include dividends, interest and gains from qualified investments in less developed countries, if reinvested in less developed countries.

The Interest Equalization Tax, enacted in 1964, and extended in 1965, is designed to stem the outflows of certain forms of United States capital. The Administration took a clear stand, in proposing this legislation, that it was not to apply to investment in less developed countries.

Tax Administration

The Treasury Department, through the facilities of the Internal Revenue Service, is engaged in still another program designed, not specifically to promote United States private investment in less developed countries, but rather to improve the investment climate in these countries so that the prospects for investment generally will appear more favorable. I refer to the Foreign Tax Assistance Program. Organized in 1962, and growing out of our Latin American aid programs, the Foreign Tax Assistance Staff offers help to less developed countries, particularly those in Latin America, in improving the administration of their tax systems.

By the end of fiscal year 1965, technical assistance teams had been sent by the Treasury Department on long-term missions of two years or more to 17 countries, 14 of which are in Latin America. Short-term missions of 30 to 90 days have gone to 15 countries since July of 1963. In 1965 alone, representatives of 55 less developed countries participated in Foreign Tax Assistance training and orientation programs for tax administrators and officials.

The results of these programs have been most encouraging. In one country in which the activities of the Foreign Tax Assistance Staff have been carried on, the number of income tax returns filed during the three month filing period in 1965 exceeded the 1964 returns filed by 43 percent and tax collections increased by 121 percent.

Developments such as these are important in furthering the goal of an investment promotion policy in several respects. A poorly administered tax system with widespread evasion results in uncertain in tax planning and also in inequities in tax burden, for the honest taxpayers must assume more than their share of the total burden. In addition, the larger revenues resulting from a well administered system provide the governments of these countries with the resources

necessary to undertake investment in public projects such as transportation, power and communication facilities which must preced almost any successful industrial venture.

In official statements, the Organization of American States, the Inter-American Development Bank and the Chamber of Commerce have all pointed to the tax assistance program as being one of the most successful of our Latin American development projects.

Proposed Programs

Just over a year ago, Assistant Treasury Secretary Surrey addressed this organization at a meeting in Montreal, at which time he made what remains today the best overall statement available of United States Treasury goals in negotiating income tax conventions with less developed country treaty partners. I will not attempt to improve upon Mr. Surrey's remarks on this subject, but will concentrate on the investment promotion policy aspects of our less developed country treaties rather than the more technical tax policy aspects. In the last year our less developed country treaty program has developed to a point where treaties with Thailand, Israel and the Philippines this last treaty without the investment credit clause -- embodying the philosophy which Mr. Surrey outlined to you last year have been signed and are awaiting Senate ratification and a fourth treaty, with India, is now in its final stages of negotiation.

Viewed in their entirety, these treaties may be considered as investment promotion devices, for a basic objective of the sum of the separate treaty provisions is to impart a measure of certainty to what is often, in the absence of a treaty, a highly uncertain tax situation. With the treaty, businesses can proceed in the light of more clearly defined tax rules in the less developed country involved.

These treaties also serve to limit the foreign taxes, in most cases, to a level which permits full creditability in the United States. This also reduces a tax barrier to investment in these countries. These aspects are of course present in our treaties with developed countries. The recent less developed country treaties, however, are also investment promoting in a more explicit sense.

A noteworthy investment feature of these treaties is the 7 percent investment credit which will be available to eligible American investors investing in qualified foreign enterprises. This credit will be available both for new outflows of American capital and for reinvested earnings, to the extent that the latter exceed one-half of the earnings and profits of the foreign subsidia

This credit will have the effect of extending to investment in selected less developed countries the domestic investment credit which became law as part of the 1962 Revenue Act. Since, under the domestic credit, eligible capital goods must be used in this country in order to give rise to a credit, investment abroad is placed at a disadvantage vis-a-vis domestic investment, in this respect. While this may be a desirable result with respect to investment in industrial countries, it runs counter to our policies with respect to less developed countries. The granting of a 7 percer credit under these treaties, may, therefore, be considered as re-establishing at least the parity between domestic and foreign investment in less developed countries which was broken in 1962.

The treaty credit and the domestic credit appear on the surface to be quite different. The treaty credit is in some respects broader in scope, since the full amount of the investment in a qualified enterprise may be used as a basis for the credit, regardless of the type of property purchased. The domestic credit, on the other hand, is repetitive, since each time an eligible piece of equipment is replaced a new credit may be taken. Thus the somewhat greater coverage of the one-time treaty credit is in effect balanced by the repetitiveness of the more narrow domestic credit.

What might, in fact, be the impact of the credit on investment in the selected less developed countries? One cannot make a quantitative estimate. However, our experience has made clear that unless some provision of the treaty contains a specific encouragement to investment, the less developed countries believe that the treaty will reduce their revenues without compensatory benefits to them. Therefore without the credit provision there will be no treaty and hence any investment gain from the treaty must be ascribed to it.

In selecting those countries to which the investment credit will be offered by treaty, effort is made to insure that the institutional framework in the partner country is one that will provide a receptive atmosphere for American capital. In part, the treaty itself strengthens this atmosphere of receptiveness. Thus some of the barriers that typically discourage the American investor considering the prospect of investment in a less developed country may not be present in these cases. This gives us all the more hope that a 7 percent credit will provide sufficient stimulus to draw investment which might not otherwise be forthcoming into these countries.

Another provision of these treaties designed specifically to promote a particular form of private investment in the partner countries is the deferral of tax on the exchange of technical assistance and know-how for the stock of the corporation receiving

the assistance. American business has developed many advanced techniques of production which would be of great value in the industrial growth of less developed countries.

The United States Government strongly supports efforts to transfer this knowledge to less developed countries. Many firms are willing to enter into agreements to make their services and know-how available to companies in less developed countries. It is often the case, however, that these foreign companies do not have the cash or the access to foreign exchange to purchase the property or services outright. The acquisition in return for stock is an alternative which may be satisfactory to both parties. However, in many cases, the United States resident or company transferring the property will be willing to do so in return for stock only if the tax on the transaction can be deferred until the stock is disposed of. Otherwise, the problem arises of paying current tax on a nonliquid acquisition. The deferral provision solves this liquidity problem and, it is hoped, will lead to an expanded use of American skills and knowledge in the less developed world.

It is our hope that the pending treaties with Thailand and Israel will receive strong Senate endorsement so that the precedents established in these treaties may form the basis of an extensive network of treaties with less developed countries. The other industrialized countries of the world are also striving to establish such a network to improve the climate for the investment and trading activities of their residents. If our businessmen are to receive the same treatment, our treaty program with less developed countries must keep pace.

Investment Disputes

Apart from these initiatives in the tax field, the Government has been moving forward with a number of other projects designed to stimulate private investment in less developed countries. On August of this year the United States signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. This Convention, which as of September 30 had been signed by twenty-one countries in addition to the United States, would establish a Center associated with the World Bank which would provide facilities for the settlement by conciliation or arbitration of investment disputes between private citizens or corporations of one country and the government of another country. Recourse to conciliation or arbitration under the auspices of the Center would be entirely voluntary and would be based on the written consent of a private investor and a host State.

There is now no effective international forum to which private investors and capital-importing countries can take investment dispute that may arise between them. I need not remind you that these disputes are often acrimonious and charged with emotional over-tones. Quite often it is difficult in the midst of such confusion to determine where the equity really lies. But it is certain that these investment disputes have been a serious impediment to accelerating capital investment in the developing nations. The Convention will hopefully strike down this barrier.

In order to enter into force, the Convention must be ratified by twenty countries. The Convention will soon be submitted to our Senate for advice and consent to ratification. We expect that the United States will be able to ratify sometime in 1966.

I hope that this brief statement of Administration goals and review of programs to promote private American direct investment in less developed countries will be indicative of our Government's resolve to help provide the developing countries with the resources necessary to achieve a position of economic independence. It should be clear that direct Government assistance cannot do the job alone. I want it also to be clear that the Government stands ready and able to offer assistance to the private sector in fulfilling its part in this mission.

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defense needs are certainly not welcome, but they become a specter to our economy only when their likely size is greatly exaggerated. If I thought defense was going to add $10 to $15 billion to our fiscal 1967 budget, I'd be back in my office right now considering proposals for tax increases to pay for it. As you see, I'm here with you instead. I expect us to incorporate our defense spending into a sound fiscal 1967 budget which still is carefully and finely tuned to the needs of the economy.

In short, the outlook on both the domestic and international fronts is for continued progress -- progress, to be sure, that must continue to be earned by forging ahead with the flexible, balanced policies in both the public and private sectors that have brought us our present unprecedented prosperity.

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factor for a time. It will be accompanied by our second stage of excise tax reduction, and we will be experiencing the effect of a rise in defense expenditures within this fiscal year.

In the past two years the pluses and minuses have added up into a generally smooth and well-paced expansion of $10 billion a quarter in our GNP. The pluses and minuses that are in prospect do not suggest a marked deviation from that pattern -- either upward or downward.

In making our budget decisions for fiscal 1967, we will treat our needs for defense expenditures as the number one priority. The exact size of those needs will shape up in the next few months. On present prospects, they dim the hopes for new tax reduction in fiscal 1967, and they may squeeze the scheduling and size of some of the President's valuable civilian programs. Our

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same time, the bumpier aspects of the outlook today have a bright side in assuring us that there is no serious threat of over-exuberance in the economy.

One bumpy spot for the rest of this year and opening months of 1966 is the run-off of steel inventories. It will not throw us for a loss, but it will shave our gains in industrial production and our manufacturing employment. Housing has been a bumpy area for a year and a half. The latest movement of housing starts has been downward, and while we see no likelihood of a persistent decline, we cannot count on the homebuilding industry to contribute to our advance in the months ahead. The forthcoming January rise in payroll taxes which was once inaccurately but widely viewed as a roadblock to our expansion is now seen in better perspective not as a serious threat to our forward movement, but a stabilizing

my own feeling that there is a tendency today in the money markets to jump to conclusions instead of acting on the basis of hard facts.

For us in the Treasury it seems that the money markets are basing many of their forecasts and their fears of inflation on exaggerated ideas about an economic boom which would add a bubble on the steady trend line of expansion. The economic outlook is bright but there is no evidence as yet that justified any assumption that it is going through the roof.

In recent years, the economy has shown remarkable ability to move forward smoothly and to take the bumps in the road in stride. There have been bumps in particular areas, and there will be some in the period ahead. We must be alert to them and ready to counter them in order to maintain our progress. At the

We also discussed the favorable prospects for maintaining this forward momentum because of the fact that the current expansion up to date has remained remarkably well balanced and free from inflationary distortions.

The President then put a question to me and I believe it went this way: "Why won't people stop, look, and listen, and count three before taking steps that would change the favorable mix of economic policy that has characterized this balanced expansion?"

Without answering the President's question, let me say that this Administration continues to believe that the stability of long-term interest rates is an important factor in the economic environment which has given us the greatest and best balanced period of domestic prosperity in our history. ~~May I also venture~~

we have known;

-- A total of 3.6 million non-farm jobs have been created, from November 1963 through August 1965, with official unemployment rates being reduced from 5.8 percent to 4.5 percent;

-- Personal income, in which we all share, has increased in the same period from $474.7 billion to $531.6 billion or 12 percent;

-- Business profits after taxes, despite an increase of $9.4 billion or 38.5 percent from the first quarter of 1961 to the fourth quarter of 1963 have continued to rise by an additional $10.6 billion, or 31.4 percent;

--Bank profits have moved to their greatest peaks in history, increasing 6 percent between 1963 and 1964, and may register another rise when 1965 figures are available.

All America, therefore, has not only a stake in the successful outcome of the forthcoming monetary negotiations, but a very real share in insuring this outcome.

I have no doubt that we will more than rise to the challenge.

I have no doubt also that one of our greatest assets in meeting that challenge will be the continued strength, stability and soundness of our domestic economy.

Only the night before last, I talked with our President on this subject which is one of those nearest and dearest to his heart.

We reviewed what had happened to our economy during his nearly two years in office, a time during which --

-- A business expansion already thought mature at 33 months of age in November, 1963, has continued to its current record length of ~~56 months, the~~ longest peacetime economic expansion

equilibrium. To falter or flag in that effort during the coming months of negotiation would not only seriously sap our negotiating strength, but would seriously damage the prospects for any early and fruitful end to those negotiations.

We cannot afford to let that happen -- and we will not.

President Johnson made that very clear in his address to the Bank and Fund meeting last week. I quote:

"...the U.S. has taken firm action to arrest the dollar drain Should further action be necessary in the future, such action will be taken.

I want to be very clear about this. We must, in our own interest and in the interest of those who rely on the dollar as a reserve currency, maintain our payments in equilibrium. This we will do."

review again our over-all balance of payments position. In appraising the result, we will, of course, consider what, if any, new measures of a voluntary character should be taken, including the possibility of guidelines program, to achieve further improvement in the year ahead.

And let there be no mistake: we must have nothing less than sustained and lasting equilibrium. We must have nothing less, not only for the sake of our own international reserve position and the continued strength and soundness of the dollar as an international reserve and key currency, but to insure the successful outcome of the forthcoming negotiations on world monetary reform.

For there are those who are still skeptical of our desire and determination to bring our international accounts into lasting

this part of the program for voluntary restraint of foreign investment, are certainly to be congratulated. They should, and I know they will, keep up this good work.

I am sure also that we are going to see good results from the part of the program aimed at ~~voluntary reduction of the funds placed abroad by other businesses, chiefly as direct investments.~~ The reports so far show a continued ~~rise in~~ foreign investment. But this reflects, in part at least, the fact that the companies doing business abroad already had commitments when our program went into effect that they could not ignore or substantially change.

They have given evidence of their support of the program by bringing home some $~~757~~ million of funds that they had on deposit abroad. We are taking a new look at this picture as we

These results tell us that we are headed in the right direction -- but we have far yet to go before we arrive at our goal of sustained and lasting equilibrium.

I was very pleased to learn this week that our voluntary program aimed at dampening the outflow of dollars from U.S. banks to foreign holders is continuing to show very good results. In the five months April through August the banks have reduced their dollar placements abroad by $500 million.

Without this reduction, our balance of payments position would be worse by that same amount. With this reduction, our balance of payments position is that much better than it would otherwise be. So this program is helping the country in very real and measurable terms to achieve the great national objective of bringing our international accounts into balance. The nation's banks, and the Federal Reserve System which is managing

No one, I am sure, imagines that by showing a modest surplus for three months we have in any sense solved our balance of payments problem. For one thing, figures for so short a period inevitably present a distorted reflection -- whether favorable or unfavorable -- of particular transactions. And, on balance, we believe the second quarter figures present a more flattering picture of our progress than events really warrant.

It is far more prudent -- and realistic -- to look at the combined results of the first and second quarters of this calendar year. During the first half of 1965, we had a deficit of $661 million -- about $1.3 billion at annual rates -- which represents a marked improvement over the $2,144 million deficit -- $4,288 million at annual rates -- recorded for the second half of 1964.

In the meantime, there is no more important task before the United States than to achieve and to maintain equilibrium in its balance of payments.

Since the announcement of President Johnson's balance of payments program on February 10, our position has improved markedly -- in no small measure because of the magnificent response by our financial institutions to the President's call for voluntary curbs on our capital outflow.

In the second quarter of this year, we experienced -- on the basis of regular transactions -- 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.

new international monetary arrangements to enable the Free World to deal in season with future demands upon its monetary system.

In entering these negotiations, as I said last week, the United States is wedded to no specific plan. We have no need to press our national pride -- very possibly at the price of imperilling the prospects of successful negotiations -- by seeking to press or impose upon others a plan labeled "Made in USA." We will, as I have many times emphasized, carefully consider and fairly weigh the proposals of all other nations.

Our own strategy, our own acceptance and presentation of proposals, will be determined by the time and by the circumstances -- guided always by our paramount goal of seeking ample improvement in world monetary arrangements of a kind that is thoroughly compatible with our national interests.

of the remainder of the Free World were held in the form of dollars.

Clearly, as the existing mechanism for creating additional liquidity -- U.S. deficits -- is closed down in order to protect and maintain the liquidity that exists in the world's holdings of dollars, some substitute must be devised.

All nations in the Free World are committed to a policy of dynamic growth in a dynamic world economy. This means growing international trade and economic development. 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.

These are the considerations that led your government to take the initiative in suggesting that it is now time to negotiate

The long period of large U.S. deficits has come to an end. If growth is to continue and trade is to expand, we must provide an effective and adequate substitute for the creation of additional reserves, when needed. Newly mined gold that finds its way into the monetary system will not be enough in the future any more than it has been in the past.

The U.S. balance of payments deficits have supplied about three-quarters of the new official reserves accumulated by the central banks of other nations since the end of 1958. Reserves deriving from the U.S. deficits grew in two forms -- dollar balances held as such, and dollars acquired and converted into gold. The latter development, of course, resulted in a substantial decline in United States reserves. We estimate that as of the end of 1964 more than a quarter of the official reserves

President, the Congress, and informed financial authorities around the world all are agreed -- must move its balance of payments into equilibrim and keep it there. It must do so to preserve the integrity of the dollar at home and abroad, so that dollars -- over $27 billion of them held in the official reserves of the world's central banks and in private commercial banks as a transactions currency -- can continue to function as an essential part of the world's monetary system. It must do so to arrest further drains in United States reserves. That erosion cannot go on indefinitely. It must be, and is being, stopped now.

That the world must know, and that the world expects because it, too, requires that the dollar be as good as gold.

These negotiations do not issue forth from any unaminous view that there is any urgent, pressing shortage of world liquidity -- or even that there will be such a shortage in the near future. They stem, instead, from common agreement, that when and if additional liquidity is needed, there must already be in readiness some new orderly mechanism for creating that liquidity.

Why, some will ask? What was the matter with the existing mechanism?

The answer to these questions go to the very heart of the matter.

The problem ~~, in short,~~ stems from the fact that the large deficits in the U.S. balance of international payments, which for nearly twenty years have served as the existing mechanism for providing a major portion of the Free World's liquidity, must come to an end. The United States -- the

for the common good.

I mention these facts simply to demonstrate that, on the financial front, the Free World has not been sitting on its hands over recent years -- that instead it has been moving surely and steadily toward the negotiations we are now about to enter. It is, in fact, this record of thorough and thoughtful accomplishment -- of a wise willingness to prepare for future contingencies before they occur -- that must serve as one of our firmest grounds for confidence in the successful outcome of the forthcoming negotiations.

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has served to give an added degree of stability to the system. For example, I was extremely pleased that during the course of my recent visit to Western Europe for bilateral discussions of procedures for negotiating long range international monetary reforms, we were able to participate in and help effect a concrete measure of cooperation between monetary authorities to deal constructively with a more immediate and pressing problem affecting the stability of the existing international monetary system -- confidence in the British pound, one of the two reserve currencies on ~~which the system~~ is based.

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At the same time that international credit facilities have thus been expanded, there have been underway the exhaustive technical studies essential to opening up the possibilities of enlarging international liquidity through some new form of reserve asset.

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At the meeting last week the Ministers and Governors of the Group of Ten agreed to renew the Arrangements for

all of you -- that the high level negotiations that will shortly begin do not represent any sudden turn of events, any unexpected change in the international weather. They are but the logical outcome -- not only of recent events -- but of the patient, painstaking preparation that has been going on for several years.

The major countries long ago agreed that there were two basic elements in international liquidity: the reserves of gold and reserve currencies and the ready availability of credit facilities for countries in need of temporary assistance.

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At this early stage in our movement toward world monetary reform it is neither advisable nor appropriate for me either to take a position on or to discuss publicly any of the substantive proposals or possible proposals for monetary reform. The course of wisdom at this time is to be firm in principle and in purpose, but flexible in approach.

On this occasion, therefore, I would like simply to place the forthcoming negotiations into proper perspective by reviewing briefly some of the background of these negotiations as well as some of the problems and prospects, objectives and strategies, that may unfold as negotiations proceed.

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What I wish to suggest, therefore, is that while we are well on the way toward real world monetary reform -- we still have a long way to go, we still have ahead of us many more months of hard and tough negotiations. We must be prepared, as those negotiations proceed, to weather moments of uncertainty and doubt -- moments, even, when prospects for a final resolution of difficulties and disagreements may seem to grow bleaker, instead of brighter -- moments that must inevitably occur as we move deeper and deeper into the specific details of agreement and national interests become more and more involved.

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No one who followed the developments at the meeting last week -- or took part in them as I did -- can help but be heartened about the prospects for eventual world monetary reform of a meaningful and workable kind. There are, to be sure, differences not only about the nature of future reform but about the need for reform. These differences are real, and some of them are deep. But they are not insurmountable.

There are those, after all, who as little as three months ago held out little hope for the degree of accord that was achieved at last week's meeting [illegible]

and the regulations and conditions which govern its working.

In thus moving efforts toward world monetary reform from the level of technical discussion onto the plane of high policy negotiations and in offering an avenue for the inclusion of representatives of the smaller nations in these negotiations, this formal accord among the Group of Ten nations and the similar undertakings by the Managing Director of the International Monetary Fund represents the full achievement of all that the United States hoped would be accomplished at last week's meeting of the International Monetary Fund and World Bank.

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So ~~at long la~~st, this important task of formal preparation was set in motion for evolving arrangements in the Free World monetary system to meet the needs of a fast growing world economy without a continued increasingly dangerous dependence on major U. S. deficits in its balance of payments -- and on the schedule we publicly suggested last summer, namely, "at the time of the annual meeting of the International Monetary Fund this September."

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Nor would these discussions be limited solely to the Deputies of the Group -- but would also include representatives of the Managing Director of the International Monetary Fund of the Organization of Economic Cooperation and Development,

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Last week, on a far larger stage, there was another meeting of minds that -- while preliminary and far from total -- may help to assure a new era of free world economic progress and prosperity which could equal or surpass even the unexampled accomplishments of the past two decades.

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of the national government and the banking industry -- the matter of bank mergers. As Attorney General Katzenbach made clear in a recent letter to Chairman Patman of the House Banking and Currency Committee, there is now a substantial meeting of minds between the Attorney General, the bank regulatory agencies, and the Secretary of the Treasury on the two central aspects of anti-trust policy which have been of growing concern to the industry and those responsible for its regulation in the public interest. Without going into the details of this consensus -- which are clearly outlined in the Attorney General's letter and have been well reported in the press -- may I simply express my

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This year your Association has given strong support to our program for changing our subsidiary coinage materials. During the current fiscal year, as you know, we will be producing these new coins by the billions and will continue to do so until coin shortages have become no more than a distant memory.

Nor can I let this occasion pass without citing the invaluable service that the bankers of America perform for the Treasury and for the country through their efforts on

FOR RELEASE AFTERNOON
NEWSPAPERS, Tuesday, Oct 5, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE AMERICAN BANKERS ASSOCIATION (ANNUAL CONVENTION)
AT THE CONRAD HILTON HOTEL, CHICAGO, ILLINOIS
TUESDAY, OCTOBER 5, 1965 10:00 A.M., CDT

It is a particular pleasure to appear before this organization, for it gives me the opportunity to pay public tribute to the banking industry for all it has done during the past year to help the Treasury and the nation in so many ways.

You have been an invaluable source of strength and support during the past year of coin shortages and the need for authorization of new subsidiary coinage materials. Consultations with your industry led to the development of our program to double the production of coins. Last Fall your Association sponsored a series of radio and television announcements urging the public to put idle coins in

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TREASURY DEPARTMENT
Washington

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More important even than these notable contributions to our nation's welfare has been the splendid performance of our banks and other financial institutions in response to the President's call for voluntary curbs on capital outflows abroad to which I shall refer later.

Having thus cited but a few of the important services you have rendered to the Treasury and the country, I am indeed happy to note some good progress on a matter of concern both to the legislative and executive branches of the national government and the banking industry -- the matter of bank mergers. As Attorney General Katzenbach made clear in a recent letter to Chairman Patman of the House Banking and Currency Committee, there is now a substantial meeting of minds between the Attorney General, the bank regulatory agencies, and the Secretary of the Treasury on the two central aspects of anti-trust policy which have been of growing concern to the industry and those responsible for its regulation in the public interest. Without going into the details of this consensus -- which are clearly outlined in the Attorney General's letter and have been well reported in the press -- may I simply express my hope that this development will lead to a speedy resolution of the issues in a way that will both protect the legitimate interests of the government and meet the legitimate needs of the banks.

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Nor would these discussions be limited solely to the Deputies of the Group -- but would also include representatives of the Managing Director of the International Monetary Fund, of the Organization of Economic Cooperation and Development, the Bank for International Settlements, and of the Swiss National Bank.

So this important task of formal preparation was set in motion for evolving arrangements in the Free World monetary system to meet the needs of a fast growing world economy without a continued increasingly dangerous dependence on major U. S. deficits in its balance of payments -- and on the schedule we publicly suggested last summer, namely, "at the time of the annual meeting of the International Monetary Fund this September."

The Ministers and Deputies of the Group also agreed that, once these negotiations have established a base for agreement on essential points,they must move to a "broader consideration of the questions that affect the world economy as a whole." They recognized, in short, that after the ten leading nations had established some common ground for agreement -- and before any final significant intergovernmental arrangements are entered into -- negotiations must be expanded to include a second phase, designed to encompass the views and interests and problems of the other ninety-three member countries of the International Monetary Fund, as reflected by their representatives among the twenty Executive Directors of that organization. The United States had insisted upon this second stage of negotiations because of our conviction that all countries have a vital interest in a system of exchange of national currencies and the regulations and conditions which govern its working.

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At this early stage in our movement toward world monetary reform it is neither advisable nor appropriate for me either to take a position on or to discuss publicly any of the substantive proposals or possible proposals for monetary reform. The course of wisdom at this time is to be firm in principle and in purpose, but flexible in approach.

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May I begin simply by stressing the fact -- familiar to all of you -- that the high level negotiations that will shortly begin do not represent any sudden turn of events, any unexpected change in the international weather. They are but the logical outcome -- not only of recent events -- but of the patient, painstaking preparation that has been going on for several years.

The major countries long ago agreed that there were two basic elements in international liquidity: the reserves of gold and reserve currencies and the ready availability of credit facilities for countries in need of temporary assistance.

And we have augmented international liquidity over recent years by enlarging the credit resources of the International Monetary Fund. In 1961, as you know, the Group of Ten major industrial nations negotiated with the International Monetary Fund a so-called General Arrangements to Borrow. Under the Arrangements, the ten nations agreed to lend the IMF up to $6 billion should this be necessary "to forestall or cope with an impairment of the international monetary system." The Arrangements were activated last December and again last May to furnish part of a $2.4 billion drawing from the IMF by the United Kingdom.

At the meeting last week the Ministers and Governors of the Group of Ten agreed to renew the Arrangements for four more years -- with the suggestion that the Arrangements be reviewed for possible adaptation in October of 1968 or later in the light of further experience with them.

There has also been agreement on a 25 percent general increase in IMF quotas -- along with special increases for some sixteen countries -- that will raise total aggregate quotas from $15 billion to around $21 billion.

At the same time that international credit facilities have thus been expanded, there have been underway the exhaustive technical studies essential to opening up the possibilities of enlarging international liquidity through some new form of reserve asset.

Moreover, informal international monetary cooperation has served to give an added degree of stability to the system. For example, I was extremely pleased that during the course of my recent visit to Western Europe for bilateral discussions of procedures for negotiating long range international monetary reforms, we were able to participate in and help effect a concrete measure of cooperation between monetary authorities to deal constructively with a more immediate and pressing problem affecting the stability of the existing international monetary system -- confidence in the British pound, one of the two reserve currencies.

I refer to the action announced September 10 by the Bank of England, in which ten nations, including the United States, joined in new arrangements to strengthen the pound. It should be emphasized that this action comes on the heels of encouraging indications that Great Britain is moving toward a balance in its international payments and is undertaking a more effective long-term national program to stabilize costs and prices that will put it in a stronger competitive position in world markets. Hence, the main purpose of the new arrangements is to exploit this strengthening situation and reinforce these developments. The prompt action of the ten cooperating countries demonstrated once again the strength and flexibility of the existing international monetary system and the willingness of the major industrial countries to work together for the common good.

I mention these facts simply to demonstrate that on the financial front, the Free World has not been sitting on its hands over recent years -- that instead it has been moving surely and steadily toward the negotiations we are now about to enter. It is, in fact, this record of thorough and thoughtful accomplishment -- of a wise willingness to prepare for future contingencies before they occur -- that must serve as one of our firmest grounds for confidence in the successful outcome of the forthcoming negotiations.

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Why, some will ask? What was the matter with the existing mechanism?

The answers to these questions go to the very heart of the matter.

The problem stems from the fact that the large deficits in the U. S. balance of international payments, which for nearly twenty years have served as the existing mechanism for providing a major portion of the Free World's liquidity, must come to an end. The United States -- the President, the Congress, and informed financial authorities around the world all are agreed -- must move its balance of payments into equilibrium and keep it there. It must do so to preserve the integrity of the dollar at home and abroad, so that dollars -- over $27 billion of them held in the official reserves of the world's central banks and in private commercial banks as a transaction currency -- can continue to function as an essential part of the world's monetary system. It must do so to arrest further drains in United States reserves. That erosion cannot go on indefinitely. It must be, and is being, stopped now.

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The long period of large U. S. deficits has come to an end. If growth is to continue and trade is to expand, we must provide an effective and adequate substitute for the creation of additional reserves, when needed. Newly mined gold that finds its way into the monetary system will not be enough in the future any more than it has been in the past.

The U. S. balance of payments deficits have supplied about three-quarters of the new official reserves accumulated by the central banks or other nations since the end of 1958. Reserves deriving from the U. S. deficits grew in two forms -- dollar balances held as such, and dollars acquired and converted into gold. The latter development, of course, resulted in a substantial decline in United States reserves. We estimate that as of the end of 1964 more than a quarter of the official reserves of the remainder of the Free World were held in the form of dollars.

Clearly, as the existing mechanism for creating additional liquidity -- U. S. deficits -- is closed down in order to protect and maintain the liquidity that exists in the world's holdings of dollars, some substitute must be devised.

All nations in the Free World are committed to a policy of dynamic growth in a dynamic world economy. This means growing international trade and economic development. 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.

These are the considerations that led your government to take the initiative in suggesting that it is now time to negotiate new international monetary arrangements to enable the Free World to deal in season with future demands upon its monetary system.

In entering these negotiations, as I said last week, the United States is wedded to no specific plan. We have no need to preen our national pride -- very possibly at the price of imperilling the prospects of successful negotiations -- by seeking to press or impose upon others a plan labeled "Made in USA." We will, as I have many times emphasized, carefully consider and fairly weigh the proposals of all other nations.

Our own strategy, our own acceptance and presentation of proposals, will be determined by the time and by the circumstances -- guided always by our paramount goal of seeking ample improvement in world monetary arrangements of a kind that is thoroughly compatible with our national interests.

In the meantime, there is no more important task before the United States than to achieve and to maintain equilibrium in its balance of payments.

Since the announcement of President Johnson's balance of payments program on February 10, our position has improved markedly -- in no small measure because of the magnificent response by our financial institutions to the President's call for voluntary curbs on our capital outflow.

In the second quarter of this year, we experienced -- on the basis of regular transactions -- 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.

No one, I am sure, imagines that by showing a modest surplus for three months we have in any sense solved our balance of payments problem. For one thing, figures for so short a period inevitably present a distorted reflection -- whether favorable or unfavorable -- of particular transactions. And, on balance, we believe the second quarter figures present a more flattering picture of our progress than events really warrant.

It is far more prudent -- and realistic -- to look at the combined results of the first and second quarters of this calendar year. During the first half of 1965, we had a deficit of $661 million -- about $1.3 billion at annual rates -- which represents a marked improvement over the $2,144 million deficit -- $4,288 million at annual rates -- recorded for the second half of 1964.

These results tell us that we are headed in the right direction -- but we have far yet to go before we arrive at our goal of sustained and lasting equilibrium.

I was very pleased to learn this week that our voluntary program aimed at dampening the outflow of dollars from U. S. banks to foreign holders is continuing to show very good results. In the five months April through August the banks have reduced their dollar placements abroad by $500 million.

Without this reduction, our balance of payments position would be worse by that same amount. With this reduction, our balance of payments position is that much better than it would otherwise be. So this program is helping the country in very real and measurable terms to achieve the great national objective of bringing our international accounts into balance. The nation's banks, and the Federal Reserve System which is managing this part of the program for voluntary restraint of foreign investment, are certainly to be congratulated. They should, and I know they will, keep up this good work.

I am sure also that we are going to see good results from the part of the program aimed at achieving savings in the international transactions of non-financial businesses through their own voluntary efforts. The reports so far show a continued high level of foreign investment by these companies. But this reflects, in part at least, the fact that the companies doing business abroad already had commitments when our program went into effect that they could not ignore or substantially change.

They have given evidence of their support of the program by bringing home some $575 million of funds that they had on deposit abroad and substantially increasing foreign borrowings. We are taking a new look at this picture as we review again our over-all balance of payments position. In appraising the result, we will, of course, consider what, if any, new measures of a voluntary character should be taken, including the possibility of a guidelines program, to achieve further improvement in the year ahead.

And let there be no mistake: we must have nothing less th sustained and lasting equilibrium. We must have nothing less, only for the sake of our own international reserve position and the continued strength and soundness of the dollar as an inter- national reserve and key currency, but to insure the successful outcome of the forthcoming negotiations on world monetary refor

For there are those who are still skeptical of our desire and determination to bring our international accounts into last equilibirium. To falter or flag in that effort during the comi months of negotiation would not only seriously sap our negotiat strength, but would seriously damage the prospects for any earl and fruitful end to those negotiations.

We cannot afford to let that happen -- and we will not.

President Johnson made that very clear in his address to Bank and Fund meeting last week. I quote:

"...the U.S. has taken firm action to arrest the dollar drai Should further action be necessary in the future, such action will be taken.

"I want to be very clear about this. We must, in our own interest and in the interest of those who rely on the dollar as a reserve currency, maintain our payments in equilibrium. This we will do."

All America, therefore, has not only a stake in the successful outcome of the forthcoming monetary negotiations, but a very real share in insuring this outcome.

I have no doubt that we will more than rise to the challenge.

I have no doubt also that one of our greatest assets in meeting that challenge will be the continued strength, stability and soundness of our domestic economy.

Only the night before last, I talked with our President on this subject which is one of those nearest and dearest to his heart.

We reviewed what had happened to our economy during his nearly two years in office, a time during which --

-- A business expansion already thought mature at 33 months of age in November, 1963, has continued to its current record length of 56 months, the longest peacetime economic expansion we have known:

-- A total of 3.6 million non-farm jobs have been created from November 1963 through August 1965, with official unemployment rates being reduced from 5.8 percent to 4.5 percent;

-- Personal income, in which we all share, has increased in the same period from $474.7 billion to $531.6 billion or 12 percent;

-- Business profits after taxes, despite an increase of $9.4 billion or 38.5 percent from the first quarter of 1961 to the fourth quarter of 1963 have continued to rise by an additional $10.6 billion, or 31.4 percent;

-- Bank profits have moved to their greatest peaks in history, increasing 6 percent between 1963 and 1964, and may register another rise when 1965 figures are available.

We also discussed the favorable prospects for maintaining this forward momentum because of the fact that the current expansion up to date has remained remarkably well balance and free from inflationary distortions.

The President then put a question to me and I believe it went this way: "Why won't people stop, look, and listen, and count three before taking steps that would change the favorable mix of economic policy that has characterized this balanced expansion?"

Without answering the President's question, let me say tha this Administration continues to believe that the stability of long-term interest rates is an important factor in the economic environment which has given us the greatest and best balanced period of domestic prosperity in our history. Of course, I recognize that new facts may at any time call for a re-examination of a policy mix, but may I venture my own feeling that there is a tendency today in the money markets to jump to conclusions instead of acting on the basis of hard facts.

For us in the Treasury it seems that the money markets are basing many of their forecasts and their fears of inflation on exaggerated ideas about an economic boom which would add a bubb on the steady trend line of expansion. The economic outlook is bright but there is no evidence as yet that justifies any assumption that the expansion is going through the roof.

In recent years, the economy has shown remarkable ability to move forward smoothly and to take the bumps in the road in stride. There have been bumps in particular areas, and there will be some in the period ahead. We must be alert to them and ready to counter them in order to maintain our progress. At the same time, the bumpier aspects of the outlook today have a bright side in assuring us that there is no serious threat of over-exuberance in the economy.

One bumpy spot for the rest of this year and opening month of 1966 is the run-off of steel inventories. It will not throw us for a loss, but it will shave our gains in industrial produc tion and our manufacturing employment. Housing has been a bump area for a year and a half. The latest movement of housing sta has been downward, and while we see no likelihood of a persiste decline, we cannot count on the homebuilding industry to contri bute to our advance in the months ahead. The forthcoming Janua rise in payroll taxes which was once inaccurately but widely viewed as a roadblock to our expansion is now seen in better perspective not as a serious threat to our forward movement, bu a stabilizing factor for a time. It will be accompanied by our

second stage of excise tax reduction, and we will be experiencing the effect of a rise in defense expenditures within this fiscal year.

In the past two years the pluses and minuses have added up into a generally smooth and well-paced expansion of $10 billion a quarter in our GNP. The pluses and minuses that are in prospect do not suggest a marked deviation from that pattern -- either upward or downward.

In making our budget decisions for fiscal 1967, we will treat our needs for defense expenditures as the number one priority. The exact size of those needs will shape up in the next few months. On present prospects, they dim the hopes for new tax reduction in fiscal 1967, and they may squeeze the scheduling and size of some of the President's valuable civilian programs. Our defense needs are certainly not welcome, but they become a specter to our economy only when their likely size is greatly exaggerated. If I thought defense was going to add $10 to $15 billion to our fiscal 1967 budget, I'd be back in my office right now considering proposals for tax increases to pay for it. As you see, I'm here with you instead. I expect us to incorporate our defense spending into a sound fiscal 1967 budget which still is carefully and finely tuned to the needs of the economy.

In short, the outlook on both the domestic and international fronts is for continued progress -- progress, to be sure, that must continue to be earned by forging ahead with the flexible, balanced policies in both the public and private sectors that have brought us our present unprecedented prosperity.

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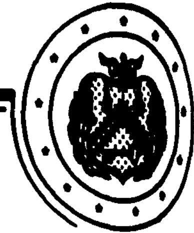
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, October 6, 1965.

October 5, 1965

RESULTS OF TREASURY'S OFFERING OF $4 BILLION TAX ANTICIPATION BILLS

The Treasury Department announced last evening that the tenders for the two seri of Treasury Tax Anticipation bills, each series to be dated October 11, 1965, which were offered on September 22, 1965, were opened at the Federal Reserve Banks on October 5, 1965. Tenders were invited for $3,000,000,000, or thereabouts, of 162-day bills and for $1,000,000,000, or thereabouts, of 254-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	162-day Tax Anticipation bills maturing March 22, 1966		:	254-day Tax Anticipation bills maturing June 22, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv Annual Rate
High	98.318 a/	3.738%	:	97.260 b/	3.883%
Low	98.273	3.838%	:	97.206	3.960%
Average	98.298	3.783% 1/	:	97.221	3.938% 1/

a/ Excepting 4 tenders totaling $4,150,000; b/ Excepting 5 tenders totaling $3,9

28 percent of the amount of 162-day bills bid for at the low price was accepted
13 percent of the amount of 254-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	$ 127,625,000	$ 112,625,000	:	$ 128,676,000	$ 80,855,0
New York	1,833,145,000	1,045,905,000	:	1,054,590,000	254,340,0
Philadelphia	121,960,000	111,240,000	:	22,134,000	6,134,0
Cleveland	285,715,000	242,835,000	:	157,955,000	72,955,0
Richmond	72,340,000	60,340,000	:	33,355,000	19,205,0
Atlanta	153,015,000	133,615,000	:	72,110,000	45,360,0
Chicago	540,045,000	486,045,000	:	244,700,000	193,795,0
St. Louis	112,155,000	108,935,000	:	60,090,000	30,055,0
Minneapolis	121,125,000	119,125,000	:	51,865,000	38,015,0
Kansas City	76,597,000	74,272,000	:	39,841,000	25,384,0
Dallas	100,035,000	71,435,000	:	20,065,000	8,290,0
San Francisco	496,780,000	433,780,000	:	321,730,000	225,860,0
TOTALS	$4,040,537,000	$3,000,152,000 c/		$2,207,111,000	$1,000,248,0

c/ Includes $435,662,000 noncompetitive tenders accepted at the average price of 98.29
d/ Includes $197,011,000 noncompetitive tenders accepted at the average price of 97.22
1/ On a coupon issue of the same length and for the same amount invested, the return these bills would provide yields of 3.90%, for the 162-day bills, and 4.08%, for t 254-day bills. Interest rates on bills are quoted in terms of bank discount with return related to the face amount of the bills payable at maturity rather than the amount invested and their length in actual number of days related to a 360-day ye In contrast, yields on certificates, notes, and bonds are computed in terms of in est on the amount invested, and relate the number of days remaining in an interes payment period to the actual number of days in the period, with semiannual compo ing if more than one coupon period is involved.

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TREASURY DEPARTMENT
Washington

FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE STANLEY S. SURREY
ASSISTANT SECRETARY OF THE TREASURY
AT THE FINANCIAL ANALYSTS FEDERATION CONFERENCE
WASHINGTON HILTON HOTEL, WASHINGTON, D. C.
TUESDAY, OCTOBER 5, 1965, 12:30 P.M. EDT

THE ROLE OF TAX POLICY IN THE GREAT SOCIETY

Under President Johnson's leadership, this nation has begun the challenging task of building a Great Society.

Substantial progress has been achieved and a sound foundation for the structure is being laid.

The Great Society will rest upon two major supports -- national consensus and economic prosperity.

As the Congress finishes a session which is outstanding in our history for its achievements and as our economy continues strong in a record-breaking expansion, these two supports appear sound indeed.

Prospects for future achievements are bright.

The goals are many, but some stand out. Clearly, we must do all in our power to:

-- give the 35 million people who now suffer the despair of poverty the opportunity to earn a decent life for themselves and a better life for their children;

-- give all our children full opportunity to educate and equip themselves to take a constructive part in carrying this society forward;

-- give all Americans the opportunity to fulfill their own best hope of achievement, that we may fulfill the promise offered when this land was born;

-- make our countryside and our cities more beautiful, healthier, safer and better places in which to live and work;

-- meet our commitments, written and unwritten, throughout the world to those people who look to us in their need for release from ignorance misery, and hunger.

I would like to consider what role tax policy has to play in achieving the goals of this Great Society.

Growth of the Economy

Certainly the Great Society will involve federal expenditures and our tax system must raise the funds to meet those expenditures. In an earlier day this could mark the end of my talk. But today's knowledge has brought us deeper insight

The accomplishment of the Great Society will require an ever-growing economic base -- a base adequate to meet the demands which that Society will place on Federal expenditures, State and local government expenditures, and private expenditures.

In our war on poverty, in our efforts to foster education, equal opportunity, health and natural beauty, and in our campaign to improve urban life, economic prosperity is not only essential -- it is the most powerful weapon we have.

Government policies must therefore be directed both to achieving an economic growth that matches our potential and to enabling us to keep that potential constantly expanding. We must achieve full employment and then go on to provide an adequate rate of economic growth at full employment.

The use of fiscal policy in meeting these demands is today, as a result of the accomplishments of these last five years, far more broad and flexible than most had supposed.

The success of the tax reduction involved in the Revenue Act of 1964 has marked the turning point. This

tax reduction, though it came in a period of deficits, brought the larger GNP and larger revenue base that the Administration and many economists foresaw. Recognition of this success of the 1964 Act tax reduction was a large factor in the speed with which the Excise Tax Reduction Act -- involving a further $4 billion staged reduction -- was enacted this year by the Congress.

If we did not have the investment credit of 1962, the depreciation reform of 1962 -- which was liberalized early this year -- the 1964 and 1965 individual and corporate income tax reductions, and the excise tax reduction of 1965, next year the Federal tax burden would be more than $20 billion heavier than it will now be.

That is the reduction in tax liabilities measured at a constant income level. But there was no corresponding reduction in actual revenue receipts. As President Johnson said recently:

> "I am happy to report that even with such massive tax reduction, we anticipate that Federal revenues for the 5-year period, fiscal 1961 to 1966, will have increased by over $18 billion -- almost twice the increase over the previous 5 years when there were no tax cuts at all."

All this has permitted us, I believe -- Government economists and business analysts alike -- an increasing objectivity in assessing the role of Federal budget policy in our financial system. We are no longer hampered by such rigidities that a budget deficit is always bad -- we cannot automatically identify the villain by seeing if he writes in red ink.

For we are now aware that adding a group of expenditures that differ widely in their form -- loans, grants, current expenses, capital items -- and then achieving a zero balance when these are subtracted from revenues in itself can guarantee nothing as to the direction the economy will move. And we are also aware of such things as fiscal drag and the power of our revenue system yearly to increase its take from the private sector of the economy -- at present by about $7 billion annually -- and of the need each year to offset that fiscal drag. That doesn't mean that tax reduction is always desirable and must occur every year or that it is always preferable to increased expenditures and is never to yield to debt retirement.

Each year will require its own decisions. They will depend on our expenditure requirements -- in terms of domestic needs and foreign obligations -- and on the economic outlook -- in terms of the need to maximize employment and avoid inflation.

We have balanced these things well in moving toward an interim goal of four percent unemployment.

This course is not an easy one to pilot. Like hidden shoals, we will encounter unexpected developments. At times these developments will require rapid temporary adjustments in our fiscal policy -- such as quick tax cuts.

It would be beneficial, now that the effects of tax reduction on the economy are better understood, to reach a consensus on the form that a temporary tax change should take so that we thereby would be able, with that consensus in hand, to achieve a speedy enactment if a temporary reduction were ever needed. An appropriate Congressional hearing held now for this purpose, before the need ever arises, would be useful in reaching such consensus.

I have talked so far in aggregate terms, and in these terms tax reduction has mainly meant a broad attack on inadequate private expenditures and investment incentives.

In the Revenue Act of 1964, and in the recent Excise Tax Reduction Act, we provided a substantial stimulus to consumer demand which serves, of course, to provide the market to induce and support our remarkable increase in business investment. We have also reduced corporate tax rates, and provided the special measures of an investment credit and the depreciation guidelines. Together these business tax measures have meant an increased cash flow and considerably higher after-tax rates of return.

In the Treasury we have begun an intensive study of the investment experience in the past few years to isolate if we can the impact of depreciation reform and the investment credit. We are trying to learn more about our depreciation system, the guidelines and the reserve ratio test through a complex computer study of the effects of varying depreciation rates and lives against the manifold patterns of asset holdings, replacements and retirements that our businesses present.

At the same time, through trips abroad by our experts, we are bringing up-to-date our knowledge of the handling of depreciation under the tax systems of other countries, so that we can consider the comparative position of the U. S. approach.

Finally, in the area of business taxation we are aware of the need for more research regarding the appropriate relationship between the corporate tax and the individual income tax. But a look at the recent foreign changes illustrates the complexities involved in this relationship, and the need to define the goals before coming to any conclusion about whether a change is either necessary or appropriate.

The United States approach is basically that of a corporate tax separated from the individual tax, with no adjustment (apart from the $100 dividend exclusion) for the possibility that corporate profits may be taxed at two levels, once as profits to the corporation and once as dividends to individuals. I call this a possibility in view of the considerable uncertainty about whether the corporate tax is shifted.

However, many economists have favored the so-called British approach, under which the two taxes are integrated through the shareholder getting a credit at his level for the corporate tax, and with his dividend grossed up to reflect corporate profits before the corporate tax. Some

would even go further and apply this credit and grossed-up inclusion in shareholder income automatically, without the need for an actual distribution by the corporation. But the British this year abandoned their approach in favor of the United States approach, though with a lower corporate rate, probably 40 percent.

Meanwhile the French, who previously had the United States approach, shifted this year halfway to the former British approach, by giving the shareholder on the gross-up approach a credit for one-half of the corporate tax.

Both the British and the French did not follow the German technique, which grants the corporation a much lower corporate rate (15 percent as against 51 percent) on the corporate profits that are distributed to the shareholders.

The Canadians, who now use a very rough version of the former British approach -- they give the shareholder a credit of 20 percent of the dividend without any grossing up of the dividend -- are, through their Royal Commission, studying whether they should consider a change.

The key to all these different approaches -- bewildering as they are in their variety and susceptibility to change -- is probably that the changes are designed to achieve different goals.

The British desire to encourage more corporate investment and hope their change will achieve that by favoring the retention of corporate profits over their distribution. The French appear to desire a greater shareholder participation by their investors, and hence have focused on inducements to the distribution of dividends -- a factor which underlies the German approach though with a different technique.

Here in the United States we have stressed corporate investment -- witness the investment credit -- and hence adequate corporate cash flow and after-tax rate of return. We have recognized that we already possess through our developed capital markets and other institutional factors strong forces in the direction of shareholder participation. Hence our present needs exert a strong pressure for retention of the status quo in the structure of corporate taxation still leaving room for rate reduction at an appropriate time.

The British have also recognized the relationship between these corporate patterns and the capital gains tax. Thus, along with their move to strengthen corporate retention of profits they have adopted a capital gains tax on the American model, but with inclusion of one-half of the gain, a maximum

Looking at our system as it now stands, the poor pay primarily, as Federal taxes, the excises on alcohol and tobacco and the income tax where poverty levels may be above the present dividing line between taxable and non-taxable income. They also pay the gasoline tax, which is a user charge associated with the Highway Trust Fund, and the Social Security and Medicare payroll taxes, which involve a saving for pensions and medical care. In looking at the tax structure, it is clear that the income tax impact deserves our first attention, and the President has said that any future income tax reduction should cover those who live in the shadow of poverty. This suggests at least a change which raises to a higher level of income the dividing line between taxable and non-taxable income.

This nation cannot afford to continue indefinitely to tax people who cannot afford to pay.

As incomes increased in past years for the population as a whole, the nature of our tax structure over those years -- relatively fixed rates and exemption levels -- increased the tax burden on lower income taxpayers, as they moved from a non-taxable status to a taxable status, from the lowest bracket rate to a higher rate.

Even our massive income tax reduction in the last two years has only set this process back about five years.

And even with such reduction, over the past 15 years an examination of effective tax rates (the percentage of overall income actually paid in tax) shows:

-- a family earning half the national average income ($2,200 in 1950, $4,000 today) went from an effective tax rate of zero to almost 4 percent;

-- a family earning the national average income went from an effective tax rate of 6-1/2 percent to 9 percent;

-- a family earning double the national average income stayed roughly the same;

-- higher income families either held their own or realized reductions, often substantial, in their effective tax rates as increased incomes were offset by increased deductions or a greater proportion of capital gains.

Indeed, the spread of effective tax rates is greatest for higher income taxpayers, varying from zero to around 66 percent. Correspondingly, the average effective rate for very high income taxpayers is much lower than is

generally realized. For instance, all taxpayers who in 1962 reported adjusted gross incomes of more than a million dollars would -- at present tax table rates -- pay an average effective rate of only 26 percent of their overall income (including capital gain income in full). Furthermore, only nine percent of those taxpayers would have effective rates of over 50 percent on overall income under present tax table rates.

All this reinforces President Johnson's view that the next tax reduction should focus on the lower income groups.

We are constantly gaining more knowledge of the weapons with which to carry out our war on poverty. Some of the approaches are associated with the sheer alleviation of destitution, through providing funds directly. Others involve programs of income maintenance to counteract the forces which can undercut a person's income. Others look to programs of education, relocation, training and the like to help people raise themselves and their children out of poverty, and to provide employment for those who are employable. As we gain this knowledge we will be in a better position to judge the contribution which a tax system can make in this effort.

Tax Equity and Tax Simplification

A nation that seeks improvement in its society is likely to insist on the improvement of that aspect of Government which exerts a widespread and significant effect on that society -- the Federal tax system itself. The tax activity of the past few years has increased public interest in obtaining the fairest and simplest tax system possible.

Tax equity is a complex matter. Two persons may have the same amount of income -- wages, net business income, net investment income, capital gains -- but the income tax on one may be far higher than on the other. The variance comes about because the income tax has differing treatments for various types of income and for various types of family expenditures, primarily those involving personal expenses. Thus, for example, on the income side, capital gains are taxed at lower rates; on the expenditure side, deductions are allowed for charitable contributions, personal interest, State and local taxes, medical expenses, and so on.

The difficulty in all this lies in deciding which differences in income source and expenditures should be significant for income tax purposes. While economists may, as a

waiving these differences in income and expenditure treatment, focuses attention on this matter, and hence merits careful study.

Further, these value judgments mean that a large variety of factors enter into the final determination of a person's tax. In turn this means that the income tax structure is necessarily complex -- which brings us to tax simplification. One way to achieve tax simplification is to reduce the differences that are regarded today as significant. Since tax simplification also commands a value, necessarily we are involved in deciding between conflicting goals in considering these differences.

Some would resolve the conflict by narrowing the differences through eliminating many of the preferences and deductions, and lowering the rates in the tax tables. Others would resolve it by keeping the differences but lessening their significance through granting comparable treatment to taxpayers who do not have the actual expenditures -- such as increasing the standard deduction. Senator Long has advocated this approach in some brackets. This lowers the effective rates on these taxpayers, but maintains the higher nominal rates.

The future course of the income tax -- and tax equity and tax simplification -- will involve the proper balancing of these various factors. Since value judgments are involved, we should not expect the exclusive choice of a single approach. Rather, the unfolding solutions are likely to involve a part of each approach.

Apart from these broad considerations, certain aspects of tax equity and tax simplification also merit study.

One is the relationship of the income tax to the estate and gift taxes. The estate tax, with an available exemption of $120,000 of assets for a married decedent, relates only to slightly under three percent of decedents. While obviously these taxes affect only middle and upper income groups, we do not as yet have sufficient information to relate the incidence of these taxes to the incidence of the income tax. Moreover, the impact of all three taxes is affected by the present treatment of capital gains, especially the elimination from the income tax of any unrealized appreciation in value occurring prior to the decedent's death. The serious imbalances which this latter treatment involves, and the adverse effect on mobility of

capital through its tendency to lock families into their present asset holdings, are regarded by many economists as our most serious structural tax problem.

There are, in addition, a number of narrower areas in which tax reforms could be made.

Similarly, while tax simplification on a broad scale requires the consideration of the major questions we have mentioned, there are many changes which can be made which do not involve such policy considerations or value judgments. We should therefore examine what can be done through these narrower changes to simplify and improve our tax structure.

Cost-Effectiveness Studies

In order to assure the wisest use of resources in achieving the goals of the Great Society, we must make every effort to use the best and most modern methods of program analysis. This applies to new proposals as well as existing programs -- and there is no reason to exclude the tax area from such analysis.

The Budget Bureau, at the direction of President Johnson, is now in the process of applying to non-defense expenditures

and programs the cost-effectiveness techniques which were used so successfully in the Defense Department. These techniques consist of evaluating proposals, programs and projects not merely by their cost, but also by what they will accomplish in meeting specified goals. In addition, they require a clearer evaluation of the goals of the programs and projects within a department -- a process which in turn allows a comparison of priorities throughout the entire government.

Taxes foregone because of a desire to benefit a particular activity or to induce certain activities are, in a real sense, monies spent. In nearly every such situation an alternative to the tax approach is a direct expenditure of funds not involving the tax system. Cost effectiveness studies would enable us to appraise the efficacy of the tax approach as compared with the direct expenditure approach. The overall goal, here as in the case of direct expenditure programs, is a wise allocation of our resources and the avoidance of distorting that allocation through inappropriate tax provisions.

The use of cost-effectiveness studies may not always be the proper or necessary method of evaluating a tax provision

or a new tax proposal designed to meet a particular econom or social objective. But in one way or another the evalua- tion has to be made. Nearly every problem in our society seems at least to invite a tax solution -- and indeed the tax solution is often the first solution to be put forward. Such proposals in the tax field thus generally act as early warning devices pointing to social or economic proble that require our attention. Necessarily this involves us in seeing if there is a non-tax solution that is more appro priate.

For example, the Treasury, joined by the Department of Health, Education and Welfare, believes that the proposal to provide assistance to families with students in college through tax credits is not a desirable use of funds. It will not achieve the objective of permitting more children to enter college. Moreover, the aid it does give is grante in an inequitable manner -- the higher a family's income and the more it can spend toward college, the greater is the amount of money received through the tax credit. This is indeed an "upside down scholarship", and one which no alumni body would support if a college were so ill-advised

as to attempt this approach in its own scholarship program. The Treasury therefore sought an appropriate non-tax program -- since the objective of aiding students and families in meeting college costs is a desirable one -- and early advocated a guaranteed student loan program such as the one President Johnson proposed, which has now become a part of this year's Higher Education bill. And so in many other fields -- pollution, manpower training, research and development -- we must consider the non-tax approach so as to evaluate the tax approach. Our experience is that the tax system generally does not offer the best route to particular social objectives. The benefits may be misdirected by going to taxpayers who do not need them and by being withheld from those whose low incomes or losses keep them from being taxpayers at all.

Even when the tax approach may be the wiser course, we must be alert to see that the dollars foregone are not being wasted and that the tax privileges are not abused. Thus the Treasury Report on Private Foundations, while recognizing the values of private philanthropy and the contribution of the tax system to such philanthropy, also points out the

abuses that are involved and how they can be corrected. The House Ways and Means Committee now has this Report under consideration and has invited comments on it for staff study.

Another area where the tax system can be appropriately used is that of taxes imposed as user charges to defray the costs of Government programs conferring special benefits on a particular group. The user charge programs in the transportation area are an example.

Finally, the tax system itself as a functioning mechanism can be the object of cost-effectiveness studies. We need to know more about the administration of that system, such as the degree of compliance in various income areas and the most effective ways of increasing compliance. We need to know what information should be sought on tax returns, what statistical data should be obtained and tabulated and published by the Service in the light of its own needs and the overall reporting requirements placed on the private sector by the Government, how that data can be used to guide us both in the administration of the tax system and in evaluating existing provisions and new

legislative proposals, and how the data and information gained can be used constructively to increase knowledge in other areas.

We have learned much about the use of tax policy in the last few years, and many prejudices surrounding this area have been swept aside. Our experience has not led us to discard caution or careful examination in considering future tax changes. But at the same time we have learned that tax policy -- properly used -- can be highly effective.

We can look forward to such creative use of tax policy on an increasing scale in the years ahead, and I am confident it will prove an effective means of helping us to move forward toward the goals of the Great Society.

The delegations agreed a new treaty should be negotiated as quickly as possible, and that they would meet again before the end of this year in Port-of-Spain, Trinidad, to continue discussions.

PRESS RELEASE FOR A.M. NEWSPAPERS, October 6, 1965

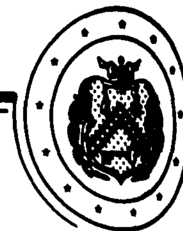
United States - Trinidad and Tobago Tax Treaty To Be Renegotiated

Delegations from the United States and from Trinidad and Tobago held discussions on Oct. 4 concerning the revision of the income tax treaty between the two countries. The purpose of such an income tax treaty is to avoid the possibility of double taxation.

The United States delegation was headed by Stanley S. Surrey, Assistant Secretary of the Treasury. The Trinidad and Tobago delegation was headed by the Deputy Secretary, Ministry of Finance, Mrs. Patricia Robinson.

The treaty renegotiation is necessary to take account of prospective revision in the tax system of Trinidad and Tobago. Under the present system in that country individual shareholders are allowed a tax credit for the corporate profits tax already paid by the corporation. Under the revised system, which will go into effect in Trinidad and Tobago next year, the tax treatment will be similar to that of the United States and to that recently adopted by the United Kingdom -- corporations will be taxed on their profits and shareholders will be separately taxed on their dividends.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 5, 1965

FOR RELEASE A.M. NEWSPAPERS
WEDNESDAY, OCTOBER 6, 1965

UNITED STATES - TRINIDAD AND TOBAGO
TAX TREATY TO BE RENEGOTIATED

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

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

XXXXXXXXXX

nted forms and forwarded in the special envelopes which will be supplied by Federal erve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve s and Branches, following which public anouncement will be made by the Treasury rtment of the amount and price range of accepted bids. Those submitting tenders be advised of the acceptance or rejection thereof. The Secretary of the Treasury essly reserves the right to accept or reject any or all tenders, in whole or in , and his action in any such respect shall be final. Subject to these reserva- s, noncompetitive tenders for each issue for $200,000 or less without stated e from any one bidder will be accepted in full at the average price (in three mals) of accepted competitive bids for the respective issues. Settlement for pted tenders in accordance with the bids must be made or completed at the Federal rve Bank on October 14, 1965, in cash or other immediately available funds a like face amount of Treasury bills maturing October 14, 1965. Cash exchange tenders will receive equal treatment. Cash adjustments will be made for erences between the par value of maturing bills accepted in exchange and the issue of the new bills.

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

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE.

October 6, 1965

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series
reasury bills to the aggregate amount of $2,200,000,000 , or thereabouts, for
and in exchange for Treasury bills maturing October 14, 1965 , in the amount
2,202,515,000 , as follows:

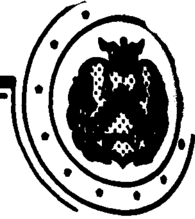
91 -day bills (to maturity date) to be issued October 14, 1965 , in the amount of $1,200,000,000 , or thereabouts, representing an additional amount of bills dated July 15, 1965 , and to mature January 13, 1966 , originally issued in the amount of $1,000,711,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $1,000,000,000 , or thereabouts, to be dated October 14, 1965 , and to mature April 14, 1966 .

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing
one-thirty p.m., Eastern Daylight Saving time, Monday, October 11, 1965 . Tenders
not be received at the Treasury Department, Washington. Each tender must be
n even multiple of $1,000, and in the case of competitive tenders the price
ed must be expressed on the basis of 100, with not more than three decimals,
, 99.925. Fractions may not be used. It is urged that tenders be made on the

TREASURY DEPARTMENT



WASHINGTON, D.C.
October 6, 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 14, 1965, in the amount of $ 2,202,515,000, as follows:

91-day bills (to maturity date) to be issued October 14, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated July 15, 1965, and to mature January 13, 1966, originally issued in the amount of $ 1,000,711,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,000,000,000, or thereabouts, to be dated October 14, 1965, and to mature April 14, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Daylight Saving time, Monday, October 11, 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 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 recei without deposit from incorporated banks and trust companies and fro responsible and recognized dealers in investment securities. Tende 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 ba or trust company.

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Immediately after the closing hour, tenders will be opened at the
ral Reserve Banks and Branches, following which public announce-
will be made by the Treasury Department of the amount and price
e of accepted bids. Those submitting tenders will be advised
he acceptance or rejection thereof. The Secretary of the Treasury
essly reserves the right to accept or reject any or all tenders,
hole or in part, and his action in any such respect shall be
l. Subject to these reservations, noncompetitive tenders for
issue for $200,000 or less without stated price from any one
er will be accepted in full at the average price (in three
nals) of accepted competitive bids for the respective issues.
lement for accepted tenders in accordance with the bids must be
or completed at the Federal Reserve Bank on October 14, 1965, in
or other immediately available funds or in a like face amount
reasury bills maturing October 14, 1965. Cash and exchange tenders
receive equal treatment. Cash adjustments will be made for
erences between the par value of maturing bills accepted in
nge and the issue price of the new bills.

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

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

and irresponsible persons can acquire destructive military-type weapons and handguns, ~~has~~ demonstrated the urgent need for new, effective firearms controls.

"As law enforcement officials responsible for protecting the lives and safety of local citizens, the police chiefs know ~~at~~ first hand the tragic role such dangerous weapons play when in the wrong hands and the extent to which they are used to commit crime. Their action yesterday, together with the similar action taken by the American Bar Association on August 10, shows ~~clearly the importance our~~ nation's ~~law and law enforcement~~ leaders ~~place on~~ strengthen~~ing~~ the ~~present~~ Federal Firearms Act~~, by the enactment of S. 1592 or similar legislation.~~"

FOR IMMEDIATE RELEASE

TREASURY ENFORCEMENT HEAD PRAISES POLICE CHIEFS' SUPPORT OF FIREARMS BILL

Endorsement yesterday by the International Association of Chiefs of Police of legislation supported by the Treasury and the Dept. of Justice, aimed at tighter Federal control of firearms, was praised today by David C. Acheson, Special Assistant to the Secretary (For Enforcement).

Referring to the resolution passed by the IACP in its annual meeting in Miami this week, Mr. Acheson said:

"The International Association of Chiefs of Police ~~is to be commended~~ should be congratulated for its action yesterday endorsing the enactment of S. 1592 or similar Federal legislation which will assist the states in controlling the interstate traffic in dangerous firearms. ~~The ease with which~~ Criminals, juveniles

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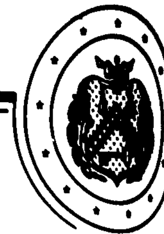
TREASURY DEPARTMENT



WASHINGTON, D.C.

October 8, 1965

FOR IMMEDIATE RELEASE

TREASURY ENFORCEMENT HEAD PRAISES POLICE
CHIEFS SUPPORT OF FIREARMS BILL

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> "The International Association of Chiefs of Police should be congratulated for its action yesterday endorsing the enactment of S. 1592 or similar Federal legislation which will assist the states in controlling the interstate traffic in dangerous firearms. Criminals, juveniles and irresponsible persons can too easily acquire destructive military-type weapons and handguns. The resulting deaths and injuries have demonstrated the urgent need for new, effective firearms controls. The chiefs of police have met this head-on in the action yesterday.
>
> "As law enforcement officials responsible for protecting the lives and safety of local citizens, the police chiefs know first hand the tragic role such dangerous weapons play when in the wrong hands and the extent to which they are used to commit crime. Their action yesterday, together with the similar action taken by the American Bar Association on August 10, shows the unequivocal support given by the nation's leaders to the Administrations effort to strengthen the Federal Firearms Act."

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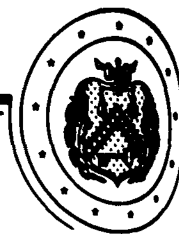
TREASURY DEPARTMENT



WASHINGTON, D.C.
October 8, 1965

FOR RELEASE SUNDAY NEWSPAPERS
OCTOBER 10, 1965

COAST GUARD ICEBREAKER NORTHWIND COMPLETES
MAJOR MARINE STUDY IN SIBERIAN ARCTIC

Assistant Secretary True Davis today announced the completion by the U. S. Coast Guard icebreaker NORTHWIND of the most intensive oceanographic study ever carried out by the United States in the far north Kara Sea.

The ship will depart Oslo, Norway, October 10, arriving in New York October 21. The NORTHWIND will proceed the following day to her homeport, Seattle, Washington.

During her two-month stay in the Arctic above Soviet Russia the NORTHWIND became the first American vessel to traverse the Kara Sea on an oceanographic mission. The NORTHWIND' study was part of the United States program for oceanography, being conducted in cooperation with the Inter-governmental Oceanographic Commission (IOC) of the United Nations. The information gathered by the NORTHWIND will be made available to the World Data Center A for Oceanography in Washington, D.C. World Data Center B is in Moscow, U. S. S. R. The two centers exchange oceanographic information.

Soviet destroyers stayed near the NORTHWIND during much of her voyage, but did not interfere. During the passage through the Kara Sea the Soviet vessels and the NORTHWIND exchanged informal messages by blinker light.

The NORTHWIND gathered information at 132 points on water temperature, salinity, dissolved oxygen and nutrients. She also obtained bottom core samples at approximately half of the observation points. Core samples will be examined, among other things, for evidence of radioactivity.

(over)

Data obtained also enabled 15 marine scientists on board he NORTHWIND to chart ocean currents in the far north region. eologic characteristics of the sea bottom in this area were etermined by measurement of shock waves set up by small nderwater explosions.

The scientific party consisted of teams from the U. S. aval Oceanographic Office, and the Geophysical and Polar esearch Center of the University of Wisconsin.

To the American scientific community the NORTHWIND's tudy is especially significant since it was carried out in an rea never visited before by a modern United States scientific xpedition. The NORTHWIND's visit, therefore, will make a ajor contribution to the world's knowledge of far northern aters.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 11,1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN SEPTEMBER

During September 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 $198,622,300.00.

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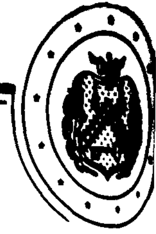
TREASURY DEPARTMENT



WASHINGTON, D.C.

October 11,1965

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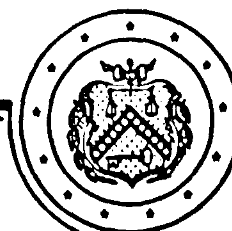


:LEASE A.M. NEWSPAPERS,
.y, October 12, 1965.

WASHINGTON, D.C.
October 11, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

.he Treasury Department announced last evening that the tenders for two series of :ry bills, one series to be an additional issue of the bills dated July 15, 1965, .e other series to be dated October 14, 1965, which were offered on October 6, .pened at the Federal Reserve Banks on October 11. Tenders were invited for ,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, -day bills. The details of the two series are as follows:

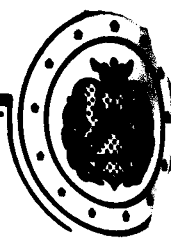
OF ACCEPTED ITIVE BIDS:	91-day Treasury bills maturing January 13, 1966		:	182-day Treasury bills maturing April 14, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
gh	98.992	3.988%	:	97.892 a/	4.170%
w	98.983	4.023%	:	97.884	4.185%
erage	98.987	4.006% 1/	:	97.887	4.180% 1/

:epting 2 tenders totaling $5,000,000
rcent of the amount of 91-day bills bid for at the low price was accepted
'rcent of the amount of 182-day bills bid for at the low price was accepted
TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

rict	Applied For	Accepted	:	Applied For	Accepted
on	$ 25,594,000	$ 15,594,000	:	$ 21,948,000	$ 6,948,000
York	1,271,919,000	650,919,000	:	1,192,786,000	487,899,000
idelphia	30,873,000	18,873,000	:	14,583,000	6,413,000
eland	36,801,000	36,771,000	:	45,204,000	31,215,000
nond	24,378,000	18,878,000	:	17,531,000	11,531,000
nta	57,005,000	50,755,000	:	32,406,000	18,243,000
igo	289,748,000	179,248,000	:	330,540,000	156,887,000
.ouis	53,423,000	48,773,000	:	30,585,000	28,585,000
:apolis	19,422,000	19,422,000	:	12,429,000	8,799,000
is City	39,654,000	39,654,000	:	22,329,000	16,204,000
is	30,216,000	23,716,000	:	12,631,000	7,540,000
'rancisco	105,016,000	97,516,000	:	272,860,000	221,174,000
TOTALS	$1,984,049,000	$1,200,119,000 b/		$2,005,832,000	$1,001,438,000 c/

:ludes $313,943,000 noncompetitive tenders accepted at the average price of 98.987
:ludes $142,800,000 noncompetitive tenders accepted at the average price of 97.887
:a coupon issue of the same length and for the same amount invested, the return on :se bills would provide yields of 4.10%, for the 91-day bills, and 4.33%, for the -day bills. Interest rates on bills are quoted in terms of bank discount with : return related to the face amount of the bills payable at maturity rather than amount invested and their length in actual number of days related to a 360-day r. In contrast, yields on certificates, notes, and bonds are computed in terms interest on the amount invested, and relate the number of days remaining in an erest payment period to the actual number of days in the period, with semiannual pounding if more than one coupon period is involved.

TREASURY DEPARTMENT



FOR RELEASE A.M. NEWSPAPERS,
Tuesday, October 12, 1965.

WASHINGTON, D.C.
October 11, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two serie[s of] Treasury bills, one series to be an additional issue of the bills dated July 15, 1[965,] and the other series to be dated October 14, 1965, which were offered on October 6[,] were opened at the Federal Reserve Banks on October 11. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or therea[bouts,] of 182-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing January 13, 1966		:	182-day Treasury bills maturing April 14, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Eq[uiv.] Annual Rat[e]
High	98.992	3.988%	:	97.892 a/	4.170%
Low	98.983	4.023%	:	97.884	4.185%
Average	98.987	4.006% 1/	:	97.887	4.180% 1[/]

a/ Excepting 2 tenders totaling $5,000,000
50 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	$ 25,594,000	$ 15,594,000	:	$ 21,948,000	$ 6,9[illegible]
New York	1,271,919,000	650,919,000	:	1,192,786,000	487,89[illegible]
Philadelphia	30,873,000	18,873,000	:	14,583,000	6,41[illegible]
Cleveland	36,801,000	36,771,000	:	45,204,000	31,21[illegible]
Richmond	24,378,000	18,878,000	:	17,531,000	11,53[illegible]
Atlanta	57,005,000	50,755,000	:	32,406,000	18,24[illegible]
Chicago	289,748,000	179,248,000	:	330,540,000	156,88[illegible]
St. Louis	53,423,000	48,773,000	:	30,585,000	28,58[illegible]
Minneapolis	19,422,000	19,422,000	:	12,429,000	8,79[illegible]
Kansas City	39,654,000	39,654,000	:	22,329,000	16,20[illegible]
Dallas	30,216,000	23,716,000	:	12,631,000	7,54[illegible]
San Francisco	105,016,000	97,516,000	:	272,860,000	221,17[illegible]
TOTALS	$1,984,049,000	$1,200,119,000 b/		$2,005,832,000	$1,001,43[illegible]

b/ Includes $313,943,000 noncompetitive tenders accepted at the average price of
c/ Includes $142,800,000 noncompetitive tenders accepted at the average price of
1/ On a coupon issue of the same length and for the same amount invested, the re[turn on] these bills would provide yields of 4.10%, for the 91-day bills, and 4.33%, f[or 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 36[0-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 i[n an] interest payment period to the actual number of days in the period, with semi[annual] compounding if more than one coupon period is involved.

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›ld for its currency internationally, has made the dollar -- along with gold --
e basic international reserve assets. We cannot afford to take side excur-
›ns from our present policy which could cause a loss of confidence in us
.d in turn the dollar.

In summary, I point out that the root cause of our monetary problem
our balance-of-payments deficit and this is the problem to which we must
:ect our attention and which we must solve. This is the course of action
ich we are following and must follow, for we cannot continue to sustain
:icits of the magnitude of recent years. Consequently, it is essential
t we continue to pursue vigorously the measures outlined by the President
stem the outflow of dollars abroad and thus reduce substantially, if not
npletely eliminate, the deficits which have led to our gold losses in the
few years. Our effort in this direction, by the very nature of the problem,
st be broad. Not only does it involve many interrelated programs which re-
'e support and participation by many departments and agencies of the Govern-
it but it also requires the understanding and cooperation of business, labor
nance.

This plan would be in serious conflict with the various obligations IMF members, who have agreed to maintain a parity within a margin one percent on either side of the declared par value. This proposal self, of course, is based on the assumption that the United States' offer buy gold is the controlling factor in the gold market. But certainly this sumption can be challenged. And, in any event, the risks inherent in a ove that could trigger generalized uncertainty and doubt far outweigh atever dubious advantages such a move might offer.

At this point I wish to repeat what I said before; namely, the role the dollar internationally has been possible for a number of reasons the overriding one is the knowledge that dollars are freely convertible gold at the fixed price of $35 per ounce. At the same time we have ered to buy gold freely, thus making it a two-way street. The fact that have not varied from this policy and this fixed price for over thirty years, s the fact that we are the only country which stands ready to exchange

ted, for example, that world trade virtually doubled in the last decade one, while domestic economies were moving briskly forward.

The theoretical arguments for floating exchange rates can be presented th great effectiveness and appeal but we believe that such a system, in actice, could prove extremely disruptive to world trade and financial insactions.

There is another school that would have the United States continue fixed selling price of gold at $35 but they would have us suspend purchases make purchases on a limited scale. This plan contemplates a lower price gold by removing the United States from the buying side at the fixed price. The advocates of this plan contend that the guaranteed price gold is conducive to speculation, especially by individuals, and, there- e, if the guaranteed price is removed, private speculation in gold would east be less attractive. It is further contended that the desire of some ntries to hold a large proportion of their reserves in gold would be ipened.

fluctuation, whereas others would let the dollar float freely. This

hool holds that fixed exchange rates create the need for large reserves.

ıey feel that fixed exchange rates tend to restrain individual countries

ɔm following indicated and desirable domestic policies. They contend

ıt if exchange rates were free to move up and down in the market, a

lance-of-payments deficit would be reflected in a cheapening of the

untry's currency which would bring about desired adjustments in the

ıde pattern; that is, lower imports and higher exports.

During the postwar period we have striven through the International

netary Fund and through international monetary cooperation to develop

ayments system based on stable exchange rates firmly linked to gold.

ːe exchange rates would introduce uncertainties and disruptions in ex-

nge transactions and would not be conducive to trade between countries,

ch has grown so greatly since World War II under a system of basically

d exchange rates among the major industrial countries. It should be

ιey combine the proposal that the world once again accept automatic

gulation of its money supply according to the vagaries of world gold

oduction with the proposal that the implied and stated commitments

the gold exchange standard be repudiated to the advantage of a few

d the disadvantage of many. It is easy to see how it might be appeal-

g to the major gold-producing countries, including the Union of South

rica and the U.S.S.R., and even perhaps to a few countries holding a

gh proportion of their reserves in gold. It would, of course, be dis-

iminatory against countries which have kept a substantial fraction of

ɜir reserves in the form of reserve currencies. We believe our com-

.tment to maintain the fixed parity of $35 an ounce between gold and

llars is basic to the stability of the world monetary system.

It has also been proposed that we abandon our rigid policy of

ying and selling gold at $35 per ounce, thus letting the exchange rate

the dollar fluctuate or float. Some advocates would limit the amount

Another suggested solution to our balance-of-payments problem to return to a gold standard system. Some may have other motives ιt many advocates of this solution believe that the international monetary ·stem at the present time is experiencing a surplus of liquidity mainly cause of too many dollars. They believe the automatic adjustment which ey attribute to the gold standard would correct the situation and bring out a balance.

A return to the gold standard and its so-called automatic adjustment ιplies a sharp curtailment of world reserves and world liquidity. Inherent this solution is the threat of worldwide deflation. Some who suggest the :urn to the gold standard recognize the threat of dangerous deflationary essures and, therefore, recommend that there be a general increase in price of gold so as to offset this deflationary pressure.

Such suggestions are thoroughly unacceptable to the United States.

ficial price to mean that we had made a judgment that the official price as too low; that in some way, directly or indirectly, we were on the way changing our official price. This could lead to speculation against our urrency.

We often hear it said that subsidies are paid by other countries, erefore, why not by the United States.

The answer is that the monetary units of other countries do not ve the status of the dollar, and other countries do not have the responsi- ity for maintaining a fixed relationship between their currencies and d. Gold in the United States is a monetary metal and cannot be treated a commodity, as are products of other industries, or as gold is ated in some countries. The usual reasons, therefore, for urging d subsidies in other countries or for urging subsidies to other industries his country are not applicable to gold in the United States.

› replace the gold losses of the last seven and one-half years.

In this connection, let's take a look at recent gold production figures ›re in the United States and in the Free World.

In the United States production reached its peak in 1940, when it nounted to $170 million. In 1964, United States production amounted to ıly $51.4 million. Free World production, on the other hand, has in-·eased from $738 million after World War II to $1.4 billion in 1964. ›timates are that for at least the next few years Free World production .ll continue to increase. As it now stands, based on 1964 figures, United ates production is only 3.7 percent of Free World production.

A subsidy, in short, cannot solve the problem. And it would present very real danger to our dollar.

We cannot afford to run the risk of having a second price for gold the United States alongside the official price. Our creditors -- those ıt hold dollar balances -- would interpret any price other than the

ould bring forth enough gold within a few years to offset our decrease in

ɔld stocks. This decrease has amounted to $8.8 billion in the past seven

ıd one half years -- the period when our gold losses were greatest.

Is it conceivable, therefore, that subsidization could reverse the

end and cause such an increase in production that our gold stocks would

ach the 1950 or 1958 level? What does experience tell us? In 1934,

ıen the price of gold was increased 69 percent -- when labor and supplies

ɜre cheap, so that it was feasible to rework old ore dumps and tailing piles

ıd to dredge the gold-bearing streams in the West -- our gold production

ightly more than doubled. Consider the different economic conditions pre-

iling today -- the present cost of labor and machinery -- and speculate as

the kind of subsidy that would be required to insure the large-scale pro-

ction necessary to restore the lost gold. The Department of the Interior

ew years ago, in commenting on one of the proposed subsidy bills, in-

ated that a 100 percent subsidy would about double today's production.

that rate, it would take the increase due to the subsidy about 170 years

On the basis of figures for the first half of this year we are running deficit of about $1.3 billion on an annual basis. Our gold losses, however, ave been large and we lost $1.2 billion during the first half of this year, ot including $258.8 million paid into the International Monetary Fund on me 30. Our gold stock after this payment stood at $14 billion.

The picture today with respect to foreign exchange holdings shows at foreign monetary authorities hold about $14 billion in their reserves. 'ivate holdings amount to about $11 billion. Nonmonetary international stitutions also hold about $1.5 billion.

The United States balance-of-payments deficits which provided the nible for the accumulations of dollar balances by others, plus our loss gold, have provided in many quarters the opportunity to come forth with ariety of solutions to our problem, some of which relate to gold. Let's e a look at some of these proposals.

It has been said that a subsidy to gold producers in the United States

)49 and totaled about $7 billion. During this period our gold stock rose $4.5 billion and amounted to $24.6 billion at the end of 1949.

In 1950 our balance-of-payments picture changed from surplus to :ficit and during the seven-year period through 1956 we had a total deficit $10.7 billion. During this period our gold stock declined only $2.5 billion. the end of 1956 our gold stock amounted to $22.1 billion.

In 1957, due to the Suez crisis, we again showed a surplus in our lance of payments which amounted to $500 million; however, our gold ɔck increased $800 million. Our gold stock at the end of 1957 amounted $22.9 billion which was nearly $3 billion more than we had at the close World War II and only $1.7 billion less than we had at the end of 1949.

In 1958 we started a period of very large and persistent balance-·payments deficits which have been with us every year since. During period 1958 through 1964 our deficits amounted to $24.3 billion and gold losses were $7.4 billion.

ɔllars. Because of the importance of this link, successive Presidents of ɔth political parties have given assurance that the $35 price would be de-ɪnded with all the resources of the country. Doubt as to our intention of ɔntinuing this pledge could cause a severe drain on our gold supplies ıd could disrupt not only our economy but also the economies of the ɔuntries of the Free World.

We do not, I might note here, sell gold to foreign individuals. owever, we sell gold for legitimate industrial, professional and artistic se in the United States.

Inasmuch as the dollar claims held by others, which we stand ɪady to convert into gold, were accumulated through our balance-of-.yments transactions, I think it would be appropriate to trace briefly e history of the U. S. payments picture during the period since World ar II. This will give us a picture of where we stand today.

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160

ature of its use remain stable. We in the Treasury think of gold as a ıonetary metal -- not as a commodity. The gold dollar is the standard f unit and is defined as 15-5/21 grains of gold nine-tenths fine. This mounts to one thirty-fifth of an ounce of gold and therefore makes the fficial price of gold $35 per fine ounce. Also, we must keep in mind ıat the dollar not only is involved in our domestic economy, but also ; used as a reserve currency by others as a supplement to the world's ɔld supply.

Our Government's policy on gold, therefore, is essentially the ıme today as it was in 1934, when Congress enacted the Gold Reserve ɔt. Our basic policy has been -- and remains -- one of centralizing the ·ld stock of the country in the hands of the Government under the jurisdic- ɔn of the Treasury and maintaining a fixed price of $35 an ounce for gold.

Prior to World War II the dollar evolved as a key currency of the ·rld and since World War II the world has accepted the dollar in increasing

R RELEASE UPON DELIVERY

TREASURY DEPARTMENT
Washington

REMARKS BY LELAND HOWARD
DIRECTOR, OFFICE OF DOMESTIC GOLD AND SILVER OPERATIONS
AT THE 1965 MINING CONVENTION OF THE
AMERICAN MINING CONGRESS
LAS VEGAS, NEVADA
THURSDAY, OCTOBER 14, 1965
2:00 P. M., PDT.

TREASURY'S GOLD POLICY

I welcome this opportunity to meet with this distinguished gathering representatives of one of our nation's most essential industries and to ave the opportunity to restate the Treasury's position on gold.

At the very outset and before I proceed further, I believe it would elp in explaining Treasury's position if I pointed out the difference between inking of gold as a commodity and as a monetary metal. You as producers e interested in bringing out of the ground a ton of material for which you n obtain a price, on the basis of the metal or metals therein, that will fset your cost of mining the ton of material. As the cost of mining in-eases you feel that the price of gold should increase. The fact that the etal content of an ore body is not inexhaustible, is even forgotten some-nes. As a monetary metal, however, the price of gold must by the

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The dollar is the only currency that maintains this link between money and gold, and the monetary system of the entire Free World is hinged to this interconvertibility which we maintain between gold and

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Our payments balance was in surplus during the period 1946 through

1949 and totaled about $7 billion. During this period our gold stock rose by $4.5 billion and amounted to $24.6 billion at the end of 1949.

In 1950 our balance-of-payments picture changed from surplus to deficit and during the seven-year period through 1956 we had a total deficit of $10.7 billion. During this period our gold stock declined only $2.5 billi At the end of 1956 our gold stock amounted to $22.1 billion.

In 1957, due to the Suez crisis, we again showed a surplus in our palance of payments which amounted to $500 million; however, our gold stock increased $800 million. Our gold stock at the end of 1957 amounted to $22.9 billion which was nearly $3 billion more than we had at the close of World War II and only $1.7 billion less than we had at the end of 1949.

In 1958 we started a period of very large and persistent balance-of-payments deficits which have been with us every year since. During the period 1958 through 1964 our deficits amounted to $24.3 billion and our gold losses were $7.4 billion.

On the basis of figures for the first half of this year we are running deficit of about $1.3 billion on an annual basis. Our gold losses, however, ave been large and we lost $1.2 billion during the first half of this year, ot including $258.8 million paid into the International Monetary Fund on une 30. Our gold stock after this payment stood at $14 billion.

The picture today with respect to foreign exchange holdings shows at foreign monetary authorities hold about $14 billion in their reserves. ivate holdings amount to about $11 billion. Nonmonetary international stitutions also hold about $1.5 billion.

The United States balance-of-payments deficits which provided the hible for the accumulations of dollar balances by others, plus our loss gold, have provided in many quarters the opportunity to come forth with ariety of solutions to our problem, some of which relate to gold. Let's e a look at some of these proposals.

It has been said that a subsidy to gold producers in the United States

would bring forth enough gold within a few years to offset our decrease in gold stocks. This decrease has amounted to $8.8 billion in the past seven and one half years -- the period when our gold losses were greatest.

Is it conceivable, therefore, that subsidization could reverse the trend and cause such an increase in production that our gold stocks would reach the 1950 or 1958 level? What does experience tell us? In 1934, when the price of gold was increased 69 percent -- when labor and supplies were cheap, so that it was feasible to rework old ore dumps and tailing piles and to dredge the gold-bearing streams in the West -- our gold production slightly more than doubled. Consider the different economic conditions prevailing today -- the present cost of labor and machinery -- and speculate as to the kind of subsidy that would be required to insure the large-scale production necessary to restore the lost gold. The Department of the Interior a few years ago, in commenting on one of the proposed subsidy bills, indicated that a 100 percent subsidy would about double today's production. At that rate, it would take the increase due to the subsidy about 170 years

to replace the gold losses of the last seven and one-half years.

In this connection, let's take a look at recent gold production figures ıere in the United States and in the Free World.

In the United States production reaching its peak in 1940, when it .mounted to $170 million. In 1964, United States production amounted to nly $51.4 million. Free World production, on the other hand, has in- reased from $738 million after World War II to $1.4 billion in 1964. stimates are that for at least the next few years Free World production ill continue to increase. As it now stands, based on 1964 figures, United ates production is only 3.7 percent of Free World production.

A subsidy, in short, cannot solve the problem. And it would present very real danger to our dollar.

We cannot afford to run the risk of having a second price for gold the United States alongside the official price. Our creditors -- those ıt hold dollar balances -- would interpret any price other than the

official price to mean that we had made a judgment that the official price was too low; that in some way, directly or indirectly, we were on the way to changing our official price. This could lead to speculation against our currency.

We often hear it said that subsidies are paid by other countries, therefore, why not by the United States.

The answer is that the monetary units of other countries do not have the status of the dollar, and other countries do not have the responsibility for maintaining a fixed relationship between their currencies and gold. Gold in the United States is a monetary metal and cannot be treated as a commodity, as are products of other industries, or as gold is treated in some countries. The usual reasons, therefore, for urging gold subsidies in other countries or for urging subsidies to other industries in this country are not applicable to gold in the United States.

Another suggested solution to our balance-of-payments problem
to return to a gold standard system. Some may have other motives
many advocates of this solution believe that the international monetary
tem at the present time is experiencing a surplus of liquidity mainly
ause of too many dollars. They believe the automatic adjustment which
y attribute to the gold standard would correct the situation and bring
ut a balance.

A return to the gold standard and its so-called automatic adjustment
lies a sharp curtailment of world reserves and world liquidity. Inherent
his solution is the threat of worldwide deflation. Some who suggest the
ırn to the gold standard recognize the threat of dangerous deflationary
ssures and, therefore, recommend that there be a general increase in
price of gold so as to offset this deflationary pressure.

Such suggestions are thoroughly unacceptable to the United States.

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

It has also been proposed that we abandon our rigid policy of buying and selling gold at $35 per ounce, thus letting the exchange rate for the dollar fluctuate or float. Some advocates would limit the amount

of fluctuation, whereas others would let the dollar float freely. This school holds that fixed exchange rates create the need for large reserves. They feel that fixed exchange rates tend to restrain individual countries from following indicated and desirable domestic policies. They contend that if exchange rates were free to move up and down in the market, a balance-of-payments deficit would be reflected in a cheapening of the country's currency which would bring about desired adjustments in the trade pattern; that is, lower imports and higher exports.

During the postwar period we have striven through the International Monetary Fund and through international monetary cooperation to develop payments system based on stable exchange rates firmly linked to gold. Free exchange rates would introduce uncertainties and disruptions in exhange transactions and would not be conducive to trade between countries, hich has grown so greatly since World War II under a system of basically xed exchange rates among the major industrial countries. It should be

noted, for example, that world trade virtually doubled in the last decade alone, while domestic economies were moving briskly forward.

The theoretical arguments for floating exchange rates can be pres with great effectiveness and appeal but we believe that such a system, in practice, could prove extremely disruptive to world trade and financial transactions.

There is another school that would have the United States continue its fixed selling price of gold at $35 but they would have us suspend purcha or make purchases on a limited scale. This plan contemplates a lower pri for gold by removing the United States from the buying side at the fixed $35 price. The advocates of this plan contend that the guaranteed price for gold is conducive to speculation, especially by individuals, and, therefore, if the guaranteed price is removed, private speculation in gold would at least be less attractive. It is further contended that the desire of some countries to hold a large proportion of their reserves in gold would be dampened.

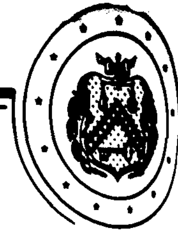
This plan would be in serious conflict with the various obligations IMF members, who have agreed to maintain a parity within a margin f one percent on either side of the declared par value. This proposal self, of course, is based on the assumption that the United States' offer buy gold is the controlling factor in the gold market. But certainly this ısumption can be challenged. And, in any event, the risks inherent in a ove that could trigger generalized uncertainty and doubt far outweigh ıatever dubious advantages such a move might offer.

At this point I wish to repeat what I said before; namely, the role the dollar internationally has been possible for a number of reasons the overriding one is the knowledge that dollars are freely convertible gold at the fixed price of $35 per ounce. At the same time we have red to buy gold freely, thus making it a two-way street. The fact that nave not varied from this policy and this fixed price for over thirty years the fact that we are the only country which stands ready to exchange

gold for its currency internationally, has made the dollar -- along with gold the basic international reserve assets. We cannot afford to take side excur- tions from our present policy which could cause a loss of confidence in us and in turn the dollar.

In summary, I point out that the root cause of our monetary problem is our balance-of-payments deficit and this is the problem to which we must direct our attention and which we must solve. This is the course of action which we are following and must follow, for we cannot continue to sustain deficits of the magnitude of recent years. Consequently, it is essential that we continue to pursue vigorously the measures outlined by the President to stem the outflow of dollars abroad and thus reduce substantially, if not completely eliminate, the deficits which have led to our gold losses in the last few years. Our effort in this direction, by the very nature of the problem must be broad. Not only does it involve many interrelated programs which quire support and participation by many departments and agencies of the Go ment but it also requires the understanding and cooperation of business, lal and finance.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 12, 1965

FOR RELEASE A.M. NEWSPAPERS
WEDNESDAY, OCTOBER 13, 1965

ANNUAL SECRET SERVICE REPORT

James J. Rowley, Chief of the United States Secret Service, in his annual report to the Secretary of the Treasury today made known that during fiscal year 1965, 723 persons were arrested for manufacturing and passing counterfeit currency. Seventy-five percent of the $3,363,809 counterfeit currency printed was confiscated before it was circulated.

Almost $4 million in U. S. Government checks were stolen and forged during fiscal year 1965, Chief Rowley reported. The Secret Service investigated 39,399 forgery cases and arrested 2,720 persons for forgery offenses. The Service also kept its close watch on forgeries involving U.S. Savings Bonds. More than 5,500 cases of this sort were investigated during the same period.

The report, transmitted to Secretary Henry H. Fowler, showed that during the past ten fiscal years (1956-1965), 5,029 persons were arrested for counterfeiting offenses -- an average of almost 503 each year. Of the $26 million known to have been counterfeited during this period, 82 percent -- $22 million -- was seized before it could be circulated.

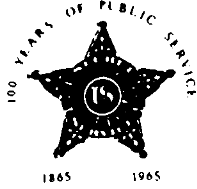
"The dollar amount of counterfeiting reported this year is considerably smaller than last year," Chief Rowley said, "but it is significant that the number of arrests have varied very little over the past several years. This seems to indicate that the counterfeiters caught and convicted this year did not attempt to make bogus money on as large a scale as they did last year, in which a record amount was both made and seized."

Chief Rowley, again this year, credited local, State and other Federal law enforcement agencies for their part in assisting the Secret Service in the suppression of counterfeiting and forgeries of government securities and checks. He also praised the aid given by citizens in the identification of violators.

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

Attachment

F-227



TREASURY DEPARTMENT

UNITED STATES SECRET SERVICE

WASHINGTON, D.C. 20220

OFFICE OF THE CHIEF

October 11, 1965

MEMORANDUM TO THE SECRETARY

Attention: Mr. David C. Acheson
Special Assistant to the
Secretary (for Enforcement)

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

Subject: Secret Service Annual Report

The Annual Report of the activities and accomplishments of the U. S. Secret Service for the Fiscal Year ended June 30, 1965, is herewith submitted.

James J. Rowley

Annual Report of the United States Secret Service
for Fiscal Year Ended June 30, 1965
James J. Rowley, Chief

The following summary reflects the results of Secret Service criminal investigations of counterfeit activities during fiscal year 1965:

-- Secret Service recovered $3,363,809 in counterfeit currency. Seventy-five percent of this amount, $2,517,59 was seized before it was placed into circulation.

-- 723 persons were arrested for counterfeiting offenses.

-- 36 counterfeiting plants (Places of manufacture) were captured and destroyed.

The following statistics summarize counterfeiting activities during the past ten fiscal years (1956-1965):

-- The Secret Service seized $22 million in counterfeit notes and coins before they could be placed in circulation. This amount represents 82 percent of the total amount known to have been counterfeited -- approxim $26 million.

-- There were 5,029 arrests for counterfeiting offenses.

-- 350 counterfeiting plants were captured and destroyed.

During the past decade there was a noticeable increase in the amount of money counterfeited. The primary reasons for this increase were improved methods in photography and printing, both of which facilitated and simplified the techniques of counterfeit Improved technical equipment also made it easier for anyone with minimal skills and talents to manufacture passable notes and coin Modern transportation facilities also enabled criminal groups to operate nation-wide in short periods of time. In spite of the ease with which currency was counterfeited and the speed with which it was distributed simultaneously in numerous widely separated geographical areas, Secret Service was successful not only in confiscating all known counterfeit plants and apprehendin over five thousand counterfeiters, but it seized 82 percent of all known counterfeits before they were circulated among the public.

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Forgery of government checks and bonds remains a major enforce-
ıt problem for the Secret Service. Thousands of government checks
.1 to reach the people entitled to them because checks are stolen
l cashed by thieves posing as rightful owners.

During the past fiscal year the Secret Service investigated
399 forgery cases involving the amount of $3,967,777.04. A
:al of 2,720 persons were arrested for check forgery offenses.

The Secret Service also investigated 5,586 cases involving the
gery of U. S. Savings Bonds, representing a maturity value of
5,980.93. During the year 69 persons were arrested for bond
gery offenses.

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Of all Secret Service cases brought to trial in the past fiscal
r, 97.5 percent resulted in conviction.

The incidence of crimes over which the Secret Service has
estigative jurisdiction remains generally consistent with the
ion-wide crime trend.

Local, state and other federal law enforcement agencies deserve
h credit for their part in assisting the Secret Service in the
pression of counterfeiting and forgeries of government securities
checks. The assistance of interested citizens has also aided
easurably in the identification of violators.

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The major functions of the United States Secret Service are
ined by the United States Code, Title 18, Section 3056. The
ıcipal duties are:

Protection of the President of the United States, the members of his immediate family, the President-elect, the Vice-President or other officer next in the order of succession to the office of President, and the Vice-President-elect; protect a former President and his wife during his lifetime and the person of a widow and minor children of a former President for a period of four years after he leaves or dies in office, unless such protection is declined.

Detection and arrest of persons engaged in counterfeiting and forgery, or alteration of currency, checks, bonds and other obligations of the United States and of foreign governments.

~~[struck out]~~

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

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

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ted forms and forwarded in the special envelopes which will be supplied by Federal rve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve and Branches, following which public anouncement will be made by the Treasury tment of the amount and price range of accepted bids. Those submitting tenders be advised of the acceptance or rejection thereof. The Secretary of the Treasury ssly reserves the right to accept or reject any or all tenders, in whole or in and his action in any such respect shall be final. Subject to these reserva- , noncompetitive tenders for each issue for $200,000 or less without stated from any one bidder will be accepted in full at the average price (in three als) of accepted competitive bids for the respective issues. Settlement for ted tenders in accordance with the bids must be made or completed at the Federal ve Bank on October 21, 1965 (XVI), in cash or other immediately available funds a like face amount of Treasury bills maturing October 21, 1965 (XVII). Cash xchange tenders will receive equal treatment. Cash adjustments will be made for rences between the par value of maturing bills accepted in exchange and the issue of the new bills.

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

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE,
XXXXXXXXXXXXXXXXXXXXXXXXXXXXX
(X) October 13, 1965

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series easury bills to the aggregate amount of $ 2,200,000,000 (2), or thereabouts, for and in exchange for Treasury bills maturing October 21, 1965 (3), in the amount ,203,476,000 (4), as follows:

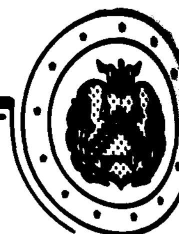
91 (5) -day bills (to maturity date) to be issued October 21, 1965 (6), in the amount of $1,200,000,000 (7), or thereabouts, representing an additional amount of bills dated July 22, 1965 (8), and to mature January 20, 1966 (9), originally issued in the amount of $1,004,637,000 (10), the additional and original bills to be freely interchangeable.

182 (11) -day bills, for $ 1,000,000,000 (12), or thereabouts, to be dated October 21, 1965 (13), and to mature April 21, 1966 (14).

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing one-thirty p.m., Eastern Daylight Saving ~~XXXXXXXX~~ time, Monday, October 18, 1965 (15). Tenders ot be received at the Treasury Department, Washington. Each tender must be even multiple of $1,000, and in the case of competitive tenders the price d must be expressed on the basis of 100, with not more than three decimals, 99.925. Fractions may not be used. It is urged that tenders be made on the

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 13, 1965

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

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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
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whole or in part, and his action in any such respect shall be
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h issue for $200,000 or less without stated price from any one
der will be accepted in full at the average price (in three
imals) of accepted competitive bids for the respective issues.
tlement for accepted tenders in accordance with the bids must be
e or completed at the Federal Reserve Bank on October 21, 1965, in
h or other immediately available funds or in a like face amount
Treasury bills maturing October 21, 1965. Cash and exchange tenders
l receive equal treatment. Cash adjustments will be made for
ferences between the par value of maturing bills accepted in
hange and the issue price of the new bills.

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

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

oOo

Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 2, 1965
te Quotas:				
substitutes contain- over 45% of butterfat, butter oil	Calendar year	1,200,000	Pound	Quota filled
of cotton processed not spun	12 mos. from Sept. 11, 1965	1,000	Pound	
s, shelled or not led, blanched, or rwise prepared or erved (except peanut er)	12 mos. from August 1, 1965	1,709,000	Pound	668,582 1/

orts as of October 8, 1965.

TREASURY DEPARTMENT
Washington

IEDIATE RELEASE
JRSDAY, OCTOBER 14, 1965

F-229

The Bureau of Customs announced today preliminary figures on imports for sumption of the following commodities from the beginning of the respective ta periods through October 2, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 2, 1965
iff-Rate Quotas:				
am, fresh or sour	Calendar year	1,500,000	Gallon	780,830 [1/]
le Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	53
tle, 700 lbs. or more each other than dairy cows) ...	July 1, 1965 - Sept. 30, 1965	120,000	Head	64,163
	Oct. 1, 1965 - Dec. 31, 1965	120,000	Head	1,428
tle, less than 200 lbs. ach	12 mos. from April 1, 1965	200,000	Head	62,982
ı, fresh or frozen, fil- eted, etc., cod, haddock, ake, pollock, cusk, and ›sefish	Calendar year	24,383,589	Pound	21,097,228
Fish	Calendar year	66,059,400	Pound	35,332,411
;e or Irish potatoes:				
ertified seed	12 mos. from	114,000,000	Pound	Quota filled
;her	Sept. 15, 1964	45,000,000	Pound	Quota filled
	12 mos. from	114,000,000	Pound	-
	Sept. 15, 1965	45,000,000	Pound	309,820
es, forks, and spoons th stainless steel ndles	Nov. 1, 1964 - Oct. 31, 1965	69,000,000	Pieces	Quota filled

Adjusted

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, OCTOBER 14, 1965

F-229

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 October 2, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports a Oct. 2, 1
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	780
Whole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	
Cattle, 700 lbs. or more each (other than dairy cows) ...	July 1, 1965 - Sept. 30, 1965	120,000	Head	64
	Oct. 1, 1965 - Dec. 31, 1965	120,000	Head	
Cattle, less than 200 lbs. each	12 mos. from April 1, 1965	200,000	Head	62
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	24,383,589	Pound	21,097
Tuna Fish	Calendar year	66,059,400	Pound	35,332
White or Irish potatoes:				
Certified seed	12 mos. from	114,000,000	Pound	Quota fi
Other	Sept. 15, 1964	45,000,000	Pound	Quota fi
	12 mos. from	114,000,000	Pound	
	Sept. 15, 1965	45,000,000	Pound	305
Knives, forks, and spoons with stainless steel handles	Nov. 1, 1964 Oct. 31, 1965	69,000,000	Pieces	Quota

1/ Adjusted

Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 2, 1965
te Quotas:				
substitutes contain- over 45% of butterfat, butter oil	Calendar year	1,200,000	Pound	Quota filled
of cotton processed not spun	12 mos. from Sept. 11, 1965	1,000	Pound	
s, shelled or not led, blanched, or rwise prepared or erved (except peanut er)	12 mos. from August 1, 1965	1,709,000	Pound	668,582 1/

ports as of October 8, 1965.

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

THURSDAY, OCTOBER 14, 1965

F-230

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to October 2, 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 Oct. 2, 1965
Buttons	510,000	Gross	344,679
Cigars	120,000,000	Number	7,520,596
Coconut oil ...	268,800,000	Pound	Quota filled
Cordage	6,000,000	Pound	4,832,914
Tobacco	3,900,000	Pound	3,652,783

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE
THURSDAY, OCTOBER 14, 1965

F-230

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Cigars	120,000,000	Number	7,520,596
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Cordage	6,000,000	Pound	4,832,914
Tobacco	3,900,000	Pound	3,652,783

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 – October 1, 1965 - December 31, 1965

IMPORTS – October 1, 1965 - October 8, 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	2,608,137	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***2,114,626
Bolivia	5,040,000	-	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	4,754,540	66,480,000	66,480,000	37,840,000	12,265,364
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	8,095,044	70,480,000	1,542,561	6,320,000	1,643,942
Peru	16,160,000	***8,186,051	12,880,000	301,981	35,120,000	173,427	3,760,000	-
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***58,494	-	-	-	-
All other countries (total)	6,560,000	***1,958,469	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of October 11, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

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 — October 1, 1965 - December 31, 1965

IMPORTS — October 1, 1965 - October 8, 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	2,608,137	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***2,114,626
Bolivia	5,040,000	-	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	4,754,540	66,480,000	66,480,000	37,840,000	12,265,364
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	8,095,044	70,480,000	1,542,561	6,320,000	1,643,942
Peru	16,160,000	***8,186,051	12,880,000	301,981	35,120,000	173,427	3,760,000	-
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	-
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***58,494	-	-	-	-
All other countries (total)	6,560,000	***1,958,469	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of October 11, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1965, to Oct. 11, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965 to Oct. 11, 1965
United Kingdom............	4,323,457	-	1,441,152	-
Canada....................	239,690	-	-	-
France....................	227,420	-	75,807	-
India and Pakistan........	69,627	-	-	-
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	-	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

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, 1965 - October 11, 1965

Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	-
Peru	247,952	-
India and Pakistan	2,003,483	-
China	1,370,791	-
Mexico	8,883,259	2,838
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 - October 11, 1965

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	27,311,158
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	82,235
1-1/8" or more and under 1-3/8"	4,565,642	156,667

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 nited States which became effective August 31, 1963.

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Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	-
Peru	247,952	-
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China	1,370,791	-
Mexico	8,883,259	2,838
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.
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1-1/8" or more and under 1-3/8"	4,565,642	156,667

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, 1965, to Oct. 11, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965 to Oct. 11, 1965
United Kingdom............	4,323,457	-	1,441,152	-
Canada....................	239,690	-	-	-
France....................	227,420	-	75,807	-
India and Pakistan........	69,627	-	-	-
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	-	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1964, to Sept. 19, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1964 to Sept. 19, 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.

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.

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COTTON (other than linters) (in pounds)
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Imports September 20, 1964 - September 19, 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	2,770,015	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.
2/ Except Nigeria and Ghana.

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

Imports August 1, 1965 - September 19, 1965

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	26,058,092
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	82,235
1-1/8" or more and under 1-3/8"	4,565,642	156,667

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2/ British W. Africa	16,004	
Other, including the U.S.	-	

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(In pounds)

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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.

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 30, 1965

Country of Production	ITEM 925.01* Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* Zinc-bearing ores and materials		ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap	
	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Dutiable lead (Pounds)	Imports	Quarterly Quota Zinc Content (Pounds)	Imports	Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	22,540,000	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	3,365,262	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	1,102,300
Mexico	-	-	36,880,000	36,776,149	70,480,000	70,480,000	6,320,000	6,318,730
Peru	16,160,000	16,160,000	12,880,000	12,876,133	35,120,000	35,120,000	3,760,000	3,759,649
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,847
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,760,000	-	-	-	-
All other countries (total)	6,560,000	6,560,000	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

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

PREPARED IN THE BUREAU OF CUSTOMS

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 30, 1965

Country of Production	ITEM 925.01* Lead-bearing ores and materials: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.03* Unwrought lead and lead waste and scrap: Quarterly Quota Dutiable lead (Pounds)	Imports	ITEM 925.02* Zinc-bearing ores and materials: Quarterly Quota Zinc Content (Pounds)	Imports	ITEM 925.04* Unwrought zinc (except alloys of zinc and zinc dust) and zinc waste and scrap: Quarterly Quota By Weight (Pounds)	Imports
Australia	11,220,000	11,220,000	22,540,000	22,540,000	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	7,520,000
Bolivia	5,040,000	3,365,262	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	15,920,000	66,480,000	66,480,000	37,840,000	37,840,000
Italy	-	-	-	-	-	-	3,600,000	1,102,300
Mexico	-	-	36,880,000	36,776,149	70,480,000	70,480,000	6,320,000	6,318,730
Peru	16,160,000	16,160,000	12,880,000	12,876,133	35,120,000	35,120,000	3,760,000	3,759,649
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	5,438,847
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	15,760,000	-	-	-	-
All other countries (total)	6,560,000	6,560,000	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

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

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Those accomplishments include:

-- A business expansion that has long since broken all peacetime records for durability and is still going strong in its 56th month, providing a growth in gross national product of over $70 billion since November, 1963, or about as much as the entire annual product of Sweden, the Netherlands and Italy combined.

-- The creation of some $3.7 million non-farm jobs from November 1963 through September 1965, cutting the unemployment rate from 5.8 percent to 4.4 percent -- the lowest in eight years, at a time when automation and a rapidly expanding rate of entry of young people into the labor force threatened to create a crisis;

-- A rise in personal income -- in which we all share -- of $56.9 billion, or 12 percent from November 1963 through August 1965, bringing per capita income to by far its highest level in the history of this or any other nation;

-- A $10.6 billion, or 31.4 percent, rise in business profits after taxes since the fourth quarter of 1963, a rise that appears all the more remarkable when you recall that it came on top of an already hefty increase of $9.4 billion, or 38.5 percent, from the first quarter of 1961 to the fourth quarter of 1963; and a rise that has brought back return on a dollar invested to its highest level since the Korean war-affected quarters of 1950-51;

-- A reduction in federal income and excise taxes that would yield some twenty billion dollars per year at current income levels, with increased incentives for investment and purchasing power for the private sector.

There could be no better proof than these enormous economic gains -- than the continued strength and stability of our economic advance -- of the remarkable feats that American government and American business can accomplish when they work as allies rather than as antagonists -- when they seek, not cause for senseless conflict, but common cause in the national interest -- when there is confidence in a national leadership that works to give the private enterprise system an opportunity to do its job.

Today, more than ever, continued economic expansion depends upon a strong partnership for progress between the private and public sectors of our economy.

Today, more than ever, the national welfare requires a dialogue, not discord -- cooperation, not conflict -- between the leaders of American government and the leaders of American business.

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

Night after night, as well as day after day, like no President before him, President Johnson has brought together leaders of business, finance, labor, educators, doctors, clergymen and professional groups -- meeting with his Cabinet and White House staff and each other -- seeking advice, exchanging views, swapping ideas on what each could do separately and all could do together for a better America. He has made "Come, let us reason together" a national slogan as well as his personal attitude of heart and mind.

The President has amply demonstrated his determination to pursue policies to encourage in every way possible the growth and vitality of the private sector of our economy -- as well as his determination to seek solutions to our national economic problems within the framework of the free enterprise system.

Through its policies -- highlighted by its program of major reductions in Federal taxes matched by strict control over Federal expenditures -- the national government has given continued evidence of its faith in the vigor and viability of our free enterprise system, and of its recognition of the vital and basic role that the American businessman can, and must, play in the promotion of our national welfare.

It is of that role that I would speak to you tonight because I know it is close to the heart of the man and President you honor here tonight.

He applauds this organization for its recognition -- in both deed and word -- of the role of the businessman as leader in community and nation and world -- a role described so well in the words of your former president, Mr. Henry L. Lambert:

> "In the past two decades a 'corporate citizenship' role has developed, revealing that the leadership responsibility of businessmen is not confined to the economic area alone but embraces the total community. Today's executive finds he must not only understand what the social needs of the community are, but he must know how the political process serves to channel the human and economic resources which meet the total needs of society at local, national and international levels."

It was more than ninety years ago, in an article calling upon businessmen to concern themselves with questions of national legislation, that Hamilton A. Hill, later the first Secretary of the National Board of Trade, wrote:

> "The present time is favorable for commencing such a movement. The issues between the two political parties are less sharply defined than they have been for years, and there seems to be a growing disposition on the part of moderate men on both sides to work together."

There could be no more appropriate description of the political climate in this country today.

And today the task of the business leader as of all Americans -- was set forth by President Johnson in his State of the Union Message last January in these words: "to keep our economy growing; to open for all Americans the opportunity that is now enjoyed by most Americans; and to improve the quality of life for all." That, surely, is a task whose accomplishment must require nothing less than the best efforts of all Americans -- and, in particular, of America's business leaders.

No one questions that the first and most basic responsibility of a business leader is to succeed in his business, for thus he provides jobs and incomes and goods and services that bolster his local economy and the economy of the nation.

Nor, in today's intricate and fast-moving world does anyone underestimate how difficult and demanding is that responsibility alone -- requiring not only considerable personal ability and character but competence in a broad and ever-widening spectrum of fields.

But a businessman is also a human being responsible for his fellow man, and a citizen responsible for the welfare of his city, his state and his country -- and he is all these things not at different times but at one and the same time and all the time.

I cite that simple truth only because too often our very familiarity with it leads us to take it for granted, because too often our inevitable preoccupation with the incredible complexities and subtle sophistications of today's world leads us to overlook or ignore it.

Yet in that world, above all, we cannot forget or ignore it -- for that world, above all, requires that the leaders of the business community exercise their responsibilities for leadership in helping solve the pressing problems that confront cities and communities throughout the land as well as the nation as a whole.

There is, I would venture, scarcely a city or community of any size in this country that is not beset by a host of serious and stubborn problems -- problems of poverty and slums, of deliquency and crime, of schools, of housing, of race relations, of traffic and transportation. So acute and widespread are these problems that many have long since passed beyond the reach of purely local concern or local effort to arouse national concern and to demand national effort.

But at its very best -- and let me stress this truth with all the force at my command -- national effort can only supplement and support local effort -- it can never supplant it, it can never succeed without it.

It is to effective local action that we must look for solid and enduring solutions to these problems -- and effective local action must depend very largely upon the willingness of local business leadership to fulfill its civic responsibilities. What we need in far more cities from far more of our business leaders is the application to local problems of the same kind of initiative, imagination and effort that they bring to their businesses.

These problems, as I have suggested, are manifold, but three of the most crucial -- three which underly and encompass all the rest -- are poverty and prejudice and ignorance.

Under the leadership of President Johnson, we have developed broad national programs to attack these problems that have been too long obscured or ignored in the life of our land.

But these programs -- like our national economic policies -- are designed to support, not to supplant, efforts in the private sector -- efforts in our communities, our cities and our states.

More perhaps than any in our history, the Education Program that President Johnson has sponsored will hasten that day in our land when ability to learn, rather than ability to pay, will be the sole standard of educational opportunity. But that program must be matched by far greater efforts to improve the quality and the opportunity for education at the local level -- efforts in which business leadership is essential.

There can be no question but that businessmen throughout the country have heard and heeded the call to arms against poverty -- particularly in helping equip the untrained or illtrained with appropriate skills for production employment. But there remains enormous room, and need, for far greater effort on the local level by local businessmen -- for their involvement in all phases of local and regional retraining programs -- in management, in planning, in teaching, in counselling -- for only thus can we assure really effective and durable results.

But perhaps there is no more crucial area in which our cities and communities cry out for far greater, far more constructive and courageous leadership from the business community than in the war on prejudice.

I would be the last to deny that progress -- very genuine progress -- has been made on a national level, particularly in recent years. And New York surely is an example of the very palpable progress we have made in many of our cities.

However, it is high time that in all of our cities and all of our communities we really open our employment doors to qualified people of all races and colors.

It is also high time for business leaders to play a far more positive and progressive role in seeking solutions to the incendiary problems of de facto segregation in schools and housing.

It is high time for our business leaders to set in motion in our cities and communities positive and effective efforts toward solving these problems <u>before</u> they get out of hand -- <u>before</u> the deep frustrations of men long denied become the explosive rage of men who will no longer be denied.

But while the concept of corporate citizenship must find its first and full expression in cities and communities, it cannot -- in today's world -- be confined simply to these areas -- even to a city so vast in fact and in influence as New York. It has national and international dimensions.

We have recently seen at least two instances of its crucial importance to our national welfare -- the wage settlement in the steel industry and the voluntary efforts of our businesses and financial institutions to moderate our capital flows abroad to the end of achieving and assuring equilibrium in our balance of international payments, so fundamental to a sound dollar and Free World monetary system.

It was a little more than a month ago, as you know, that President Johnson announced that the representatives of labor and management of the steel industry had reached basic agreement in their negotiation of a new contract. That agreement averted a possible steel strike that posed -- in the President's words -- a "grim threat of thousands of men out of work, of idle plants, of declining production for our economy and declining prosperity for our people..."

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Equally important, the settlement reached during those negotiations fell within the bounds of the Wage-Price Guideposts set forth by the President's Council of Economic Advisers, and thus brightens the outlook for continuing our record of wage-price stability -- a record unexcelled over the past five years by any other major industrial country -- and a record whose maintenance is essential not only to the continued strength and soundness of our domestic economy, but to our continued success against foreign competition here and abroad.

We have also witnessed in recent months some very real progress in moving toward sustained equilibrium in our international balance of payments as a result of the voluntary efforts of our businesses and financial institutions to curb capital outflows. In the five months from April through August our banks have reduced their dollar placements abroad by $500 million. Businesses have also given evidence of their support by bringing home $575 million in funds that they had on deposit abroad and by substantially increasing foreign borrowings.

I have every confidence that we will continue to see good results from these efforts by our financial institutions and our businesses.

There may have been a time when the responsibilities and opportunities of corporate citizenship were regarded as ceasing at a nation's borders. In this country, at least, the time has long since passed when we could entertain such a view.

For part and parcel of the leading role which this country plays on the world stage are the activities of our multi-national businesses -- a number of whom, I am sure, are represented here tonight.

The expansion of international trade, the freedom of money to flow across national boundaries, the welcome extended to foreign business units, the stimulating effects of broadened competition and the spread of technical and organizational knowledge -- these hallmarks of multi-national business have helped to bring an expanding, more integrated and efficient economic structure to the West since World War II. The extent of their contributions to our economy -- as to the economies of the nations of the Free World -- defies measurement.

Not the least of those contributions is the sensitive and enlightened handling of the host of delicate and difficult problems involved in reconciling the interests and endeavors of the multi-national business corporation with the often intense nationalism it encounters in both developed and developing countries. Today the need for good, indeed for exemplary, corporate citizenship by multi-national companies is more imperative than ever -- if these companies -- those mighty engines of private capitalism and economic development -- are to play the congenial and beneficent role in international affairs that the interstate company plays in the United States.

These, then, are but some of the critical problems -- the great challenges -- of local, of national and of international scope whose resolution must depend very largely upon the conscience and the commitment of business leadership.

No one imagines that their resolution can be quick or easy.

But there is on this planet, and in this life, no final resting place for any problem of real human import.

And what is asked of us in our time is only what is asked of all men in their time: that with all their resources they wrestle with the problems of their time so that their lives and the lives of those after them will be fuller and more free.

I know that, were he here tonight, President Johnson would tell you how well he thinks this organization has met the stern standard of citizenship that the times require of the American businessman.

I know that he would thank you for your work in an organization that -- in a real sense -- heard and heeded long before he uttered them the words he spoke earlier this year at a meeting of the National Industrial Conference Board:

> "So I ask you then, as enlightened men of our times, to join as full partners in all the problems of the nation, the social problems as well as the economic problems. For we shall be judged not by what we take with us, but by the society that we leave behind us."

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TREASURY DEPARTMENT
Washington

Statement on the Protocol to the
U. S. - Belgium 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, October 13, 1965
(10:00 A.M.,EDT)

Mr. Chairman:

I am appearing before you today to urge favorable action on the supplementary protocol to the income tax convention now in effect between the United States and Belgium. The original convention was agreed to in October, 1948 and has been the subject of two protocols since that time, in 1952 and in 1957. The existing convention follows in broad outline the general pattern of tax treaties which the United States has negotiated with the other industrialized countries of the world. The provisions of this protocol are also consistent with the general principles contained in these treaties.

The agreement contained in this protocol covers a limited range of matters, and is principally directed toward issues arising out of Belgium's 1962 revision of its domestic tax system. This revision required the United States and Belgium to renegotiate the existing income tax convention between the two countries, since that convention had been negotiated against the background of an altogether different Belgian tax system. The

two countries agreed to deal in this protocol with the most pressing points which emerged from the Belgian revision of its tax laws. It is the intention of both countries to renegotiate the remaining portion of the convention when there is a further opportunity to do so. In order to ensure such further consideration, the protocol contains an expiration date beyond which it can not be extended.

The principal matters dealt with in the protocol relate to (1) the Belgian taxes which are the subject of the convention, (2) the taxation of dividends and interest, and (3) the Belgian commitment to provide tax relief for its residents and corporations deriving income from sources within the United States upon which the United States also imposes tax. A detailed technical memorandum describing the provisions of the protocol is attached.

Description of Belgian Tax Law

In order to better understand the provisions of the protocol, it is necessary to describe briefly the basic provisions of the new Belgian tax law. Under Belgian law, there are four classes of income tax: an individual income tax; a corporate income tax; an income tax on legal entities (political subdivisions and non-

profit-making organizations); and an income tax on nonresidents. The income tax on nonresidents applies both to individuals and corporations and applies generally only to income which nonresidents receive from sources within Belgium.

The collection of Belgian income taxes relating to investments and wages is accomplished generally through a system of withholding or prepayments applicable to certain kinds of income. In the case of income from personal property (including stocks and bonds), there is both a standard and an additional personal property prepayment. In the case of income from real property, a standard and an additional prepayment are also imposed. In the case of wages and other remuneration, a standard professional prepayment is imposed.

The protocol specifically applies the convention to these various Belgian taxes.

Taxation of Dividends and Interest

Belgian Withholding on Dividends

Under the present treaty, the United States may impose a tax

on dividends from U. S. sources received by a resident or corporation of Belgium not having a permanent establishment within the United States at a rate not exceeding 15 percent. Under the existing treaty, Belgium is precluded from imposing a tax similar to the withholding tax imposed by the United States in the case of nonresident aliens and foreign corporations.

The protocol permits Belgium to impose a tax not in excess of 15 percent on dividends derived from Belgian sources by a U. S. resident or corporation not having a permanent establishment in Belgium. The protocol specifies that the 15 percent rate of tax shall apply only to dividends which are paid on registered shares. Thus, in the case of registered shares, a reduction to 15 percent is provided by the protocol from the regular Belgian withholding rate of 18.2 percent under its standard personal property prepayment.[1/] It should be pointed out that the 18.2 percent rate

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1/ The 18.2 percent rate results from the fact that the standard personal property prepayment is imposed at the rate of 15 percent of the amount of dividends actually distributed grossed up by an amount equal to the special dividends received credit granted under Belgian law. To take account of this special credit, the standard personal property prepayment applicable to dividends is calculated on 85/70ths of the amount actually distributed and the effective rate of tax is thus 18.2 percent of the dividend actually distributed.

of tax still applies in the case of dividends which are paid on bearer shares. Typically, shares held by a U. S. parent corporation in a Belgian subsidiary are in registered form.

During the negotiations leading to the protocol, the United States urged a general Belgian withholding rate under the treaty of 15 percent. However, the Belgian authorities indicated that they would encounter serious difficulties in administering their tax system if a reduced rate of tax were applied to bearer shares as well as registered shares. As I have indicated, this protocol will be in effect for a limited period of time, and it is expected that by the expiration of that period Belgium will have developed appropriate procedures to permit a general maximum rate of tax on Belgian source dividends paid to U. S. persons of 15 percent. Actually, even under present Belgian law, because of the exemptions and credits which are contained therein, the effective rate of tax on dividends paid on bearer shares is generally below 18.2 percent and frequently less than 15 percent. Even in those cases where the effective rate of tax on bearer shares may exceed 15 percent, the holder of those shares can readily convert them to registered shares and thereby obtain the benefits of the 15 percent rate.

Exemption from Belgian Additional Personal Property Prepayment

The protocol provides an exemption from the Belgian additional personal property prepayment with respect to dividends and interest paid to a resident or corporation of the United States not having a permanent establishment in Belgium. In the absence of this provision, a U. S. resident or corporation would be subject to a 15 percent tax on the amount received (after deduction of the standard personal property prepayment) in addition to the amount withheld as the standard prepayment. Thus, under this provision of the protocol, Belgium will not impose this additional prepayment on dividends and interest paid to U. S. residents and corporations from Belgian sources.

Dividends and Interest Paid by Belgian and U. S. Corporations

Under the protocol, the United States agrees to exempt from tax dividends and interest paid by a Belgian corporation to a person other than a citizen, resident or corporation of the United States. A provision of this type is contained in many of the tax treaties to which the United States is a party and operates to eliminate application of those rules contained in the Internal Revenue Code under which in certain circumstances dividends and

interest paid by a foreign corporation may be regarded as being from U. S. sources.

The protocol contains a reciprocal provision under which Belgium will not tax dividends or interest paid by U. S. corporations to a person other than a resident or corporation of Belgium unless collection is made in Belgium. The reservation regarding collection in Belgium was included because of the problem of administering the Belgian tax laws in those cases where dividends or interest are paid on bearer shares or bonds to a recipient in Belgium through a collection agent (such as a bank) located there.

Relief from Double Taxation

As is standard in tax treaties, the United States agrees to allow an appropriate credit against U. S. taxes for Belgian taxes paid by a U. S. resident or corporation. The obligation of the United States under this provision of the protocol is satisfied by the foreign tax credit provisions contained in the Internal Revenue Code.

The protocol also contains a series of provisions under which Belgium agrees to grant relief from double taxation to its residents and corporations on U. S. source income. In general, the

protocol contains a broader commitment by Belgium to avoid double taxation than is present in the existing convention.

In the case of Belgian corporations not having a permanent establishment in the United States which receive dividends from U. S. sources, Belgium agrees to grant to these corporations the same exemptions from Belgian corporate income tax as would be granted if the paying corporation were a Belgian company. The exemption amounts to either 85 percent or 95 percent of the amount of the dividend after deducting the U. S. tax withheld, depending on the character of the recipient's business. In addition to these exemptions, Belgium also agrees to permit a Belgian corporate recipient of U. S. dividends to elect under certain conditions to have the dividends exempted from Belgian personal property prepayment. This provision will operate to permit a Belgian corporation receiving U. S. dividends to accumulate or reinvest a larger portion of these dividends than would otherwise be permitted under Belgian law.

In the case of a Belgian resident receiving dividends and a Belgian resident or corporation receiving interest from the United States, Belgium agrees in the protocol to permit a deduction from its tax attributable to the dividends and interest of at least 15 percent of the amount received, after deducting the U. S. tax

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withheld. This provision, which is contained in present Belgian law, represents a commitment by Belgium to continue to allow this deduction.

If a Belgian resident or corporation has a permanent establishment in the United States and dividends, interest and royalties derived by such Belgian resident or corporation are taxed by the United States because of the existence of the permanent establishment, Belgium agrees in the protocol to exempt such income from tax.

The protocol also deals with the problem of double taxation in the case of a U. S. citizen residing in Belgium who is liable for income tax in both countries on his world-wide income. The convention does not restrict the right of the United States to tax its citizens, and consequently this individual is not entitled to the reduced rates of U. S. tax provided in the treaty for residents of Belgium on U. S. source income. Consequently, both Belgium and the United States will be taxing his U. S. source income at progressive rates. The protocol provides a measure of relief from double taxation to such an individual by limiting the Belgian income tax which may be imposed on U. S. source dividends, interest, pensions, annuities and royalties received by a U. S. citizen

residing in Belgium to 15 percent of such income after reduction of that tax by the 15 percent Belgian foreign tax credit on income from personal property.

Effective Dates and Expiration

The effective dates provided in the protocol correspond generally to the effective dates of the new Belgian tax law applicable to the items of income involved. Where a new feature has been introduced into the convention the provisions are applied prospectively.

A special transitional rule is provided primarily for the benefit of U. S. tax-exempt organizations deriving dividend income from Belgium. Belgium is prohibited under the existing convention from imposing tax "similar to" that withheld at the source by the United States in the case of nonresident aliens and foreign corporations. Under the protocol Belgium is permitted to impose such a withholding tax effective as to payments on or after January 1, 1963. The special transitional rule, effective until January 1, 1965, preserves for tax-exempt organizations and other comparable taxpayers any rights which they might have under the treaty prior

to this protocol, since such taxpayers can not benefit from the foreign tax credit provided in the Internal Revenue Code.

The protocol is to remain in effect until January 1, 1968 except that it may be extended by mutual consent of the parties until no later than December 31, 1970.

Conclusion

The protocol which is before you deals with a limited number of questions primarily arising from the Belgian revision of its tax system. These changes in the treaty are essential to coordinate the new Belgian system with the treaty and thereby permit the treaty to operate as intended.

The protocol liberalizes the statutory taxation by Belgium of Belgian source dividends paid to U. S. investors. The reduction in the rate of Belgian withholding tax in the case of registered shares from 18.2 percent to 15 percent and the elimination of the additional personal property prepayment are significant benefits to U. S. investors in Belgium and the United States. The agreement by Belgium to provide relief from double taxation where U. S. source income is involved is an important additional benefit to the U. S. citizens involved. For these reasons, and because

the protocol is an important step in keeping our existing treaties current, I urge you to recommend that the Senate advise and consent to the ratification of this protocol.

TREASURY DEPARTMENT
Washington

STATEMENT ON THE PROTOCOL AMENDING THE INCOME TAX CONVENTION BETWEEN THE UNITED STATES AND THE FEDERAL REPUBLIC OF GERMANY BY STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY BEFORE THE SUBCOMMITTEE ON TAX CONVENTIONS OF THE SENATE FOREIGN RELATIONS COMMITTEE
OCTOBER 13, 1965
(10:00 A.M., EDT)

Mr. Chairman and Members of the Committee:

I am very glad to discuss the protocol signed September 17, 1965 to amend the income tax convention between the United States and the Federal Republic of Germany, which was entered into in 1954. The protocol is the result of discussions which have taken place over a period of years to deal with a number of problems that emerged under the convention as it now stands and to take account of changes made in the German income tax system in the years since the convention came into effect.

I do not propose to discuss each provision of the protocol, since the President, in transmitting the protocol to the Senate, also transmitted a memorandum which summarizes each article in the protocol. Moreover, at the end of my remarks I will submit for the record a comprehensive technical memorandum which goes into considerable detail in connection with each article of the protocol. I shall therefore confine my remarks to the principal provisions of the protocol.

I should like, first, to note that on the whole the protocol will have a greater impact on the application of German tax laws than on United States tax laws. It will bring German tax practices more into line with United States tax practices and thus bring about

a greater degree of reciprocity than has hitherto prevailed with respect to certain types of transactions and income flows. In general, therefore, the protocol produces tax changes which are beneficial to Americans having interests in Germany.

Article 1 of the protocol restates the taxes covered by the convention. It describes more precisely than at present the German taxes falling within its scope and adds certain German taxes which are not measured by income, the trade tax, and the tax on capital. The consequence of this change is to enlarge the tax benefits accruing to U. S. residents and corporations holding German assets by also granting them exemption from these non-income taxes on those assets.

Article 2 of the protocol provides for a new definition of the term permanent establishment. This is a key term in tax treaties since a taxpayer not having a permanent establishment in a country may not under our treaties be taxed on industrial or commercial profits arising within the country. The definition of the term, in effect, sets forth what types of activity constitute a permanent establishment and hence establishes the limits within which an enterprise of one country may conduct activities in the other country without being subject to tax on industrial or commercial profits in that other country. The definition of a permanent establishment in this protocol is essentially the same as in our tax conventions with Luxembourg

and Sweden, which have been approved by the Senate, and in our convention with Belgium which is also before your committee. I would like specifically to mention one aspect of this definition, the phrase which refers to a "place of management". A place of management, like an office, store or factory, can constitute a permanent establishment. Some have feared that this phrase may be interpreted by Germany to hold a permanent establishment to exist if a business executive from an American corporation should make certain decisions in that country with respect to the operations of his firm's subsidiary there, even though the decisions are made in a place temporarily occupied by the executive as living quarters. In this connection, I would like to submit a memorandum of understanding which accompanies the protocol. The first item in that memorandum provides that "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". This issue also was considered in connection with the tax convention with Luxembourg, and we there entered into an exchange of letters which provided that decisions taken by executives which are solely of a technical or scientific nature will not be interpreted to constitute "management". We have agreed with the German tax authorities that

a similar principle will apply in the application of the term "management" used in this protocol. We have not included this in the memorandum of understanding only because the time necessary to reach terminological precision in both the English and German languages would have delayed too long consummation of the protocol. I am confident that in the application of the term "place of management", the fears that have been expressed will prove to be groundless. I should like to point out that the language used in the protocol is taken from the OECD model convention. We are seeking to achieve as much uniformity among the industrialized countries as possible in the terminology used in tax conventions. For this reason, we and the German authorities preferred not to alter the permanent establishment language but to arrive at a clearer understanding of what the language means through the memorandum of understanding and our discussions.

Article III of the existing convention provides that an enterprise of one country with a permanent establishment in the other may be taxed in that other country on its industrial or commercial profits. The tax will be at the regular rates applicable to business income. It goes on to say, moreover, that all other income from that country, such as investment income or royalty income, which accrues to the

enterprise will be treated as income of the permanent establishment and taxed at such regular rates together with the profits which are actually attributable to the operations of the permanent establishment. Thus, if a German company having a marketing branch in the United States holds, say, U. S. Government bonds, the interest it receives is treated as the income of the permanent establishment and taxable to it even though the convention provides for tax exemption of interest paid to a German corporation which does not have a permanent establishment here. The taxation of a foreign enterprise which has a permanent establishment on all income from sources within the United States at regular rates has come to be referred to as the "force of attraction". It produces anomalous situations and tends to discourage investment in the United States by the foreigners most likely to invest here.

The protocol amends the convention so as to abandon the "force of attraction". To accomplish this result, the protocol amends Articles III, VI, VII and VIII and adds a new Article IXA. Under these new provisions, a permanent establishment of a firm in the other country will be taxable at regular rates only on the business income attributable to the activities of the permanent establishment or the investment income "effectively connected" with the activities of the permanent establishment. Other income, such as investment income or royalties which are not effectively connected to the firm's

business activities in the country, will be treated in accordance with the relevant provisions in the convention regarding those types of income. Hence, if a German firm derives interest income which is not effectively connected with the activities of its permanent establishment in the United States, the interest would be tax exempt under the convention.

This is not the first tax convention to depart from the "force of attraction" approach. Our tax convention with the United Kingdom was amended some years ago to extend the exemption which otherwise applied to royalty payments to cases where the recipient of the royalties had a permanent establishment situated in the country from which the royalties were derived where such payments are not directly associated with such permanent establishment. However, this protocol is the first convention which fully eliminates the "force of attraction" principle.

I should like to add that the treaties written among the European countries, as well as the OECD model convention, generally do not contain the "force of attraction" principle. Instead, they rely on the "effectively connected" doctrine.

The memorandum of understanding expounds on the meaning of the term "effectively connected" and is intended to minimize administrative problems that might arise in its application.

In the existing income tax convention, provision is made for a

reduced rate of withholding tax of 15 percent on dividends paid by a 10-percent-or-more-owned subsidiary corporation in one country to a parent corporation in the other country. As respects the United States, this is in lieu of our 30 percent statutory rate. Under Article 4 of the protocol, this reduced rate would apply to all non-effectively connected dividends paid from one country to a recipient in the other, and thus will extend to portfolio investments. This extension of the reduced rate of tax applicable to dividends brings the German convention more nearly into line with most of the other tax conventions to which the United States is a party. At the same time, the protocol increases the withholding tax rate in certain situations to deal with what Germany has considered to be an abuse resulting from the interaction of the split rate German corporation tax and the reduced withholding tax rate in the treaty. The German corporate tax on distributed profits (15 percent) is much lower than that on retained profits (51 percent). As a result, some American companies with German subsidiaries have found it to their tax advantage to distribute all of the profits from such German subsidiaries as dividends to the United States parent, subjecting those profits to the low German corporate tax rate on distributed profits and to the 15 percent German withholding tax (and also to the United States tax, but with application of a credit for the German taxes), and then immediately to reinvest the balance in the German subsidiary. The combination

of the low German corporate tax on distributed profits and the treaty withholding tax, even with any United States tax that had to be paid, often was lower than what the German corporate tax alone would have been on the undistributed profits involved had they been simply retained by the German subsidiary rather than being distributed and reinvested. To eliminate the incentive to distribute and reinvest in such cases, the protocol provides that Germany may continue to impose its statutory withholding tax rate of 25 percent on dividends which are distributed and then reinvested in Germany by the parent company. For this purpose, an investment made in a German subsidiary by a United States parent company in the year in which the latter receives dividends from the subsidiary, or in either the year immediately preceding or following the receipt of such dividends, is considered to be a reinvestment of the dividends received. However, the amount deemed reinvested in any year must exceed 7-1/2 percent of the dividends received from the subsidiary in such year for this provision to apply.

In connection with the abandonment of the "force of attraction" principle which I mentioned earlier, the protocol also provides in Article 4 that if dividends paid to a foreign enterprise are unrelated to the operations of its permanent establishment in the country from which the dividends are paid, such dividends will not be taxable at regular rates to such foreign enterprise. Instead they will be taxed

at the 15 percent withholding tax rate applicable to a foreign enterprise which does not have a permanent establishment in the source country.

The same principle is established by Article 5 of the protocol with respect to interest received by a company in one country from sources within the other, and by Article 6 with respect to royalties. Both types of income are thus exempt under the convention from tax in the source country when not effectively connected with a permanent establishment situated therein.

Article 6 of the protocol revises the tax treatment of royalties in one other respect also. Prior to the protocol, royalties were exempt from tax in the source country when received by a resident or corporation of the other country. However, in some cases the German authorities had been placing a stricter construction on the term "royalty" than was the case in the United States. For example, they did not apply the exemption to payments for "know-how". The protocol revises the definition of royalties so that not only are payments for the use of or right to use patents, copyrights and similar property rights covered by the exemption, but also payments for the use of or right to use knowledge, experience and skill ("know-how") are exempt. It has been agreed that this expanded exemption will be applicable from January 1, 1963, and in some cases

the exemption will apply to earlier periods as well. In this connection, I would like to submit for the record an exchange of letters between the Treasury and the German Ministry of Finance relating to this question, which indicates the cases in which the German exemption will apply prior to January 1, 1963.

Under existing United States law, capital gains realized by nonresident aliens and foreign companies are exempt from tax in the United States except in limited cases. Under German law, however, capital gains of Americans are taxable under circumstances that are not so restricted. Since the treaty now contains no provision on capital gains, the reciprocity in the tax treatment of capital gains is lacking. Article 8 of the protocol remedies this by establishing rules for the exemption of capital gains. The principal advantage to the United States lies in the changed tax treatment with respect to what the Germans refer to as "a substantial participation" -- where a taxpayer, an individual or corporation, owns 25 percent or more of the shares of a German company. If the owner of such an interest in a German company disposes of any shares, the profits derived from their sale are treated under German law as profits derived from within Germany and are therefore subject to tax there. The German view is that under these circumstances the owner of the stock is in effect doing business in Germany and therefore the gains derived from the sale of the stock represents the realization

of profits within Germany. This situation has posed problems for American companies who sought to reorganize their holdings in a German subsidiary or to dispose of their interest in a German corporation. Such companies found themselves subject to tax in Germany under circumstances where no tax was levied in the United States, as in the case of a tax-free reorganization. Or if the sale took place in the United States, the gain was considered to have a source in the United States and therefore no credit was allowed for the tax imposed by Germany. Under the protocol, such situations will no longer arise since Germany will not tax any gain on the disposition of shares in a German company. The memorandum of understanding attached to the protocol makes explicit that the exemption applies to stock in a subsidiary company (substantial participation) disposed of by a parent corporation. Moreover, as in the case of other income, the "force of attraction" principle will be replaced by the "effectively connected" concept with respect to capital gains.

Under German law, payments received by a United States resident for services which are performed in the United States but the results of which are utilized in Germany are considered to be income earned in Germany and subject to tax there. For example, if an engineer in the United States prepares drawings for use in connection with a

manufacturing process, which drawings are transmitted to Germany and utilized there, Germany would tax the engineer on the income he receives for his services in preparing the drawings. This German tax would be imposed even though the engineer never left the United States, on the ground that his income is derived from the utilization in Germany of the fruits of his services. Under United States law, the income would have a source in the United States because the services are performed here and no part of the German tax imposed on such income would be allowable as a credit against United States tax. Article 9 of the protocol amends the existing convention to eliminate German tax in such situations and thus removes the double taxation that now exists.

This article of the protocol also tightens up somewhat the tax treatment of personal service income. Prior to the protocol, the exemptions contained in Article X of the convention applied to services performed as an employee of, or under contract with, either (1) a natural person resident in, or a company of, the country of the taxpayer's residence -- in which case there was no limitation on the amount of compensation which was exempt from source country taxation, or (2) any other employer -- in which case the exemption from source country taxation was limited to cases in which compensation received for such labor or personal services did not

exceed $3,000. Amended Article X of the convention requires that, as a prerequisite to exemption, compensation be received for services performed as an employee of, or under contract with, only a natural person resident in, or a corporation of, the country of the taxpayer's residence. Moreover, the amended article requires that such compensation be borne directly by such an individual resident or corporate employer, and not by a permanent establishment maintained by such employer in the country of source. This change brings the convention into conformity with the OECD model draft convention.

Article XV of the existing convention contains the basic provisions for eliminating double taxation. Under its terms Germany does not impose a tax on its residents or companies receiving income from sources within the United States if under the convention such income is taxable in the United States. This has resulted in certain tax advantages which Germany does not wish to perpetuate for German taxpayers receiving some forms of income from sources within the United States. Consequently, Article 12 of the protocol revises the tax treaty so that in the case of portfolio dividends and Government wages, salaries and pensions Germany will be permitted to impose tax on amounts received from U. S. sources but will allow a credit for United States tax imposed on such income. Exemption will continue where dividends are paid by a U. S. corporation to a German parent

corporation. For this purpose a parent company is defined as one which owns 25 percent or more of the voting stock of the corporation paying the dividends. Article XV also provides that United States citizens or residents who also are residents of Germany for tax purposes (and, therefore, are subject to tax in both countries on their world-wide income) shall be allowed a credit against German tax for U. S. taxes on any U. S. source income regardless of other provisions of the treaty.

Under United States tax law, nonprofit institutions abroad may qualify for exemption from U. S. tax on their income from United States sources and may secure a ruling from the Internal Revenue Service as to their nontaxable status. In other words, a German nonprofit institution may acquire the same tax-exempt status as a domestic nonprofit institution. However, German law does not accord United States organizations the exemption from German tax which German institutions enjoy. There are some American nonprofit institutions that have obtained German securities by bequest or otherwise and are subject to tax in Germany on the income from such securities. Article 13 of the protocol revises the existing convention by inserting a new article as a result of which American nonprofit institutions may qualify for exemption from tax in Germany on income from sources there. It thus would achieve reciprocity

in the tax treatment of nonprofit institutions.

The existing convention contains provisions for exchanges of information between the tax authorities of the two countries to prevent fraud and to carry out the various provisions of the convention. However, the existing language has been construed to preclude the use by one country of tax information obtained in the other in proceedings before a court or other administrative body. Article 14 of the protocol would amend the existing language of the convention so as to permit the disclosure of such information in a court or other administrative proceeding involving the assessment and collection of taxes.

The objective of the tax conventions to eliminate double taxation has sometimes been frustrated by the fact that refunds could not be made in appropriate cases. Assume for example that transactions have taken place between a German subsidiary and a United States parent corporation and that upon audit of the return of the parent company the United States tax authorities find that the income reported by the parent company had been understated. Perhaps the price charged the subsidiary company for goods sold to it by the parent corporation was too low. A deficiency might be assessed against the parent company and United States tax imposed on an amount which had previously been reported as a profit by the

German subsidiary and had been subject to tax in Germany. Assume, further, that the German tax authorities are in agreement with the United States tax authorities that the price charged the German subsidiary is too low. Unless the Germans can make a refund of the tax previously collected on the income of the subsidiary, which is now to be treated instead as additional profits of the American parent company, there will be double taxation. However, the authority for Germany to make refunds might have expired because the length of time taken for the United States tax authorities to make the deficiency assessment exceeded the time during which a refund could be made by the German authorities. Article 15 of the protocol amends the existing convention so that under these circumstances a refund could be made by the German authorities. In other words, the protocol would extend the statute of limitations for the purpose of making refunds in appropriate cases. The same provision would apply to the United States.

The dividend article of the protocol will affect dividends paid on or after January 1, 1965; the royalty article will affect such payments made on or after January 1, 1963; and all other articles of the protocol will become effective for taxable years beginning on or after the first day of January in the year in which the exchange of instruments of ratification occurs.

I have discussed what I believe to be the most important

provisions of the proposed protocol to the convention between Germany and the United States, and I urge the committee to take prompt action in reporting it out with a recommendation for ratification. With your permission, I am submitting for the record a memorandum of understanding with the German authorities on the permanent establishment and other questions, an exchange of letters on the "know-how" question, and the technical memorandum on the protocol.

Mr. Zeitlin was a Phi Beta Kappa graduate of Columbia College in 1951 and received his LL.B. from Columbia University Law School in 1953 where he was a member of the Law Review. After serving with the U.S. Army from 1953 to 1955, he practiced law in New York City until he came to the Treasury Department in 1962.

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TREASURY RELEASE

10/17/65

FOR RELEASE TO MORNING PAPERS OF SUNDAY OCTOBER 17

TREASURY TAX LAWYERS PROMOTED

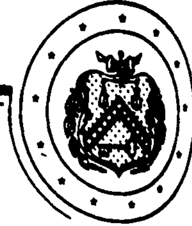
Stanley S. Surrey, Assistant Treasury Secretary for Tax Policy, today announced three promotions in the office of his principal legal assistant, Tax Legislative Counsel Lawrence M. Stone. Those promoted:

George Zeitlin, from Associate Tax Legislative Counsel to Deputy Tax Legislative Counsel;

Richard O. Loengard, Jr., from Associate Tax Legislative Counsel to Deputy Tax Legislative Counsel for International Tax Affairs (continuing in his present position as Special Assistant to Mr. Surrey for International Tax Affairs);

Arthur J. Rothkopf, from Assistant Tax Legislative Counsel to Associate Tax Legislative Counsel for International Tax Affairs.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 14, 1965

FOR RELEASE A.M. NEWSPAPERS
FRIDAY, OCTOBER 15, 1965

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in our balance of payments for as long as the dollar is a key currency in the Free World monetary system.

For -- let me repeat in closing -- we <u>are</u> determined to master the balance of payments situation, because continued deficits would destroy confidence in the dollar, including confidence in your investment dollars. And we are determined to solve the balance of payments problem with the least possible impact on freedom of economic choice. This is why making a success of the voluntary program is so important.

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as government alone can do -- decides what is national policy and sets the national goals; business -- as only business can do expertly -- is left free to make its many and varied individual decisions as to how to operate consistently with national policy and to contribute to the achievement of national goals.

I do not know if the business community is doing as much as it can, as fast as it can, to increase its exports, and to hold its foreign investment to levels that will assure an equilibrium in our balance of payments. I am not sure we in government have done all that we can do to provide you with guidelines that can be evenly applied to achieve the national objective under competitive conditions. What is certain is that you, and we, must be willing to do more, willing to refine our procedures, willing to enlarge the scope of our activities, and willing to innovate, to achieve and maintain an equilibrium

price stability; reduction,by the methods I have already mentioned, of the growth of net dollar balances abroad due to foreign assistance and military operations; promotion of exports and reduction of imports by fair competitive methods that do not invite a deterioration of good trade relationships; and finally, voluntary programs for the maintenance of private investment abroad by American banks and other business at levels that do not make a U. S. balance of payments equilibrium achievable only by a withdrawal of U. S. political, military and diplomatic power from its role in world affairs.

In the background of the voluntary program is the Administration's desire to operate its overall balance of payments program with the least possible interference in private economic decisions. The voluntary program keeps government in its proper role and lets business perform its function: government --

In this situation, which is totally unlike the conditions of the classic balance of payments difficulty, the basic and classic cure -- rising interest rates in the deficit country -- cannot be the sole and simple answer. We have taken monetary ~~does not apply and could not work. Furthermore, the difference~~ policy action to moderate the differential in the short term area: the Federal Reserve Board discount rate increases of 1963 and 1964 are cases in point. However, the difference between long term interest rates here and in Europe is so great that any attempt to eliminate capital outflows through tight money policy at home ~~close the gap by increasing our rates much beyond those that followed upon the Federal Reserve Board discount rate increases of 1963 and 1964~~ could only result in jeopardizing the long and sound business expansion we are experiencing.

The program we have adopted is the program needed by the United States, tailored to its highly unusual balance of payments trouble. It is, in skeleton, the use of tax and monetary policy to increase the profitability of investment and to increase the demand for investment in this country by keeping economic growth high and rising in conditions of

of public and private ~~investment dollars~~. Public expenditures abroad -- that is, foreign assistance and the costs of external military deployment -- are instruments of national foreign policy. The balance of payments effects of foreign outlays of public funds have been very sharply reduced ~~by decreased grants and increased loans,~~ by tying our grants and loans to the purchase of United States products, and by many other measures, ~~such as~~ the reciprocal promotion of the purchase of U. S. military supplies by governments of countries in which there are heavy U. S. troop concentrations, such as West Germany.

In the 1950s and the early 1960s there was an extraordinary outflow of private capital, in response to market forces. The high level of saving in our high income society, coinciding with an upsurge of economic development in industrial Europe, made foreign investment uncommonly attractive.

power due to low productivity and rising prices -- that is, inflationary conditions. Our productivity is high, and rising strongly, ~~by comparison with any other~~. Our prices are competitive. Our capacity to produce is easy: we can fill orders and deliver on time. Our efficiency is all-around: industrial, agricultural and even in ~~the~~ services, where the advance of automation and mechanization is helping us to gain upon others.

Due to the competitiveness of our goods, our trade is large and our trade balance is highly favorable. High and rising investment at home is keeping the growth of capacity to produce goods and services in good relation to private and public demand, making for extraordinary price stability underwriting continuation of what is already by far the longest peacetime economic expansion we have ever experienced.

~~Our difficulty arises, instead,~~ from very large outflows

or thereabouts, is what is in the cards. I can say that I know of nothing -- up to now, at least -- that would make such a result for the year impossible. Anything in that region, after all the chickens are in, would be a very solid improvement over last year, when our deficit was $3.1 billion.

What I can say with certainty is that this year will be better than last, that we expect the improvement to continue in 1966, and that we intend and expect that it will continue for as long as necessary to bring our payments into an equilibrium that we can, and we will, sustain.

Now, let me close with a few words about the nature of our balance of payments defict, because that is the controlling factor in the nature of the cure.

Our balance of payments is not due to the ailment that is generally the cause of deficits, loss of competitive

one of the key elements of the balance of payments program -- export promotion. Exports in July and August were substantially better than earlier -- disappointing -- figures. Further, the information we have to date suggests that imports, which had been rising faster than exports, may be flattening out. ~~Continued price stability here, contrasted with rising prices in many places abroad, give some heft to these otherwise inadequate trade results, because these price developments make many American products more competitive, and many foreign products less so, both at home and abroad.~~ Among other factors with net favorable implications is the general strengthening of the British position where PREVIOUS [illegible] had given us an EXTRA added drain due to the liquidation of some British government owned U.S. securities to [illegible].

We do not yet have enough information to indicate where, in this very big and complex matter, we shall come out in 1965. But while I cannot tell you that a deficit of $1.3 billion,

in the first half of the year [will be duplicated in the second half.] ~~put together with information and guesses about the third and fourth quarters that are obviously incomplete and subject to error.~~ You are aware of our warnings that our excellent showing in the [second] ~~first half of the year~~ [quarter, when there was the first quarterly surplus since 1957,] was due in part to benefits that could not be repeated, at least, in such large degree, such as the repatriation of deposits abroad. And you are aware of our further warnings that results for the last half of the year would reflect some unfavorable factors that do not show in the first half, such as tourist spending abroad.

However, we must be cautious not to stretch all unfavorable factors into the future, and neglect to project favorable influences. There are some of the latter.

While we cannot declare a trend from the experience of one or two months, there is at least tentative good news about

determination can insure success in making one of the principal improvements needed in the system as it now stands: an end to United States balance of payments deficits. I have already indicated to you our general view of our balance of payments situation at present: we have been making good progress indicating that we are on the right track, we are continuing to do so, and we see no reason to think that we will not succeed in good time by vigorous and constantly improved and refined use of our present methods.

I will add what little detail that I can to that without venturing onto the shaky ground of predictions based upon incomplete and preliminary data.

You have seen published ~~speculation~~ that our balance of payments deficit for ~~1965 will be close to $1.3 billion~~. I am not in position to confirm ~~this~~ projection of our experience

monetary system that we have just been examining that would relieve us, or others, of the obligation the system now imposes to bring our international payments into equilibrium. We do seek agreement upon changes designed to permit continued growth of reserves to underwrite the continued sound economic growth of the free world ~~in the absence of~~ without depending on large and chronic United States payments deficits (which might eventually endanger the whole system). And we seek adjustment processes promoting steady and general free world economic growth with stable exchange rates.

I believe that the others with whom we are entering into discussion of improvement of our international monetary system have these same fundamental objectives, even though there are deeply held differences of emphasis and approach. I am, consequently, confident of success.

A further reason for this confidence is the fact that our own

rising private and public consumption with little or no change in the general price level.

It is also an argument for laying an obligation upon surplus nations to adjust their policies so as to open the way to a return circulation of the reserves they accumulate. This adjustment could be in the rate of domestic growth or consumption, in foreign trade policies, in policies affecting the flow of capital to foreign parts, including economic assistance, and in the sharing of free world defense costs. Such adjustments encourage the reestablishment of equilibrium, by deficit and surplus countries alike, at higher levels of production and trade, by contrast with the groping for equilibrium at lower levels that has so often proved disastrous in the past.

The United States seeks no change in the international

their imbalances. If they are reserve currency countries, such as the United States, loss of confidence in their money following upon failure to end their deficits results eventually in conversions of the reserve currency into gold. In this process, world reserves are reduced because the amount of currencies held in national reserves is reduced. This, like achievement of equilibrium by contractionary policies, is unacceptable because it tends to depress the world economy.

What is wanted, instead, is a circulation of reserves that facilitates the maintenance of equilibrium at rising levels of production and trade. Let me specify that this is an argument for sound economic growth, such as we have been experiencing in this country now for years, in which incentives to save are preserved, making possible high and rising investment to expand production and increase productivity, in turn permitting

harsh losses of employment or profits. Second, the process would require adjustment by surplus as well as deficit nations.

At present, there is an imbalance in the system as a whole. On one side of the scale is the fact that a deficit nation does come to a point where it must adjust its economy or its international payments, or both, because it reaches the limits of its reserves and of its power to borrow. On the other side is the fact that there are no comparable limitations enforcing adjustment of its policies by surplus nations.

With primary reliance for correction by deficit nations, the path to economic equilibrium may lead to economic restrictions.

Deficit countries must, certainly, be obliged to cure

reserves. We estimate that as of the end of 1964 more than a quarter of the official reserves of the remainder of the Free World were held in the form of dollars.

In addition to this single lodestone fact -- that the necessary and desireable actions of the United States to correct its balance of payments situation will soon end the process by which most additions to official reserves have been made in recent times -- there is a second flaw, which is under special study by the OECD. This is the fact that the free world monetary system ~~has a tendency to instability arising from a lack of~~ more satisfactory machinery for the adjustment of payments deficits or surpluses. A process for the adjustment of payments imbalances that could be called satisfactory would have, in my opinion, at least two features. First, the process would both enforce timely adjustment, and make enforcement palatable, by avoiding

official reserves and in private commercial hands abroad can continue to function as an essential part of the world's monetary system. It must do so to arrest drains of United States reserves. That erosion cannot go on indefinitely. It must be, and is being, stopped now.

That the world must know, and that the world expects, because it requires that the dollar be as good as gold.

If, despite the ending of the long period of large U. S. deficits, growth is to continue and trade is to expand, we must provide an effective and adequate substitute for the creation of additional reserves, when needed.

The growth of reserves deriving from U. S. deficits has taken two forms -- dollar balances held as such, and dollars acquired and converted into gold. The latter development, of course, resulted in a substantial decline in United States

I will now turn: the absence of large annual U. S. balance of payments deficits.

Despite its many and great virtues and accomplishments, our international monetary system stands at a crossroads. The answer, if you ask why, goes to the heart of the matter. This is, that since 1958, United States balance of payments deficits have supplied about three quarters of the new official reserves of other nations, and that we are now well along in the process of ending these deficits and bringing our international payments into sustainable equilibrium.

The President, the Congress, and informed financial authorities around the world all are agreed that the United States must put its international accounts in order, and keep them so. It must do so to preserve the integrity of the dollar at home and abroad, so that the more than $27 billion held in

being tipped over by the force of speculation. But there is nothing automatic about it: help can be denied if the nation in question does not take action to strengthen its money. It thus is cooperation and assistance that can help a nation survive attacks upon its currency from the outside, while it insists upon correction of weaknesses from the inside.

This is a big, practical, fast and flexible international monetary system, a system aware of its duty to protect national currencies, but never to keep them in sin, responsible for keeping liquid funds adequate at all times to float the world's commerce, but cautious never to sponsor a flood. It is our objective to make certain that the system continues to evolve so that it can discharge these tasks as well under different conditions in the future as it has done in the past. Chief among the differences in the future will be the fact to which

truly Herculean tasks of providing required amounts of money, at the right time and place, in the postwar era. ~~After~~ In addition to the huge task of repairing the damages of war, the free world has carried out the greatest economic advance, benefitting the most poeple, by the widest margin, in history.

Moreover, the free world monetary system has showed itself capable of fast and effective action at time of crisis. By contrast with the 1930s, when the world financial system could not rally a few hundred million dollars to keep it from crumbling, on four occasions in recent years the present system has produced credits ranging up to several billion dollars -- when necessary, in a matter of hours -- to help the Canadian dollar, the Italian lira and the British pound.

By this type of cooperation we can -- and will -- effectively protect currencies in a temporarily vulnerable position from

up since 1958 a network of cooperative and consultative arrangements that has substantially increased the free world's ability to maintain international monetary stability. These include the Fund's General Arrangements to Borrow up to $6 billion from the Group of Ten nations -- Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States -- just renewed for a further four years; arrangements by which central banks swap currencies for short periods of time to meet exchange requirements; the sale of foreign currency bonds by the United States; the operations of an international, cooperative gold pool in London, and cooperation and consultation carried on through such institutions as the Bank for International Settlements and the Organization for Economic Cooperation and Development.

The free world international monetary system has performed

to smooth out balance of payments adjustments, and by promoting a code of sound international financial conduct.

The Fund's resources are increased by enlargement of national subscriptions to its capital -- national quotas. The latest increase, now in process of approval, will bring its capacities to $21 billion. Every member has virtually automatic rights to borrow reserves from the IMF equivalent to 25 percent of its quota, [illegible] drawing rights have come to be counted [illegible] among international reserves. The currently unused portion of these reserves available without question amount to about $4½ billion. The Fund can provide additional liquidity up to the full amount of a nation's quota. These contingent drawing rights can be exercised only upon meeting certain conditions. This type of IMF credit presently totals some $12½ billion.

Secondly, upon the margins of the IMF, there has grown

more or less to the same factors business judgment contends with domestically. The admixture of foreign currency holdings and credits with gold in national reserves reflects the practical desirability of holding private and official balances in the reserve currencies of countries with production facilities and financial institutions that have given them a leading position in the world's trade and finance.

Two major developments since World War II have added to the system's unfeeling heart of gold a sensory apparatus of consultation and cooperation. This permits us not only to know when something has gone wrong, but also to find means of correction that put the carrot ahead of the stick.

The first of these is the International Monetary Fund, established in 1945. The Fund's principal task is to help stabilize world monetary affairs, by providing medium term credit

disposition to seek the means for the solution of economic problems in an increase in the economic resources available for use -- bigger helpings for all, from a bigger pie, rather than a new division of the existing pie.

Our international monetary system stands on two pillars which, I would emphasize, will remain unchanged. The first is stable exchange rates, based upon the United States commitment to buy or sell gold at $35 an ounce. ~~Exchange rates are stable but not rigid: they can be changed, if they become unrealistic.~~ Second, international reserves include not only gold, but also foreign currency holdings -- chiefly dollars and pounds sterling. ~~and rights to short-term loans from the International Monetary Fund.~~ Additionally, it is becoming common practice to count among reserves drawing rights -- rights to medium term credits -- upon the International Monetary Fund that are virtually automatic.

Stability of exchange rates reduces the risks run by the trader and financier operating across international boundaries

monetary arrangements are not adequate to handle.

These would be, in essence, agreements aimed at international monetary stability, and growth of reserves in good relation to real needs for them, ~~greatly reducing our present dependence~~ upon deficits by reserve currency countries, at the same time ~~also~~ reducing the present tendency for conflict between international and domestic objectives.

The international monetary system that we have is a very good one. Like the improvement of it that we now seek, it was not invented, but evolved to fit evolving practical needs, economic and otherwise. It reflects the necessities of private trade and finance, and it reflects the existence of governments with domestic and international policies of varying kinds that must be served. It likewise reflects -- and this is primary -- the growth in the free world of a

on the workings of the free world monetary system, on what needs exist for changes as the stimulus of large annual dollar balance of payments deficits is withdrawn, and on how we could go about making needed improvements. In talks in Washington, and in visits last month to the principal financial centers of Western Europe, we added to our information, and assisted, I think, in increasing genereal awareness and appreciation of the problem.

Finally, during the meetings in Washington late in September of the governors of the World Bank and the International Monetary Fund -- who include most of the free world's monetary authorities -- procedural agreements were reached which -- optimistically -- may make possible fundamental agreements upon substance within another year. That, in our opinion, would be timely, for we see no problems arising within the next year that present international

international monetary arrangements, and how best to go about making changes, is often lamed by inadequate discussion of the system within which our international payments are made, and their domestic and national policy contexts. I would be the last to suppose that in one small speech we could clarify -- let alone agree upon -- so much contentious matter: were we to do so it would surely have to be said of us that never did so few labor so little to bring forth so much. [But in the interests of making progress toward decisions on how our monetary arrangements should and can be improved in as much light, and as little fog, as possible, let us do what can be done, even in one small speech.]

As you know, since last July, with the authorization and encouragement of President Johnson, I have been trying to assess the thinking of the international monetary community

and bankers -- as they concern every American. But you have a special responsibility for understanding and helping in meeting these challenges.

Therefore, I want to take advantage of this opportunity to bring you hard up against the opportunities and difficulties we face together.

these financial challenges transcend the economic sphere. We must never forget that the ability of the United States to shoulder adequately the burdens of Free World leadership -- however unsought but now a reality -- in the political, military and diplomatic spheres, as well as the economic one, depends on the firm foundation of a strong dollar and a viable Free World monetary system.

More than any other single factor it is the strength and soundness and stability of the American dollar that serves as the essential underpinning of the Free World monetary system through which the interdependent nations have fashioned their awesome economic accomplishments through the past several decades.

The solution of our balance of payments difficulties and the strengthening of the international monetary system are crucial matters which must deeply concern you as businessmen

INSERT - PAGE 1

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YOU ARE FAMILIAR WITH the problems this nation faces in bringing its balance of international payments into equilibrium and the need for all the nations of the Free World to move toward agreement on ways of assuring the financial resources and monetary system needed to support increasing international trade and economic development.

REVISED
DRAFT

~~October 13, 1965~~

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT A MEETING OF THE BUSINESS COUNCIL
AT HOT SPRINGS, VIRGINIA
ON OCTOBER 15, 1965, MORNING SESSION

Mr. Chairman, members of the Business Council, my colleagues in government, gentlemen: I am very pleased to be with you once again in this beautiful spot in my home state of Virginia.

At the outset of my remarks, let me say of our present balance of payments situation that I think there is undue pessimism now where there was undue optimism earlier. In July, we were succeeding in our drive to bring our payments into sustainable equilibrium, the job was not yet done, and we warned of less favorable circumstances later in the year; in October, ~~we are still succeeding,~~ the job is still far from done, and the less favorable circumstances we foresaw have become realities.

I think that debate over what improvement is needed in our

TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
FRIDAY, OCTOBER 15, 1965

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AT A MEETING OF THE BUSINESS COUNCIL
AT HOT SPRINGS, VIRGINIA
FRIDAY, OCTOBER 15, 1965, 11:00 A.M., EST.

Mr. Chairman, Members of The Business Council, Colleagues in Government, and Gentlemen: You are more aware than most of our citizens of the interdependence of the American economy and the rest of the Free World -- and the dependence of both on an effective world monetary system which, in turn, depends on the soundness and stability of the U. S. dollar.

You are familiar with the problems this nation faces in bringing its balance of international payments into equilibrium and the need for all the nations of the Free World to move toward agreement on ways of assuring the financial resources and monetary system needed to support increasing international trade and economic development.

These financial challenges transcend the economic sphere. We must never forget that the ability of the United States to shoulder adequately the burdens of Free World leadership -- however unsought but now a reality -- in the political, military, and diplomatic spheres, as well as the economic one, depends on the firm foundation of a strong dollar and a viable Free World monetary system.

The solution of our balance of payments difficulties and the strengthening of the international monetary system are crucial matters which must deeply concern you as businessmen and bankers -- as they concern every American. But you have a special responsibility for understanding and helping in meeting these challenges.

Therefore, I want to take advantage of this opportunity to bring you hard up against the opportunities and difficulties we face together.

At the outset of my remarks, let me say of our present balance of payments situation that I think there is undue pessimism now where there was undue optimism earlier. In July, we were succeeding in our drive to bring our payments into sustainable equilibrium, the job was not yet done, and we warned of less favorable circumstances later in the year; in October, the job is still far from done, and the less favorable circumstances we foresaw have become realities.

I think that debate over what improvement is needed in our international monetary arrangements, and how best to go about making changes, is often lamed by inadequate discussion of the system within which our international payments are made, and their domestic and national policy contexts. I would be the last to suppose that in one small speech we could clarify -- let alone agree upon -- so much contentious matter: were we to do so it would surely have to be said of us that never did so few labor so little to bring forth so much.

As you know, since last July, with the authorization and encouragement of President Johnson, I have been trying to assess the thinking of the international monetary community on the workings of the Free World monetary system, on what needs exist for changes as the stimulus of large annual dollar balance of payments deficits is withdrawn, and on how we could go about making needed improvements. In talks in Washington, and in visits last month to the principal financial centers of Western Europe, we added to our information, and assisted, I think, in increasing general awareness and appreciation of the problem.

Finally, during the meetings in Washington late in September of the governors of the World Bank and the International Monetary Fund -- who include most of the Free World's monetary authorities -- procedural agreements were reached which -- optimistically -- may make possible fundamental agreements upon substance within another year. That, in our opinion, would be timely, for we see no problems arising within the next year that present international monetary arrangements are not adequate to handle.

These would be, in essence, agreements aimed at reinforcing international monetary stability, and at providing for the growth of reserves in good relation to real needs for them, without reliance as in the past upon deficits by reserve currency countries, at the same time reducing the present tendency for conflict between international and domestic objectives.

The international monetary system that we have is a very good one. Like the improvement of it that we now seek, it was not invented, but evolved to fit evolving practical needs, economic and otherwise. It reflects the necessities of private trade and finance, and it reflects the existence of governments with domestic and international policies of varying kinds that must be served. It likewise reflects -- and this is primary -- the growth in the Free World of a disposition to seek the means for the solution of economic problems in an increase in the economic resources available for use -- bigger helpings for all, from a bigger pie, rather than a new division of the existing pie.

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252

The first of these is the International Monetary Fund, established in 1945. The Fund's principal task is to help stabilize world monetary affairs, by providing medium term credit to smooth out balance of payments adjustments, and by promoting sound international financial conduct.

The Fund's resources are increased by enlargement of national subscriptions to its capital -- national quotas. The latest increase, now in process of approval, will bring its capacities to $21 billion. Every member has virtually automatic rights to borrow reserves from the IMF equivalent to 25 percent of its quota. As I have already indicated, the unused portion of these drawing rights -- currently some $5 billion -- have come to be counted among international reserves. The Fund can provide other conditional credit, at its discretion, up to the full amount of a nation's quota. This contingent type of IMF credit presently totals some $12½ billion.

Secondly, upon the margins of the IMF, there has grown up since 1958 a network of cooperative and consultative arrangements that has substantially increased the Free World's ability to maintain international monetary stability. These include the Fund's General Arrangements to Borrow up to $6 billion from the Group of Ten nations -- Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States -- just renewed for a further four years; arrangements by which central banks swap currencies for short periods of time to meet exchange requirements; the sale of foreign currency bonds by the United States; the operations of an international, cooperative gold pool in London, and cooperation and consultation carried on through such institutions as the Bank for International Settlements and the Organization for Economic Cooperation and Development.

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Moreover, the Free World monetary system has showed itself capable of fast and effective action at time of crisis. By contrast with the 1930s, when the world financial system could not rally a few hundred million dollars to keep it from crumbling, on four occasions in recent years the present

system has produced credits ranging up to several billion dollars -- when necessary, in a matter of hours -- to help the Canadian dollar, the Italian lira and the British pound.

By this type of cooperation we can -- and will -- effectively protect currencies in a temporarily vulnerable position from being tipped over by the force of speculation. But there is nothing automatic about it: help can be denied if the nation in question does not take action to strengthen its money. It thus is cooperation and assistance that can help a nation survive attacks upon its currency from the outside, while it insists upon correction of weaknesses from the inside.

This is a big, practical, fast and flexible international monetary system, a system aware of its duty to protect national currencies, but never to keep them in sin, responsible for keeping liquid funds adequate at all times to float the world's commerce, but cautious never to sponsor a flood. It is our objective to make certain that the system continues to evolve so that it can discharge these tasks as well under different conditions in the future as it has done in the past. Chief among the differences in the future will be the fact to which I will now turn: the absence of large annual U. S. balance of payments deficits.

Despite its many and great virtues and accomplishments, our international monetary system stands at a crossroads. The answer, if you ask why, goes to the heart of the matter. This is, that since 1958, United States balance of payments deficits have supplied the principal source of additional liquidity to the world monetary system. About three quarters of the new official reserves of other nations have been built out of these deficits, and large foreign private holdings of dollars have added to the potential strain on U. S. reserves. We are now well along in the process of ending our deficits and bringing our international payments into sustainable equilibrium. This fact gives rise to a new situation.

The President, the Congress, and informed financial authorities around the world all are agreed that the United States must put its international accounts in order, and keep them so. It must do so to preserve the integrity of the dollar at home and abroad, so that the more than $27 billion held in foreign official reserves and in private commercial hands abroad can continue to function as an essential part of the world's monetary system. It must do so to arrest drains of United States reserves that have flowed from some portion of these deficits being paid off in U. S. gold. That erosion cannot go on indefinitely. It must be, and is being, stopped now.

That the world must know, and that the world expects, because it requires that the dollar be as good as gold.

If, despite the ending of the long period of large U. S. deficits, growth is to continue and trade is to expand, we must provide an effective and adequate substitute for the creation of additional reserves, when needed.

The growth of reserves deriving from U. S. deficits has taken two forms -- dollar balances held as such, and dollars acquired and converted into gold. The latter development, of course, resulted in a substantial decline in United States reserves. We estimate that as of the end of 1964 more than a quarter of the official reserves of the remainder of the Free World were held in the form of dollars.

In addition to this single lodestone fact -- that the necessary and desirable actions of the United States to correct its balance of payments situation will soon end the process by which most additions to official reserves have been made in recent times -- there is a second flaw, which is under special study by the OECD. This is the fact that the Free World monetary system requires more satisfactory machinery for the adjustment of payments deficits or surpluses.

A process for the adjustment of payments imbalances that could be called satisfactory would have, in my opinion, at least two features. First, the process would both enforce timely adjustment, and make enforcement palatable, by avoiding harsh losses of employment or profits. Second, the process would require adjustment by surplus as well as deficit nations.

At present, there is an imbalance in the system as a whole. On one side of the scale is the fact that a deficit nation does come to a point where it must adjust its economy or its international payments, or both, because it reaches the limits of its reserves and of its power to borrow. On the other side is the fact that there are no comparable limitations enforcing adjustment of its policies by surplus nations.

With primary reliance for correction by deficit nations, the path to economic equilibrium may lead to economic restriction.

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Deficit countries must, certainly, be obliged to cure their imbalances. If they are reserve currency countries, such as the United States, loss of confidence in their money following upon failure to end their deficits results eventually in conversions of the reserve currency into gold. In this process, world reserves are reduced because the amount of currencies held in national reserves is reduced. This, like achievement of equilibrium by restrictive policies, is unacceptable because it tends to depress the world economy.

What is wanted, instead, is a circulation of reserves that facilitates the maintenance of equilibrium at rising levels of production and trade. Let me specify that this is an argument for sound economic growth, such as we have been experiencing in this country now for years, in which incentives to save are preserved, making possible high and rising investment to expand production and increase productivity, in turn permitting rising private and public consumption with little or no change in the general price level.

It is also an argument for laying an obligation upon surplus nations to adjust their policies so as to open the way to a return circulation of the reserves they accumulate. This adjustment could be in the rate of domestic growth or consumption, in foreign trade policies, in policies affecting the flow of capital to foreign parts, including economic assistance, and in the sharing of Free World defense costs. Such adjustments encourage the reestablishment of equilibrium, by deficit and surplus countries alike, at higher levels of production and trade, by contrast with the groping for equilibrium at lower levels that has so often proved disastrous in the past.

The United States seeks no change in the international monetary system that we have just been examining that would relieve us, or others, of the obligation the system now imposes to bring our international payments into equilibrium. We do seek agreement upon changes designed to permit continued growth of reserves to underwrite the continued sound economic growth of the Free World without depending on large and chronic United States payments deficits which might eventually endanger the whole system. And we seek adjustment processes promoting steady and general Free World economic growth with stable exchange rates.

I believe that the others with whom we are entering into discussion of improvement of our international monetary system have these same fundamental objectives, even though there are deeply held differences of emphasis and approach. I am, consequently, confident of success.

A further reason for this confidence is the fact that our own determination can insure success in making one of the principal improvements needed in the system as it now stands: an end to United States balance of payments deficits. I have already indicated to you our general view of our balance of payments situation at present: we have been making good progress indicating that we are on the right tract, we are continuing to do so, and we see no reason to think that we will not succeed in good time by vigorous and constantly improved and refined use of our present methods.

I will add what little detail that I can to that, without venturing onto the shaky ground of predictions based upon incomplete and preliminary data.

You have seen published information that our balance of payments deficit for the first six months of 1965 was at an annual rate of $1.3 billion, compared to $3.1 billion in 1964, both figures on a regular transactions basis. I am not in position to confirm whether a projection of our experience in the first half of the year will be duplicated in the second half. You are aware of our warnings that our excellent showing in the second quarter, when there was the first quarterly surplus since 1958, was due in part to benefits that could not be repeated, at least, in such large degree, such as the repatriation of deposits abroad. And you are aware of our further warnings that results for the last half of the year would reflect some unfavorable factors that do not show in the first half, such as tourist spending abroad.

However, we must be cautious not to stretch all unfavorable factors into the future, and neglect to project favorable influences. There are some of the latter.

While we cannot declare a trend from the experience of one or two months, there is at least tentative good news about one of the key elements of the balance of payments program -- export promotion. Exports in July and August were substantially better than earlier -- disappointing -- figures. Further, the information we have to date suggests that imports, which had been rising faster than exports,

may be flattening out. Among other factors with net favorable implications is the general strengthening of the British pound, where previous weakness had given rise to an added drain due to the liquidation of some British government owned U. S. securities to provide liquid assets.

We do not yet have enough information to indicate where, in this very big and complex matter, we shall come out in 1965. But while I cannot tell you that a deficit of $1.3 billion, or thereabouts, is what is in the cards, let me point out that anything in the region of $1.3 billion, when all the chickens are in, would be a very solid improvement over the 1964 deficit of $3.1 billion.

What I can say is that on present readings, this year will be far better than last, that we expect the improvement to continue in 1966, and that we intend and expect that it will continue for as long as necessary to bring our payments into an equilibrium that we can, and we will, sustain.

Now, let me close with a few words about the nature of our balance of payments deficit, because that is the controlling factor in the nature of the cure.

Our balance of payments is not due to the ailment that is generally the cause of deficits, loss of competitive power due to low productivity and rising prices -- that is, inflationary conditions. Our productivity is high, and rising strongly. Our prices are competitive. Our capacity to produce is easy: we can fill orders and deliver on time. Our efficiency is all-around: industrial, agricultural and even in services, where the advance of automation and mechanization is helping us to gain upon others.

Due to the competitiveness of our goods, our trade is large and our trade balance is highly favorable. High and rising investment at home is keeping the growth of capacity to produce goods and services in good relation to private and public demand, making for extraordinary price stability underwriting continuation of what is already by far the longest peacetime economic expansion we have ever experienced.

Our balance of payments problem does not arise from a balance of trade deficit that characterizes the usual payments deficit in other countries. Our difficulty arises, instead,

from very large outflows of public expenditures and private capital movements. Public expenditures abroad -- that is, foreign assistance and the costs of external military deployment -- are instruments of national foreign policy. The balance of payments effects of foreign outlays of public funds have been very sharply reduced by tying our grants and loans to the purchase of United States products, and by many other measures, especially the reciprocal promotion of the purchase of U. S. military supplies by governments of countries in which there are heavy U. S. troop concentrations, such as West Germany.

In the late 1950s and the early 1960s there was an extraordinary outflow of private capital, in response to market forces. The high level of saving in our high income society, and ready availability of capital through highly organized capital markets, coinciding with an upsurge of economic development in industrial Europe, made foreign investment, both direct and portfolio, uncommonly attractive.

In this situation, which is totally unlike the conditions of the classic balance of payments difficulty, the basic and classic cure -- rising interest rates in the deficit country -- cannot be the sole and simple answer. We have taken monetary policy action to moderate the differential in the short term area: the Federal Reserve Board discount rate increases of 1963 and 1964 are cases in point. However, the difference between long term interest rates here and in Europe is so great that an attempt to eliminate capital outflows through tight money policy at home could only result in jeopardizing the long and sound business expansion we are experiencing.

The program we have adopted is the program needed by the United States, tailored to its highly unusual balance of payments trouble. It is, in skeleton, the use of tax and monetary policy to increase the profitability of investment and to increase the demand for investment in this country by keeping economic growth high and rising in conditions of price stability; reduction, by the methods I have already mentioned, of the growth of net dollar balances abroad due to foreign assistance and military operations; promotion of exports and reduction of imports by fair competitive methods that do not invite a deterioration of good trade relationships; and finally, voluntary programs for the maintenance of private investment abroad by American banks and other business at levels that do not make a U. S. balance of payments equilibrium achievable only by a withdrawal of U. S. political, military and diplomatic power from its role in world affairs.

In the background of the voluntary program is the Administration's desire to operate its overall balance of payments program with the least possible interference in private economic decisions. The voluntary program keeps government in its proper role and lets business perform its function: government -- as government alone can do -- decides what is national policy and sets the national goals; business -- as only business can do expertly -- is left free to make its many and varied individual decisions as to how to operate consistently with national policy and to contribute to the achievement of national goals.

I do not know if the business community is doing as much as it can, as fast as it can, to increase its exports, and to hold its foreign investment to levels that will assure an equilibrium in our balance of payments. I am not sure we in government have done all that we can do to provide you with guidelines that can be evenly applied to achieve the national objective under competitive conditions. What is certain is that you, and we, must be willing to do more, willing to refine our procedures, willing to enlarge the scope of our activities, and willing to innovate, to achieve and maintain an equilibrium in our balance of payments for as long as the dollar is a key currency in the Free World monetary system.

For -- let me repeat in closing -- we are determined to master the balance of payments situation, because continued deficits would destroy confidence in the dollar, including confidence in your investment dollars. And we are determined to solve the balance of payments problem with the least possible impact on freedom of economic choice. This is why making a success of the voluntary program is so important.

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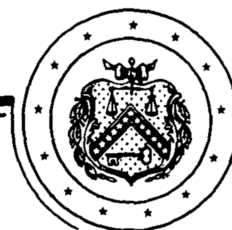
TREASURY DEPARTMENT



WASHINGTON, D.C.

October 15, 1965

FOR IMMEDIATE RELEASE

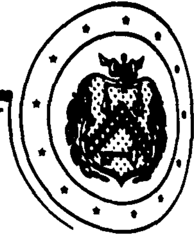
TREASURY DECISION ON LIGHTERS
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that lighters, pocket, cigar and cigarette, butane gas-fueled, from Japan are 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 September 1, 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 1, 1964, through July 31, 1965, amounted to $73,000.

TREASURY DEPARTMENT



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

Imports of the involved merchandise received during the period September 1, 1963, through July 31, 1965, amounted to approximately $145,000. The merchandise, popularly known as "DNPT", is a chemical foaming agent used in the production of foam rubber.

TREASURY DEPARTMENT

WASHINGTON, D.C.

October 15, 1965

FOR IMMEDIATE RELEASE

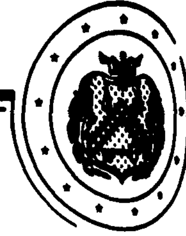
TREASURY DECISION ON DINITROSOPENTAMETHYLENETETRAMINE
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that dinitrosopentamethylenetetramine from Japan 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 Intent to Discontinue Investigation and to Make Determination That No Sales Exist Below Fair Value," was published in the Federal Register on September 1, 1965, stating that price revisions and termination of sales with respect to dinitrosopentamethylenetetramine from Japan were considered to be evidence that there are not, and are not likely to be, sales below fair value.

The price revisions and termination of sales occurred soon after the exporters were advised that price discriminations existed with respect to their sales. The complaint was withdrawn based on the assurances that there would be no resumption of sales at prices which could be likely to be below fair value.

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

TREASURY DEPARTMENT



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

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

Imports of the involved merchandise received during the period September 1, 1963, through July 31, 1965, amounted to approximately $145,000. The merchandise, popularly known as "DNPT", is a chemical foaming agent used in the production of foam rubber.

need to have such contingency plans is, I think, overwhelming. We expect, therefore, to press forward in the full confidence that we will be providing the world with a facility that will increasingly come to be recognized as an essential and valuable one.

There are also general institutional questions concerning the extent, form, and degree of participation and responsibility that is to be given to the International Monetary Fund. Under some proposals, deliberate creation of reserves would become integrated into the use of Fund drawing facilities; under other proposals, the Fund might receive a share of the assets created. Under still others, reserve assets might be established by a group of countries with limited relationship to the Fund. There are a number of differing attitudes on these questions.

Finally, a very key question is how decisions would be made governing the amount and timing of periodic creation of reserve assets. That is, how is a decision made as to where to set the thermostat in the world's heating system? Is it to be set rather firmly for a long period of time, or is it to be made highly variable? Is one resident to be given a veto on any change in the thermostat, or even a veto on turning on the furnace at all? The views of the minority must certainly be protected, but, at the same time, large sections of the world economy must not be exposed to temperatures which could impair their health and efficiency.

These are some of the problems, in addition to many lesser and more technical questions, that we can expect to face in the forthcoming negotiations. No doubt it will require some time to reach a satisfactory resolution. But I am satisfied that there will be a common determination to establish plans that can be used to create additional reserves. The logic of the

There are several problems which stand out as issues that will need to be resolved during the negotiations on which we are now entering. These issues were, in fact, highlighted in the technical report prepared by experts of ten leading countries that is called the Ossola Group Report, published in August of this year.

The first of these issues is whether a new reserve asset should be usable on its own, or whether it should only be used in conjunction with gold or in conjunction with other existing reserves. Under some proposals, it has been argued that any such new asset should only be utilized in international settlements along with a fixed and substantial amount of gold. Against this, there are other views that, from the beginning, it would be desirable for any new asset to stand on its own feet.

The second major questions concerns the number of countries that should participate in creating a new reserve asset and in taking the responsibility for ultimately receiving it in payment. New reserve assets, to be useful, must provide access to the currencies of the major industrial and trading nations. This means that these countries must be prepared, in the last analysis, to sell their goods against the new asset in international trade or accept the new asset in payment of international debts. At the same time, the developing countries of the world have an interest in the adequacy of world reserves, though they, themselves, generally do not follow the practice of building up substantial reserve holdings.

Looking ahead to the longer term problem of creating an adequate supply of additional reserve assets for the world, we are entering a new and largely uncharted area. The world has never before set about the deliberate task of creating reserve assets. We can, therefore, expect that all of the countries participating in this planning for future contingencies will be cautious. I use the term "additional reserve asset" consciously, because some of the ways of creating more reserve assets would simply enlarge claims on the Fund which are already being treated as reserve assets.

Questions and Issues

What are some of the major questions that are to be negotiated? Underlying most of these problems is some difference of view among members of the Group of Ten as to what will be the future need for additional reserves. Continental European countries generally have large reserves that have been growing by something like 10 percent a year. To change the metaphor, their concern about the inflationary pressures in their overheated economies leads them to want a heating system on which the thermostat will not be set at an excessively high temperature, from their point of view. On the other hand, other parts of the world whose economies are less subject to overheating, and who fear that they will be insufficiently protected against cold weather in the future, want to be sure that there is a fully adequate furnace installed and in good working order.

is that the world has to live in the house and conduct its business all the time; it cannot move out, because there is no other place to go. The trade and business activity of the world could suffer considerably if large parts of the house were made uninhabitable by the process of tearing down and rebuilding. Nor it is entirely certain that all of the nations that live in the house would readily agree on just how a major restructuring should be carried out.

Consequently, I would expect that the practical solution would be found to be in improving certain parts of the structure, while building additions to it to accommodate the growth of the nations living in the house.

In my own thinking, I have found it useful to consider as improvements the things we can do to meet short-term and cyclical problems, and to consider as additions the more permanent requirements for larger reserves for the growing world.

As I have indicated, we have made very striking progress in the past four years in developing short-term credit facilities that protect the system against short-period strains on major currencies. In a sense, we have improved the heating system in the house, so that those rooms most exposed to the weather from time to time are less dependent on their own fireplaces and can draw more effectively on the central heating system.

In addition, through direct contacts between the monetary authorities of leading countries, short-term credit facilities have been developed on a large scale, both on a standby basis and through ad hoc arrangements, from time to time. The Federal Reserve System has established a network of standby swap facilities which, in effect, provide short-term credit on a reciprocal basis in case of need. This network was initiated in 1962, and now has reached the total of $2.8 billion. The United Kingdom has, from time to time, made use of special ad hoc short-term facilities to meet the particular periods of strain.

In addition to the enlargement of regular and supplementary resources of the Fund, and the striking development of short-term credit facilities to support major currencies, the years 1961 to 1965 have been remarkable for the establishment of close and frequent consultations between responsible officials of treasuries and central banks of the leading countries.

Through one organization, known as the Deputies of the Group of Ten, responsible officials meet to consider the basic problems of the functioning of the international monetary system and future needs for liquidity.

Improving the System

I have said that the international monetary system in which we live is something like a rambling house to which additions and improvements have been made from time to time. A number of proposals have been made for radically rebuilding this structure, but the difficulty with so doing

International Monetary Cooperation

Since the end of 1958, there has been a remarkable development of international monetary cooperation, centering around multilateral concern with the deficits of major countries, and finding its most practical expressions in the enlargement, improvement, and elaboration of credit facilities available to monetary authorities.

In 1958-59, quotas in the International Monetary Fund were increased by 50 percent generally, with additional selective increases for several of the leading industrial countries. Following extensive negotiations in 1961 and 1962, the General Arrangements to Borrow were set up, under which ten leading industrial countries agreed to provide additional credit to the Fund under specified conditions in amounts up to $6 billion. The combination of quota increases and the General Arrangements to Borrow thus considerably strengthened the official credit facilities available to major currencies to insure against a severe strain on the international monetary system, which could be accompanied by a severe shrinkage of international liquidity. The Fund has, in fact, been called upon by Canada, Italy, and the United Kingdom, in periods of special strain on their currencies. The United States, while not drawing heavily on the Fund, has passed from a net creditor of the Fund to a moderate user of Fund resources, and this has helped in financing the United States deficit. The resources of the Fund are again being enlarged and strengthened by an increase in quotas now in process, amounting to 25 percent, plus additional amounts for a number of individual countries.

would be tendencies to convert more dollar balances into gold. Such conversion would further reduce U. S. reserves. Therefore, the deficits must stop.

But, at the same time, if the U. S. deficits stop, the bulk of the increase in international reserves, in world liquidity, also stops. This is so simply because new gold supplies are insufficient to meet needs for additional reserves as the volume of world business grows. Additions to creditor claims on the IMF, as presently handled, help a little but are not in very great volume. Thus, some new way to provide for additions to world liquidity must be found.

The U. S. is determined to get into equilibrium in its balance of payments and has mounted strong efforts to achieve that end. The progress made in the balance of payments this year is, in my judgment, encouraging. Since the announcement of the new program of February 10, 1965, there has been a very marked change. Taking the first half as a whole, which includes rather heavy deficit figures in January and February, the regular deficit was down to an annual rate of $1.3 billion, as compared with $3.1 billion for the year 1964.

The large gold outflow in the first half of the year was not attributable to this year's balance of payments, but rather to the large dollar accumulations by foreign monetary authorities in 1964.

Over all, the program is particularly encouraging in showing that the banks and business community have made real adjustments in their current operations and activities in order to cooperate with the President's program.

Continental Europe recovered its financial strength rapidly after the exchange adjustments of 1949. Over-all, foreign industrial countries increased their reserves by $14 billion from 1948 to 1958, to nearly $22 billion, almost as much as United States reserves of $22.5 billion.

The U. S. Balance of Payments Deficit

The next six years were characterized by large-scale deficits in the balance of payments of the United States. The dollars paid out by the United States flowed into the reserves of the other industrial countries, especially those on the Continent of Europe. All in all, nearly three-quarters of the growth in official reserves of the rest of the world during these years resulted from these U. S. deficits, with the remainder of the $17 billion total growth in their reserves coming from new monetary gold supplies, or through the build-up of their creditor claims on the International Monetary Fund. During these six years, the reserve assets of the United States, however, fell from $22.5 billion ($20.6 billion in gold) to $16.7 billion ($15.5 billion in gold).

Now, in these very figures you can see the heart of the international liquidity problem of today. The great bulk of such reserves supplied to the world came from U. S. deficits in its balance of payments. The U. S. cannot afford to continue to run such deficits, because they result in a run-down of its own reserves and a consequent impairment of its own international liquidity situation. If that situation worsens, the acceptability of dollar assets in foreign monetary hands would tend to weaken, and there

of domestic currency, vehicle currency, and reserve assets. The reserve assets are, by definition, those carried as such by monetary authorities and hence do not include privately held stores of foreign exchange, although there are links between the two, and, in a broad sense, both together are elements in international liquidity. We shall, however, confine our discussion of international liquidity to official reserves and credits available to monetary authorities.

I have referred to the fact that reserve assets now total about $68 billion, partly in gold, partly in foreign exchange, and partly in the form of creditor claims on the IMF. The amount of reserve asset gain in the postwar period has been striking. But three important points need underlining. First, since 1948, the amount of new gold coming into the monetary system has been a relatively small part of the total gain -- about $8.5 billion, or $500 million per year on the average. Second, the great flow of new reserve assets to the rest of the world has reflected the large U. S. deficits which resulted in the accrual of dollar assets in the hands of foreign monetary authorities. Third, the outflow of these dollars from the U. S. did not affect our gross reserve position in the first instance, but any exchange into gold of such dollars acquired reduced the level of U. S. reserves. The reason is, of course, quite simple. U. S. reserves are held mainly in the form of gold and the U. S. stands ready to buy or sell gold at $35 per ounce.

of the foreign exchange, and these must be safe, acceptable, and marketable quickly and easily. Thus, there must be broad and deep markets. And, obviously, there must be sufficient supply of such foreign exchange for it to be widely held. Today, only the dollar and the pound have these characteristics. The foreign exchange component -- mostly dollars and sterling -- held as international reserves by monetary authorities presently totals about $22 billion, with about two-thirds in the form of dollar assets.

The last type of reserve asset is of fairly recent origin. It represents virtually unconditional drawing rights on the International Monetary Fund. The basic asset here is the gold tranche -- the amount of each country's contribution to the Fund paid in gold -- usually one-quarter of a country's contribution. But there also is the so-called "super gold tranche" which represents an amount equal to any credit claims acquired on the Fund in excess of the gold tranche. All together, these "unconditional drawing rights" on the Fund total now about $5 billion.

Thus, in total, the Free World has about $68 billion in reserve assets -- $41 billion in gold, $22 billion in foreign exchange, and $5 billion in unconditional Fund drawing rights.

International Liquidity

Let me turn now to the subject of international liquidity. So far, we have spoken about the international monetary system and the functions

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The third category is reserve assets held by a nation's monetary authorities. These are reserves that are drawn upon to make payments to monetary authorities in other countries. Thus, they may be used to settle balance of payments deficits.

Reserve Assets

Presently, there are three basic kinds of reserve assets: gold, foreign exchange, and virtually unconditional drawing rights on the International Monetary Fund. Let me say a word about each.

Gold is the oldest and best known form of reserve asset. It has served this purpose for centuries, mainly because it has universal acceptability. "As good as gold" is a phrase well known and oft repeated. The Free World presently has $41 billions in gold in its international reserves, about one-third held by the United States, and about 50 percent held by industrial Western European countries.

In practice, the foreign exchange component of international reserves is mainly in the form of dollars and sterling. In theory, there is no reason why any important convertible currency cannot be held by another nation in its reserves. The basic factor, of course, is confidence in the maintenance of value of the currency so held. But there are other important factors also. There must be assets available for investment

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The world payments system requires three types of money: (1) domestic currency for use within a country; (2) vehicle or transactions currencies used by the banks and traders of each country in making payments to the banks and traders of other countries; and (3) reserve assets held by and used by monetary authorities in making payments to monetary authorities of other countries.

Domestically, countries use money created by their central banks and their commercial banking systems in the form of currency and deposits. If a bank lends or invests more money than it is currently receiving from its depositors or other banks, it will lose reserves. And, if its reserves go below the required margin, they must be replenished by borrowing from the central bank, by attracting more funds from the public through deposits or borrowing, by calling in loans, or by selling investments.

The second type of currency is a "trading" or a "vehicle" currency. For this purpose, certain important national currencies, which are widely acceptable and easily convertible, are used in foreign trade. Most international trade utilizes dollars or sterling, though the French franc is also used, to some extent, for transactions between France and certain of the former French colonies. Along with the use of their currencies in

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The International Monetary System

Before answering that question, let us see just what we mean by the term "international monetary system." My distinguished predecessor, Robert Roosa, has just published a brilliant book on that subject in which he notes that it is not, in a strict sense, really a system at all. Rather, it is an organization of institutions and procedures, which provide a pattern of conventionally acceptable arrangements for making the payments that are needed for the flow of goods and capital throughout the world.

There is, first, the International Monetary Fund, to which I have referred. It receives from each of the monetary authorities of its 103 member countries a sum of gold and local currency which, under various conditions, it can lend to its members. Then there are a host of special arrangements between particular countries, or groups of countries, concerning the terms on which trade or payments may be conducted or on which reserves may be borrowed or loaned. The system, thus, is a rather loose network of functioning arrangements. It is not a nicely conceived structure of pleasing proportion, but a rambling building with many additions planned by different architects -- but one which functions well

conference established the base for a new system, which was to wear well and serve the world excellently for the next two decades. At that Conference were born the World Bank and the International Monetary Fund.

The experience of the inter-war period was much in the minds of the men of Bretton Woods. They sought to establish a system that would (a) limit competitive exchange rate depreciation, (b) supplement countries' reserves with credit lines, and (c) maintain freedom for current transactions in world trade. The keystones of the system were gold and the dollar. The dollar was pegged to gold at $35 an ounce, and other currencies were pegged to the dollar and, through it, to gold.

The Bretton Woods program did not provide an immediate solution to all problems, nor a perfect one. Many of the countries in the International Monetary Fund had to maintain restrictions on trade and capital movements for a long time. Many were unable to develop strong currencies for some years; a number still suffer from this condition. A number of changes in parities were to come, with one major change in 1949, involving many countries. Currency convertibility -- the right to exchange one currency into another, the sine qua non of competitive trade and free money movements -- was some time in the future, even for most of the industrial countries. Not until 1958 had fourteen European countries announced de facto convertibility for new acquisitions of foreign currencies by foreigners, thus taking a major step in relaxing exchange controls.

At the center of the international monetary system stood the Bank of England. London was the main international banking center and sterling was the major vehicle currency through which most international trading was carried on. The great English banks financed much of that trade. At all times, London had large short-term claims on, and large liabilities to, the rest of the world.

In the next thirty-five years, two World Wars and the Great Depression played havoc with international trade and the international monetary system. Domestic finance also underwent great stress during this period, but, by the middle 1930's, it had been further reformed and made strong enough to withstand the shock of World War II and contribute mightily to its finance and the needs of the postwar era. The international monetary system, however, never really functioned very well after World War I, until the late 1950's.

The record of the 1930's in international trade and finance is a sorry one. Competitive currency depreciations, restrictive trade policies, recurrent crises were the rule rather than the exception. World War II, with its great devastation, left much of the Western world prostrate, its resources ruined, and its trade and money arrangements a shambles.

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Before the war ended, however, some farsighted men saw both the need and the opportunity for a major step forward in international finance. At Bretton Woods, New Hampshire, in 1944, an international monetary

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FOR RELEASE ON DELIVERY

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INTERNATIONAL DISCUSSION OF MONETARY ARRANGEMENTS

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American business and banking was concerned primarily with domestic affairs in 1912. I suspect that Iowa bankers were talking about the need to reform the American banking system, which had suffered from recurrent money panics and had been under extended study for some years. The Federal Reserve System was to be established in another year and was destined to provide the impetus for a new era in banking, with an elastic currency, the concentration and economical use of reserves and the power to provide the needed base for adequate credit expansion to support a growing economy.

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Now, in these very figures you can see the heart of the international liquidity problem of today. The great bulk of such reserves supplied to the world came from U. S. deficits in its balance of payments. The U. S. cannot afford to continue to run such deficits, because they result in a run-down of its own reserves and a consequent impairment of its own international liqudiity situation. If that situation worsens, the acceptability of dollar assets in foreign monetary hands would tend to weaken, and there would be tendencies to convert more dollar balances into gold. Such conversion would further reduce U. S. reserves. Therefore, the deficits must stop.

But, at the same time, if the U. S. deficits stop, the bulk of the increase in international reserves, in world liquidity, also stops. This is so simply because new gold supplies are insufficient to meet needs for additional reserves as the volume of world business grows. Additions to creditor claims on the IMF, as presently handled, help a little but are not in very great volume. Thus, some new way to provide for additions to world liquidity must be found.

The U. S. is determined to get into equilibrium in its balance of payments and has mounted strong efforts to achieve that end. The progress made in the balance of payments this year is, in my judgment, encouraging. Since the announcement of the new program of February 10, 1965, there has been a very marked change. Taking

the first half as a whole, which includes rather heavy deficit figures in January and February, the regular deficit was down to an annual rate of $1.3 billion, as compared with $3.1 billion for the year 1964.

The large gold outflow in the first half of the year was not attributable to this year's balance of payments, but rather to the large dollar accumulations by foreign monetary authorities in 1964.

Over all, the program is particularly encouraging in showing that the banks and business community have made real adjustments in their current operations and activities in order to cooperate with the President's program.

International Monetary Cooperation

Since the end of 1958, there has been a remarkable development of international monetary cooperation, centering around multilateral concern with the deficits of major countries, and finding its most practical expressions in the enlargement, improvement, and elaboration of credit facilities available to monetary authorities.

In 1958-59, quotas in the International Monetary Fund were increased by 50 percent generally, with additional selective increases for several of the leading industrial countries. Following extensive negotiations in 1961 and 1962, the General Arrangements to Borrow were set up, under which ten leading industrial countries agreed to provide additional credit to the Fund under specified conditions in amounts up to $6 billion. The combination of quota increases and the General Arrangements to Borrow thus considerably strengthened the official credit facilities available to major currencies to insure against a severe strain on the international monetary system, which could be accompanied by a severe shrinkage of international liquidity. The Fund has, in fact, been called upon by Canada, Italy, and the United Kingdom, in periods of special strain on their currencies. The United States, while not drawing heavily on the Fund, has passed from a net creditor of the Fund to a moderate user of Fund resources, and this has helped in financing the United States deficit. The resources of the Fund are again being enlarged and strengthened by an increase in quotas now in process, amounting to 25 percent, plus additional amounts for a number of individual countries.

In addition, through direct contacts between the monetary authorities of leading countries, short-term credit facilities have been developed on a large scale, both on a standby basis and through ad hoc arrangements, from time to time. The Federal Reserve System has established a network of standby swap facilities which, in effect, provide short-term credit on a reciprocal basis in case of need. This network was initiated in 1962, and now has reached the total of $2.8 billion. The United Kingdom has, from time to time, made use of special ad hoc short-term facilities to meet the particular periods of strain.

In addition to the enlargement of regular and supplementary resources of the Fund, and the striking development of short-term credit facilities to support major currencies, the years 1961 to 1965 have been remarkable for the establishment of close and frequent consultations between responsible officials of treasuries and central banks of the leading countries.

Through one organization, known as the Deputies of the Group of Ten, responsible officials meet to consider the basic problems of the functioning of the international monetary system and future needs for liquidity.

Improving the System

I have said that the international monetary system in which we live is something like a rambling house to which additions and improvements have been made from time to time. A number of proposals have been made for radically rebuilding this structure, but the difficulty with so doing is that the world has to live in the house and conduct its business all the time; it cannot move out, because there is no other place to go. The trade and business activity of the world could suffer considerably if large parts of the house were made uninhabitable by the process of tearing down and rebuilding. Nor is it entirely certain that all of the nations that live in the house would readily agree on just how a major restructuring should be carried out.

Consequently, I would expect that the practical solution would be found to be in improving certain parts of the structure, while building additions to it to accommodate the growth of the nations living in the house.

In my own thinking, I have found it useful to consider as improvements the things we can do to meet short-term and cyclical problems, and to consider as additions the more permanent requirements for larger reserves for the growing world.

As I have indicated, we have made very striking progress in the past four years in developing short-term credit facilities that protect the system against short-period strains on major currencies. In a sense, we have improved the heating system in the house, so that those rooms most exposed to the weather from time to time are less dependent on their own fireplaces and can draw more effectively on the central heating system.

Looking ahead to the longer term problem of creating an adequa supply of additional reserve assets for the world, we are entering a new and largely uncharted area. The world has never before set about the deliberate task of creating reserve assets. We can, therefore, expect that all of the countries participating in this planning for future contingencies will be cautious. I use the term "additional reserve asset" consciously, because some of the ways of creating more reserve assets would simply enlarge claims on the Fund which are already being treated as reserve assets.

Questions and Issues

What are some of the major questions that are to be negotiate Underlying most of these problems is some difference of view among members of the Group of Ten as to what will be the future need for additional reserves. Continental European countries generally hav large reserves that have been growing by something like 10 percent a year. To change the metaphor, their concern about the inflationary pressures in their overheated economies leads them to want a heating system on which the thermostat will not be set at an excessively high temperature, from their point of view. On the other hand, other parts of the world whose economies are less subject to overheating, and who fear that they will be insufficiently protected against cold weather in the future, want to be sure that there is a fully adequate furnace installed and in good working order.

There are several problems which stand out as issues that wil need to be resolved during the negotiations on which we are now entering. These issues were, in fact, highlighted in the technica report prepared by experts of ten leading countries that is callec the Ossola Group Report, published in August of this year.

The first of these issues is whether a new reserve asset sho be usable on its own, or whether it should only be used in conjunction with gold or in conjunction with other existing reser Under some proposals, it has been argued that any such new asset should only be utilized in international settlements along with a fixed and substantial amount of gold. Against this, there are ot views that, from the beginning, it would be desirable for any new asset to stand on its own feet.

The second major questions concerns the number of countries that should participate in creating a new reserve asset and in taki the responsibility for ultimately receiving it in payment. New reserve assets, to be useful, must provide access to the currencies of the major industrial and trading nations. This means that these countries must be prepared, in the last analysis, to sell their goods against the new asset in international trade or accept the new asset in payment of international debts. At the same time, the developing countries of the world have an interest in the adequacy of world reserves, though they, themselves, generally do not follow the practice of building up substantial reserve holdings.

There are also general institutional questions concerning the extent, form, and degree of participation and responsibility that is to be given to the International Monetary Fund. Under some proposals, deliberate creation of reserves would become integrated into the use of Fund drawing facilities; under other proposals, the Fund might receive a share of the assets created. Under still others, reserve assets might be established by a group of countries with limited relationship to the Fund. There are a number of differing attitudes on these questions.

Finally, a very key question is how decisions would be made governing the amount and timing of periodic creation of reserve assets. That is, how is a decision made as to where to set the thermostat in the world's heating system? Is it to be set rather firmly for a long period of time, or is it to be made highly variable? Is one resident to be given a veto on any change in the thermostat, or even a veto on turning on the furnace at all? The views of the minority must certainly be protected, but, at the same time, large sections of the world economy must not be exposed to temperatures which could impair their health and efficiency.

These are some of the problems, in addition to many lesser and more technical questions, that we can expect to face in the forthcoming negotiations. No doubt it will require some time to reach a satisfactory resolution. But I am satisfied that there will be a common determination to establish plans that can be used to create additional reserves. The logic of the need to have such contingency plans is, I think, overwhelming. We expect therefore, to press forward in the full confidence that we will be providing the world with a facility that will increasingly come to be recognized as an essential and valuable one.

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Last June, Eugene Black, former President of the World Bank and w Special Adviser to President Johnson, attended a meeting of the nsultative Committee at Bangkok where he pledged the United States provide 20 percent of the Bank's initial capitalization -- $200 llion. In addition, he pledged the United States to provide up $100 million in loans or grants -- provided that there are milar contributions from other nations -- to establish a Trust nd for Southeast Asian Regional Development. Both pledges are bject to Congressional approval.

After agreement on the charter has been reached, a ministerial eting will be held starting December 2 at Manila for representatives the governments to sign the charter which will then be submitted their governments for ratification.

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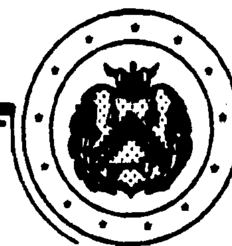
TREASURY DEPARTMENT



WASHINGTON, D.C.

October 17, 1965

R RELEASE: A.M. NEWSPAPERS
NDAY, OCTOBER 17, 1965

U.S. SENDS DELEGATION TO BANGKOK FOR
MEETING TO DRAFT ASIAN DEVELOPMENT
BANK CHARTER

The United States Delegation headed by Assistant Treasury
:retary for International Affairs Merlyn N. Trued will leave soon
Bangkok, Thailand, to take part in a meeting to prepare a draft
arter for the Asian Development Bank.

The Asian Development Bank was first proposed two years ago at
ieeting of the Asian members of ECAFE -- the Economic Commission
Asia and the Far East -- a United Nations Regional Commission.
Bank was proposed by ECAFE to strengthen regional economic
peration and to provide additional financial resources for
elopment.

At the last annual meeting of ECAFE at Wellington, New Zealand,
March of 1965 a resolution supporting the Bank was approved which
ablished a group of nine experts from Asian nations -- the
sultative Committee -- to ~~draw up a draft~~ charter for the Bank.

ECAFE includes all the countries of Asia with the exception of
munist China, Indonesia (which withdrew last year), and Singapore
ich has applied for membership). Non-regional members of ECAFE
lude the United Kingdom, France, the Netherlands, the Soviet Union,
the United States.

The Bangkok meeting is scheduled to last from October 21 to
ember 1. It will be a meeting of approximately 25 nations interested
establishing the Asian Development Bank -- including representatives
several developed countries outside ECAFE.

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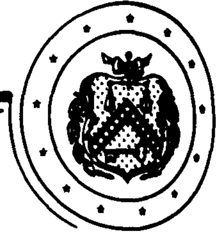
TREASURY DEPARTMENT



WASHINGTON, D.C.
October 15, 1965

FOR RELEASE: A.M. NEWSPAPERS
MONDAY, OCTOBER 18, 1965

U.S. SENDS DELEGATION TO BANGKOK FOR MEETING TO DRAFT ASIAN DEVELOPMENT BANK CHARTER

The United States is sending a delegation headed by Assistant Secretary of the Treasury Merlyn N. Trued to attend a meeting at Bangkok, Thailand, at which representatives of some 25 nations will prepare a draft charter for the projected Asian Development Bank. The meeting opens next Thursday, October 21.

The Asian Development Bank was first proposed two years ago at a meeting of the Asian members of ECAFE -- the Economic Commission for Asia and the Far East -- a United Nations Regional Commission. The Bank was proposed by ECAFE to strengthen regional economic cooperation and to provide additional financial resources for development.

At the last annual meeting of ECAFE at Wellington, New Zealand, in March of 1965 a resolution supporting the Bank was approved which established a group of nine experts from Asian nations -- the Consultative Committee -- to begin work on a charter for the Bank.

ECAFE includes all the countries of Asia with the exception of Communist China, Indonesia (which withdrew last year), and Singapore (which has applied for membership). Non-regional members of ECAFE include the United Kingdom, France, the Netherlands, the Soviet Union and the United States.

The Bangkok meeting is scheduled to last from October 21 to November 1. It will be a meeting of approximately 25 nations interes in establishing the Asian Development Bank -- including representativ of several developed countries outside ECAFE.

Last June, Eugene Black, former President of the World Bank and now Special Adviser to President Johnson, attended a meeting of the Consultative Committee at Bangkok where he pledged the United States to provide 20 percent of the Bank's initial capitalization -- $200 million. In addition, he pledged the United States to provide up to $100 million in loans or grants -- provided that there are similar contributions from other nations -- to establish a Trust Fund for Southeast Asian Regional Development. Both pledges are subject to Congressional approval.

After agreement on the charter has been reached, a ministerial meeting will be held starting December 2 at Manila for representativ of the governments to sign the charter which will then be submitted to their governments for ratification.

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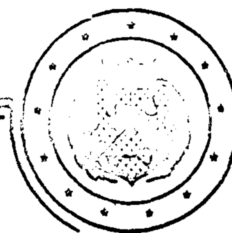
TREASURY DEPARTMENT



RELEASE A.M. NEWSPAPERS,
sday, October 19, 1965.

WASHINGTON, D.C.
October 18, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of asury bills, one series to be an additional issue of the bills dated July 22, 1965, the other series to be dated October 21, 1965, which were offered on October 13, e opened at the Federal Reserve Banks on October 18. Tenders were invited for 200,000,000, or thereabouts, of 91-day bills and $1,000,000,000, or thereabouts, 182-day bills. The details of the two series are as follows:

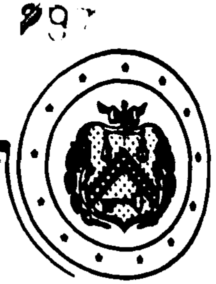
GE OF ACCEPTED PETITIVE BIDS:	91-day Treasury bills maturing January 20, 1966		:	182-day Treasury bills maturing April 21, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.984	4.019%	:	97.875 a/	4.203%
Low	98.977	4.047%	:	97.867	4.219%
Average	98.980	4.034% 1/	:	97.870	4.214% 1/

/ Excepting 2 tenders totaling $2,434,000
7 percent of the amount of 91-day bills bid for at the low price was accepted
8 percent of the amount of 182-day bills bid for at the low price was accepted

L TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

istrict	Applied For	Accepted	:	Applied For	Accepted
oston	$ 22,915,000	$ 22,715,000	:	$ 66,041,000	$ 29,701,000
ew York	1,345,532,000	749,487,000	:	1,425,720,000	723,300,000
hiladelphia	30,393,000	18,393,000	:	17,944,000	7,015,000
leveland	25,838,000	25,838,000	:	54,251,000	39,351,000
ichmond	23,545,000	23,380,000	:	20,167,000	8,377,000
tlanta	43,164,000	27,667,000	:	32,532,000	13,477,000
hicago	282,345,000	160,345,000	:	328,197,000	97,120,000
. Louis	48,507,000	40,857,000	:	26,109,000	13,959,000
inneapolis	22,029,000	19,369,000	:	12,315,000	8,715,000
ansas City	31,145,000	30,485,000	:	24,095,000	20,695,000
llas	26,174,000	16,844,000	:	14,281,000	8,681,000
n Francisco	121,179,000	64,690,000	:	221,641,000	32,206,000
TOTALS	$2,022,766,000	$1,200,070,000 b/		$2,243,293,000	$1,002,597,000 c/

Includes $263,023,000 noncompetitive tenders accepted at the average price of 98.980
Includes $136,374,000 noncompetitive tenders accepted at the average price of 97.870
On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.13%, for the 91-day bills, and 4.37%, 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

FOR RELEASE A.M. NEWSPAPERS,
Tuesday, October 19, 1965.

WASHINGTON. D.C.
October 18, 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 July 22, 1965, and the other series to be dated October 21, 1965, which were offered on October 13, were opened at the Federal Reserve Banks on October 18. Tenders were invited for $1,200,000,000, or thereabouts, of 91-day bills and $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 January 20, 1966		:	182-day Treasury bills maturing April 21, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.984	4.019%	:	97.875 a/	4.203%
Low	98.977	4.047%	:	97.867	4.219%
Average	98.980	4.034% 1/	:	97.870	4.214% 1/

a/ Excepting 2 tenders totaling $2,434,000
67 percent of the amount of 91-day bills bid for at the low price was accepted
48 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	$ 22,915,000	$ 22,715,000	:	$ 66,041,000	$ 29,701,0
New York	1,345,532,000	749,487,000	:	1,425,720,000	723,300,0
Philadelphia	30,393,000	18,393,000	:	17,944,000	7,015,0
Cleveland	25,838,000	25,838,000	:	54,251,000	39,351,0
Richmond	23,545,000	23,380,000	:	20,167,000	8,377,0
Atlanta	43,164,000	27,667,000	:	32,532,000	13,477,0
Chicago	282,345,000	160,345,000	:	328,197,000	97,120,0
St. Louis	48,507,000	40,857,000	:	26,109,000	13,959,0
Minneapolis	22,029,000	19,369,000	:	12,315,000	8,715,0
Kansas City	31,145,000	30,485,000	:	24,095,000	20,695,0
Dallas	26,174,000	16,844,000	:	14,281,000	8,681,0
San Francisco	121,179,000	64,690,000	:	221,641,000	32,206,0
TOTALS	$2,022,766,000	$1,200,070,000 b/		$2,243,293,000	$1,002,597,0

b/ Includes $263,023,000 noncompetitive tenders accepted at the average price of 98
c/ Includes $136,374,000 noncompetitive tenders accepted at the average price of 97
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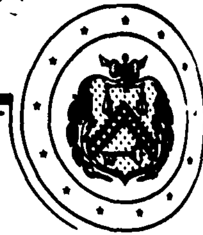
TREASURY DEPARTMENT



WASHINGTON, D.C.
October 19, 1965

FOR RELEASE A.M. NEWSPAPERS
WEDNESDAY, OCTOBER 20, 1965

CUSTOMS DISTRICT DIRECTORS APPOINTED FOR SAN FRANCISCO REGION

The appointment of six district directors for the San Francisco Customs Region VIII was announced today by Assistant Secretary of the Treasury True Davis.

The appointments will become effective on November 1, 1965 and are the first to be made at the district level since the selection of Ben A. Burk as Regional Commissioner in September. Selections were made in accordance with Civil Service regulations from a large number of qualified applicants.

The following were appointed:

San Francisco Customs District - George K. Brokaw of San Francisco, Calif.

Honolulu Customs District - Dr. Ernest I. Murai of Honolulu, Hawaii

Seattle Customs District - Roy L. Peterson of Seattle, Washington

Portland (Ore.) Customs District - Leslie L. Spiers of Arizona

Juneau Customs District - Joseph Bailey of Juneau, Alaska

Great Falls Customs District - Harold L. Swanson, Sr., of Great Falls, Montana.

The appointments were made as part of the President's Reorganization Plan No. 1 of 1965 which was sent to Congress last March and became effective on May 25, 1965. It called for the elimination of 53 Customs positions throughout the U.S., which were previously filled by Presidential appointment. The Reorganization Plan placed the 176-year-old Customs Service wholly on a career basis.

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San Francisco is the headquarters of Customs Region VIII which is the first to be established under the Reorganization Plan. The regional office is on the 16th floor of the Federal Office Building at 450 Golden Gate Avenue, San Francisco. With Regional Commissioner Burk at this location are Assistant Regional Commissioners Frank W. Hammar and Albert G. Bergesen.

There will be a total of nine Customs regions established in accordance with a year-long timetable, as follows: Los Angeles, Calif., January 1, 1966; Miami, Fla. and New Orleans, La., in February 1966; Chicago, Ill., March; Baltimore, Md., April; Houston, Tex. and Boston, Mass., May; and New York City in June.

United States Commissioner of Customs Lester D. Johnson heads the Bureau of Customs, which is part of the Treasury Department. His office is in Washington, D.C.

# # #

(Biographies attached)

BIOGRAPHICAL SKETCH OF GEORGE K. BROKAW

George K. Brokaw, District Director-designate of the San Francisco Customs District, was born May, 1911 in Carmel, Indiana, and holds B.S. and M.S. degrees from the University of California. During World War II he was in charge of mechanical and electrical design at various Army and Navy installations and had his own consulting engineering office in San Francisco.

Mr. and Mrs. Brokaw reside at 2317 Hearst Avenue, Berkeley, Calif., and they have three daughters. Mr. Brokaw has been Collector of Customs at San Francisco since August 21, 1961.

Ports of entry under the San Francisco District are San Francisco-Oakland and Eureka, Calif.

* * *

BIOGRAPHICAL SKETCH OF ERNEST I. MURAI

Dr. Ernest I. Murai, District Director-designate for the Honolulu Customs District was born in September, 1900 in Honolulu, Hawaii. He was educated at the University of California Dental College, graduating in 1926 with a degree of Doctor of Dental Surgery. He has been active in the Red Cross and Veterans Affairs; has served as a member of the Honolulu Police Commission; is a former member of the Selective Service System; and past president of the Honolulu Japanese Civic Association. He is fluent in speaking and understanding Japanese.

Dr. and Mrs. Murai reside at 2954 Alphonse Place, Honolulu, Hawaii and have three married daughters, Ernestine Kozuma, Jeanette Otsuji, and Lorraine Mortimer.

Dr. Murai was appointed Collector of Customs in Honolulu on July 10, 1961.

Ports of entry under the Honolulu District are: Honolulu, Hilo, Kahului, and Nawiliuili-Port Allen.

* * *

BIOGRAPHICAL SKETCH OF ROY L. PETERSON

Roy L. Peterson, District Director-designate of the Seattle Customs District, as born in 1907 in Oakland, Nebraska. He studied at the University of Washington Seattle, and was employed in private industry until his entry into the U. S. Im-igration and Naturalization Service in 1940 as a patrol inspector in Custer, ashington. He served as an immigration inspector and investigator for the nmigration Service until his appointment as Collector of Customs in Seattle 1961.

Mr. and Mrs. Peterson reside at 1100 University Street, Seattle, Washington.

Ports of entry under the Seattle District are: Aberdeen, Anacortes, ellingham, Blaine, Danville, Everett, Ferry, Friday Harbor, Laurier, Lynden, etaline Falls, Neah Bay, Nighthawk, Northport, Olympia, Oroville, Port Angeles, ort Townsend, Seattle, South Bend-Raymond, Spokane, Sumas, and Tacoma.

* * *

BIOGRAPHICAL SKETCH OF LESLIE L. SPIERS

Leslie L. Spiers, District Director-designate for Portland (Ore.) Customs strict, was born in Oklahoma in 1906 and was educated at the University of izona in Tucson. After service as a railroad clerk, he entered the Customs rvice as an inspector in 1938. He served as deputy collector, entry officer, uidator, fiscal accountant, and field auditor in Nogales, New Orleans, and San ancisco. Mr. Spiers was promoted to organization and methods examiner in 55 in Washington, and in 1956 was named assistant collector of customs at arleston, South Carolina. In November 1963 he was transferred to Manila der the AID Program, serving as advisor to the Commissioner of Customs the Republic of the Philippines. During World War II he served with the S. Navy.

Mr. and Mrs. Spiers are currently residing in Manila.

Ports of entry under the Portland District are: Astoria, Coos Bay, Newport Portland in Oregon, and Longview, Washington.

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BIOGRAPHICAL SKETCH OF JOSEPH BAILEY*

The new District Director-designate for Juneau, Alaska was born in Lancashire, England in 1908. He graduated from the Ketchikan High School, Ketchikan, Alaska in 1927 and studied at Whitman College. Prior to joining the Customs Service at Skagway, Alaska in 1941, Mr. Bailey was a cost accountant in Seattle. He served as Deputy Collector of Customs in Ketchikan from 1942 to 1950, and in 1964 he was appointed Assistant Collector in Juneau, with responsibility for supervising all phases of Customs activities in the District of Alaska.

Ports of entry under the Juneau District are: Anchorage, Fairbanks, Juneau, Ketchikan, Kodiak, Pelican, Petersburg, Sand Point, Sitka, Skagway, and Wrangell.

*no middle initial

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BIOGRAPHICAL SKETCH OF HAROLD L. SWANSON, SR.

Harold L. Swanson, Sr., District Director-designate for the Great Falls Custom District, was born in Anaconda, Mont., in 1917 and attended business college in Butte, Mont.

He entered the Government service as a clerk with the Veterans Administration in Washington, D. C. in 1940 and in 1941 transferred to the Customs Service. He was promoted and transferred to Sweetgrass, Mont. in 1946 as a customs inspector. Mr. Swanson served as deputy collector at Great Falls for many years. Since 1962 he has been assistant collector in that city, supervising 46 employees.

Mr. and Mrs. Swanson reside at 1501 15th Street South, Great Falls. They have four sons and two daughters.

Ports of entry under the Great Falls District are: Del Bonita, Great Falls, Morgan, Opheim, Piegan, Raymond, Roosevile, Scobey, Sweetgrass, Turner, Whitetail, Whitlash--all in Montana--and Eastport and Porthill, in Idaho.

* * *

END

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

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

inted forms and forwarded in the special envelopes which will be supplied by Federal serve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve iks and Branches, following which public anouncement will be made by the Treasury artment of the amount and price range of accepted bids. Those submitting tenders l be advised of the acceptance or rejection thereof. The Secretary of the Treasury ressly reserves the right to accept or reject any or all tenders, in whole or in t, and his action in any such respect shall be final. Subject to these reservans, noncompetitive tenders for each issue for $200,000 or less without stated ce from any one bidder will be accepted in full at the average price (in three imals) of accepted competitive bids for the respective issues. Settlement for epted tenders in accordance with the bids must be made or completed at the Federal erve Bank on October 28, 1965, in cash or other immediately available funds in a like face amount of Treasury bills maturing October 28, 1965. Cash exchange tenders will receive equal treatment. Cash adjustments will be made for ferences between the par value of maturing bills accepted in exchange and the issue e of the new bills.

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

TREASURY DEPARTMENT
Washington

October 20, 1965

R IMMEDIATE RELEASE,

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series Treasury bills to the aggregate amount of $ 2,200,000,000 , or thereabouts, for sh and in exchange for Treasury bills maturing October 28, 1965 , in the amount $ 2,204,228,000 , as follows:

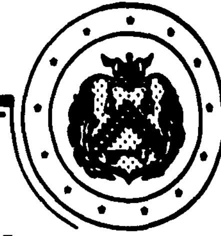
91 -day bills (to maturity date) to be issued October 28, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated July 29, 1965 , and to mature January 27, 1966 , originally issued in the amount of $ 1,000,586,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $1,000,000,000 , or thereabouts, to be dated October 28, 1965 , and to mature April 28, 1966 .

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing one-thirty p.m., Eastern Daylight Saving time, Monday, October 25, 1965 . Tenders not be received at the Treasury Department, Washington. Each tender must be an even multiple of $1,000, and in the case of competitive tenders the price red must be expressed on the basis of 100, with not more than three decimals, , 99.925. Fractions may not be used. It is urged that tenders be made on the

TREASURY DEPARTMENT



WASHINGTON, D.C.
October 20, 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 28, 1965, in the amount of $ 2,204,228,000, as follows:

91-day bills (to maturity date) to be issued October 28, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated July 29,1965, and to mature January 27,1966, originally issued in the amount of $1,000,586,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,000,000,000, or thereabouts, to be dated October 28,1965, and to mature April 28, 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, October 25, 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
deral Reserve Banks and Branches, following which public announce-
nt will be made by the Treasury Department of the amount and price
nge of accepted bids. Those submitting tenders will be advised
the acceptance or rejection thereof. The Secretary of the Treasury
pressly reserves the right to accept or reject any or all tenders,
whole or in part, and his action in any such respect shall be
nal. Subject to these reservations, noncompetitive tenders for
ch issue for $200,000 or less without stated price from any one
dder will be accepted in full at the average price (in three
cimals) of accepted competitive bids for the respective issues.
ttlement for accepted tenders in accordance with the bids must be
de or completed at the Federal Reserve Bank on October 28, 1965, in
sh or other immediately available funds or in a like face amount
Treasury bills maturing October 28,1965. Cash and exchange tenders
ll receive equal treatment. Cash adjustments will be made for
fferences between the par value of maturing bills accepted in
change and the issue price of the new bills.

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

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

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

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

banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securiti 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 Secreta of the Treasury expressly reserves the right to accept or reject any or all tende in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on November 1, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 31, 1965. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sa or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subj to estate, inheritance, gift or other excise taxes, whether Federal or State, bu

TREASURY DEPARTMENT
Washington

OR IMMEDIATE RELEASE. October 20, 1965

XXXXXXXXX(1)XXXXXXXXXXXXXXXXX

TREASURY REFUNDS ONE-YEAR BILLS

The Treasury Department, by this public notice, invites tenders for 1,000,000,000 (2), or thereabouts, of 365 (3) -day Treasury bills, for cash and n exchange for Treasury bills maturing October 31, 1965 (4), in the amount f $ 999,950,000 (5), to be issued on a discount basis under competitive and oncompetitive bidding as hereinafter provided. The bills of this series will be ated October 31, 1965 (6), and will mature October 31, 1966 (7), when e face amount will be payable without interest. They will be issued in bearer orm 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 osing hour, one-thirty p.m., Eastern Daylight Saving ~~Standard~~ time, Tuesday, October 26, 1965 (8). nders will not be received at the Treasury Department, Washington. Each tender st be for an even multiple of $1,000, and in the case of competitive tenders the ice offered must be expressed on the basis of 100, with not more than three decals, e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that ese bills will run for 365 (9) days, the discount rate will be computed on a bank ecount basis of 360 days, as is currently the practice on all issues of Treasury lls.) It is urged that tenders be made on the printed forms and forwarded in e special envelopes which will be supplied by Federal Reserve Banks or Branches application therefor.

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

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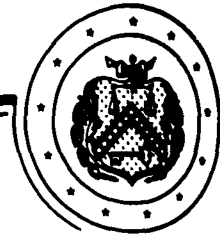
TREASURY DEPARTMENT



WASHINGTON, D.C.
October 20, 1965

FOR IMMEDIATE RELEASE

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 October 31,1965, in the amount of $999,950,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated October 31, 1965, and will mature October 31, 1966, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (maturity value).

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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,

F-245

whole or in part, and his action in any such respect shall be final.
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s without stated price from any one bidder will be accepted in full
the average price (in three decimals) of accepted competitive bids.
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The income derived from Treasury bills, whether interest or gain
n the sale or other disposition of the bills, does not have any
mption, as such, and loss from the sale or other disposition of
asury bills does not have any special treatment, as such, under the
ernal Revenue Code of 1954. The bills are subject to estate,
eritance, gift or other excise taxes, whether Federal or State, but
exempt from all taxation now or hereafter imposed on the principal
nterest thereof by any State, or any of the possessions of the
ed States, or by any local taxing authority. For purposes of
tion the amount of discount at which Treasury bills are originally
by the United States is considered to be interest. Under
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ts. Accordingly, the owner of Treasury bills (other than life
rance companies) issued hereunder need include in his income tax
rn only the difference between the price paid for such bills,
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ally received either upon sale or redemption at maturity during
taxable year for which the return is made, as ordinary gain or
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Treasury Department Circular No. 418 (current revision) and this
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itions of their issue. Copies of the circular may be obtained
any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 22, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON FERROCHROMIUM
UNDER THE ANTIDUMPING ACT

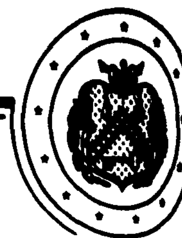
The Treasury Department has completed its investigation with respect to the possible dumping of ferrochromium, not containing over 3 percent by weight of carbon, from Norway. A notice of a tentative determination that this merchandise is not being, nor likely to be, sold at less than fair value will be published in an early issue of the Federal Register.

Appraisement of the above-described merchandise from Norway has not been withheld.

The information alleging that the merchandise under consideration was being sold at less than fair value within the meaning of the Antidumping Act was received in proper form on June 29, 1964. The complaint was submitted by Vanadium Corporation of America, New York, New York.

Imports of the involved merchandise received during the period June 1964 through July 1965 amounted to approximately $850,000.

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 22, 1965

FOR IMMEDIATE RELEASE

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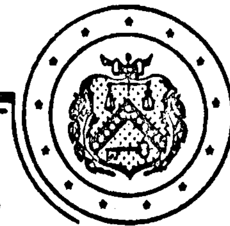
TREASURY DEPARTMENT



:LEASE A.M. NEWSPAPERS,
ay, October 26, 1965.

WASHINGTON, D.C.
October 25, 1965

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced last evening that the tenders for two series of ıry bills, one series to be an additional issue of the bills dated July 29, 1965, ıe other series to be dated October 28, 1965, which were offered on October 20, opened at the Federal Reserve Banks on October 25. Tenders were invited for),000,000, or thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, !-day bills. The details of the two series are as follows:

OF ACCEPTED :ITIVE BIDS:	91-day Treasury bills maturing January 27, 1966		:	182-day Treasury bills maturing April 28, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
.gh	98.983 a/	4.023%	:	97.885	4.184%
›w	98.976	4.051%	:	97.879	4.195%
'erage	98.979	4.040% 1/	:	97.881	4.192% 1/

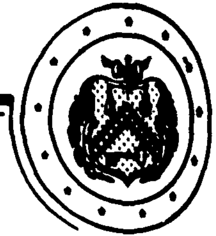
:cepting one tender of $150,000
:rcent of the amount of 91-day bills bid for at the low price was accepted
:rcent of the amount of 182-day bills bid for at the low price was accepted

TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

:rict	Applied For	Accepted	:	Applied For	Accepted
'on	$ 38,037,000	$ 27,967,000	:	$ 44,119,000	$ 3,623,000
York	1,273,850,000	701,650,000	:	1,555,228,000	635,774,000
adelphia	28,471,000	16,471,000	:	12,208,000	4,108,000
eland	32,584,000	30,584,000	:	84,123,000	39,599,000
mond	18,620,000	15,120,000	:	14,044,000	6,064,000
nta	35,937,000	27,497,000	:	27,310,000	12,826,000
ago	295,280,000	169,380,000	:	335,536,000	130,583,000
Louis	48,713,000	40,713,000	:	33,774,000	15,586,000
eapolis	17,786,000	17,786,000	:	12,029,000	8,489,000
as City	35,892,000	35,492,000	:	15,578,000	11,018,000
as	24,919,000	16,519,000	:	11,617,000	7,637,000
Francisco	116,860,000	100,960,000	:	199,542,000	125,887,000
TOTALS	$1,966,949,000	$1,200,139,000 b/		$2,345,108,000	$1,001,194,000 c/

:ludes $243,347,000 noncompetitive tenders accepted at the average price of 98.979
:ludes $118,689,000 noncompetitive tenders accepted at the average price of 97.881
a coupon issue of the same length and for the same amount invested, the return on ›se bills would provide yields of 4.14%, for the 91-day bills, and 4.34%, for the !-day bills. Interest rates on bills are quoted in terms of bank discount with : return related to the face amount of the bills payable at maturity rather than : amount invested and their length in actual number of days related to a 360-day :r. In contrast, yields on certificates, notes, and bonds are computed in terms interest on the amount invested, and relate the number of days remaining in an erest payment period to the actual number of days in the period, with semiannual pounding if more than one coupon period is involved.

TREASURY DEPARTMENT



FOR RELEASE A.M. NEWSPAPERS,
Tuesday, October 26, 1965.

WASHINGTON. D.C.
October 25, 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 July 29, 1965, and the other series to be dated October 28, 1965, which were offered on October 20, were opened at the Federal Reserve Banks on October 25. 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 January 27, 1966		:	182-day Treasury bills maturing April 28, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.983 a/	4.023%	:	97.885	4.184%
Low	98.976	4.051%	:	97.879	4.195%
Average	98.979	4.040% 1/	:	97.881	4.192% 1/

a/ Excepting one tender of $150,000
60 percent of the amount of 91-day bills bid for at the low price was accepted
2 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	$ 38,037,000	$ 27,967,000	:	$ 44,119,000	$ 3,623,000
New York	1,273,850,000	701,650,000	:	1,555,228,000	635,774,000
Philadelphia	28,471,000	16,471,000	:	12,208,000	4,108,000
Cleveland	32,584,000	30,584,000	:	84,123,000	39,599,000
Richmond	18,620,000	15,120,000	:	14,044,000	6,064,000
Atlanta	35,937,000	27,497,000	:	27,310,000	12,826,000
Chicago	295,280,000	169,380,000	:	335,536,000	130,583,000
St. Louis	48,713,000	40,713,000	:	33,774,000	15,586,000
Minneapolis	17,786,000	17,786,000	:	12,029,000	8,489,000
Kansas City	35,892,000	35,492,000	:	15,578,000	11,018,000
Dallas	24,919,000	16,519,000	:	11,617,000	7,637,000
San Francisco	116,860,000	100,960,000	:	199,542,000	125,887,000
TOTALS	$1,966,949,000	$1,200,139,000 b/		$2,345,108,000	$1,001,194,000

b/ Includes $243,347,000 noncompetitive tenders accepted at the average price of 98.979
c/ Includes $118,689,000 noncompetitive tenders accepted at the average price of 97.881
1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide yields of 4.14%, for the 91-day bills, and 4.34%, 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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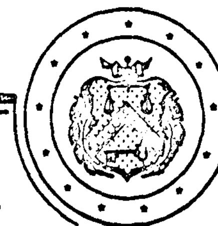
TREASURY DEPARTMENT



WASHINGTON, D.C.

RELEASE A. M. NEWSPAPERS,
sday, October 27, 1965.

October 26, 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, ereabouts, of 365-day Treasury bills to be dated October 31, 1965, and to mature er 31, 1966, which were offered on October 20, were opened at the Federal Reserve s on October 26.

The details of this issue are as follows:

Total applied for - $2,304,508,000
Total accepted - 1,000,141,000 (includes $49,209,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting one tender of $700,000)

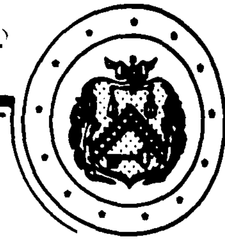
High	- 95.758	Equivalent rate of discount approx. 4.184% per annum
Low	- 95.745	" " " " " 4.197% " "
Average	- 95.750	" " " " " 4.192% " " 1/

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 48,839,000	$ 27,739,000
New York	1,656,361,000	709,496,000
Philadelphia	12,818,000	2,818,000
Cleveland	51,830,000	45,830,000
Richmond	17,902,000	11,672,000
Atlanta	23,784,000	8,725,000
Chicago	314,420,000	124,330,000
St. Louis	17,463,000	6,422,000
Minneapolis	11,924,000	9,424,000
Kansas City	10,899,000	5,899,000
Dallas	22,046,000	7,046,000
San Francisco	116,222,000	40,740,000
TOTAL	$2,304,508,000	$1,000,141,000

a coupon issue of the same length and for the same amount invested, the return on ese bills would provide a yield of 4.39%. Interest rates on bills are quoted in rms of bank discount with the return related to the face amount of the bills payle at maturity rather than the amount invested and their length in actual number days related to a 360-day year. In contrast, yields on certificates, notes, and nds are computed in terms of interest on the amount invested, and relate the number days remaining in an interest payment period to the actual number of days in the riod, with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE A. M. NEWSPAPERS,
Wednesday, October 27, 1965.

October 26, 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 October 31, 1965, and to mature October 31, 1966, which were offered on October 20, were opened at the Federal Reserve Banks on October 26.

The details of this issue are as follows:

Total applied for - $2,304,508,000
Total accepted - 1,000,141,000 (includes $49,209,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting one tender of $700,000)

High	- 95.758	Equivalent rate of discount approx.	4.184% per annum
Low	- 95.745	" " " " "	4.197% " "
Average	- 95.750	" " " " "	4.192% " " 1/

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 48,839,000	$ 27,739,000
New York	1,656,361,000	709,496,000
Philadelphia	12,818,000	2,818,000
Cleveland	51,830,000	45,830,000
Richmond	17,902,000	11,672,000
Atlanta	23,784,000	8,725,000
Chicago	314,420,000	124,330,000
St. Louis	17,463,000	6,422,000
Minneapolis	11,924,000	9,424,000
Kansas City	10,899,000	5,899,000
Dallas	22,046,000	7,046,000
San Francisco	116,222,000	40,740,000
TOTAL	$2,304,508,000	$1,000,141,000

1/ On a coupon issue of the same length and for the same amount invested, the return on these bills would provide a yield of 4.39%. 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-247

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

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

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inted forms and forwarded in the special envelopes which will be supplied by Federal serve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve nks and Branches, following which public anouncement will be made by the Treasury artment of the amount and price range of accepted bids. Those submitting tenders l be advised of the acceptance or rejection thereof. The Secretary of the Treasury ressly reserves the right to accept or reject any or all tenders, in whole or in t, and his action in any such respect shall be final. Subject to these reservans, noncompetitive tenders for each issue for $200,000 or less without stated ce from any one bidder will be accepted in full at the average price (in three imals) of accepted competitive bids for the respective issues. Settlement for epted tenders in accordance with the bids must be made or completed at the Federal erve Bank on November 4, 1965, in cash or other immediately available funds in a like face amount of Treasury bills maturing November 4, 1965. Cash exchange tenders will receive equal treatment. Cash adjustments will be made for ferences between the par value of maturing bills accepted in exchange and the issue e of the new bills.

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

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TREASURY DEPARTMENT
Washington
TREASURY'S WEEKLY BILL OFFERING

R IMMEDIATE RELEASE,

October 27, 1965

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The Treasury Department, by this public notice, invites tenders for two series Treasury bills to the aggregate amount of $2,200,000,000, or thereabouts, for sh and in exchange for Treasury bills maturing November 4, 1965, in the amount $2,201,813,000, as follows:

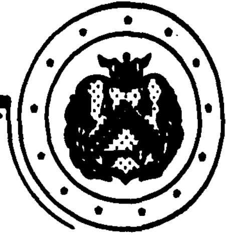
91-day bills (to maturity date) to be issued November 4, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated August 5, 1965, and to mature February 3, 1966, originally issued in the amount of $1,000,955,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated November 4, 1965, and to mature May 5, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing , one-thirty p.m., Eastern Standard time, Monday, November 1, 1965. Tenders not be received at the Treasury Department, Washington. Each tender must be an even multiple of $1,000, and in the case of competitive tenders the price red must be expressed on the basis of 100, with not more than three decimals, , 99.925. Fractions may not be used. It is urged that tenders be made on the

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 27, 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 November 4,1965, in the amount of $2,201,813,000, as follows:

91-day bills (to maturity date) to be issued November 4,1965, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated August 5,1965, and to mature February 3,1966, originally issued in the amount of $1,000,955,000, the additional and original bills to be freely interchangeable.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 1, 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 deral Reserve Banks and Branches, following which public announce- nt will be made by the Treasury Department of the amount and price nge of accepted bids. Those submitting tenders will be advised the acceptance or rejection thereof. The Secretary of the Treasury pressly reserves the right to accept or reject any or all tenders, whole or in part, and his action in any such respect shall be nal. Subject to these reservations, noncompetitive tenders for ch issue for $200,000 or less without stated price from any one dder will be accepted in full at the average price (in three cimals) of accepted competitive bids for the respective issues. ttlement for accepted tenders in accordance with the bids must be de or completed at the Federal Reserve Bank on November 4, 1965, in sh or other immediately available funds or in a like face amount Treasury bills maturing November 4,1965. Cash and exchange tenders ll receive equal treatment. Cash adjustments will be made for fferences between the par value of maturing bills accepted in change and the issue price of the new bills.

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

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

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BIOGRAPHICAL SKETCHES

FRANK R. CREED, 55, Regional Commissioner-designate, has
een for a number of years Assistant Collector and Acting Collector
f Customs in Los Angeles. He was born at Bellmore, New York,
nd studied business administration at New York University. In
927 he joined the Customs Service at New York City and has risen
hrough the ranks. He served in a number of responsible positions
he last of which was special assistant to the Collector in the
ort of New York.

In addition, Mr. Creed conducted a number of special studies
f work methods and Customs procedures in Los Angeles and other
reas in various parts of the U.S. This led to an assignment to
he government of Ecuador for several months in 1963, to help
evelop its Customs operations under the United States AID program.

Mr. and Mrs. Creed reside at 4519 Los Feliz Blvd., Los Angeles.

***

RAY M. OSBORN, Assistant Regional Commissioner-designate
)perations), is the Customs Appraiser in San Francisco. He was
pointed to that post in 1956.

Mr. Osborn was born in Alabama in 1914 and educated at the
w Mexico State Teachers College where he received a B.S. degree in
41. He began his Customs career as an examiner in Laredo, Texas,
1944 and later was transferred to San Francisco. He served as a
aison officer at the Bureau of Customs in Washington, D.C. and
ter spent a year in Mexico City as a Treasury Representative.

Mr. and Mrs. Osborn reside at 26 Mohawk Ave., Corte Madera,
lifornia.

***

ROGER A. MORIN, Assistant Regional Commissioner-designate
dministration) started his career in Customs as a clerk in
37, transferring a year later to the Office of Collector of
stoms in Boston, Mass. Since 1948 he has served as head of
e Accounting Systems Unit and later as Acting Assistant Deputy
mmissioner (Fiscal) at the Bureau of Customs in Washington, D.C.

Mr. Morin was born in Nashua, New Hampshire, October, 1915.
received a degree in Business Administration at Boston University
1948, majoring in accounting. He was an Air Force officer
ring World War II.

Mr. and Mrs. Morin reside at 5516 Dawes Ave., Alexandria, Va.,
d they have a daughter, age 14.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

October 27, 1965

FOR RELEASE A.M. NEWSPAPERS
THURSDAY, OCTOBER 28, 1965

CUSTOMS REGIONAL COMMISSIONERS
APPOINTED FOR LOS ANGELES

The selection of Frank R. Creed as Regional Commissioner of Customs in Los Angeles and Ray M. Osborn and Roger A. Morin as Assistant Regional Commissioners was announced today by Assistant Secretary of the Treasury True Davis.

The selections were made in accordance with Civil Service regulations from a large number of qualified candidates.

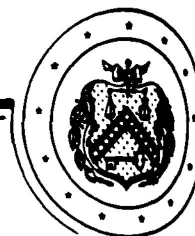
The regional appointments will become effective January 1, 1966 and are the second to be made under the Reorganization Plan for the Bureau of Customs which was announced last March by President Johnson. The Los Angeles region comprises three Customs districts with headquarters at Nogales, Ariz., San Diego, and Los Angeles.

Office space for the regional headquarters in Los Angeles has been tentatively secured by the Bureau of Customs on the third floor of the Federal Building at 300 N. Los Angeles St.

Biographical sketches are attached.

F-249

TREASURY DEPARTMENT



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October 27, 1965

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Biographical sketches are attached.

BIOGRAPHICAL SKETCHES

FRANK R. CREED, 55, Regional Commissioner-designate, has been for a number of years Assistant Collector and Acting Collector of Customs in Los Angeles. He was born at Bellmore, New York, and studied business administration at New York University. In 1927 he joined the Customs Service at New York City and has risen through the ranks. He served in a number of responsible positions the last of which was special assistant to the Collector in the Port of New York.

In addition, Mr. Creed conducted a number of special studies of work methods and Customs procedures in Los Angeles and other areas in various parts of the U.S. This led to an assignment to the government of Ecuador for several months in 1963, to help develop its Customs operations under the United States AID program.

Mr. and Mrs. Creed reside at 4519 Los Feliz Blvd., Los Angeles.

***

RAY M. OSBORN, Assistant Regional Commissioner-designate (Operations), is the Customs Appraiser in San Francisco. He was appointed to that post in 1956.

Mr. Osborn was born in Alabama in 1914 and educated at the New Mexico State Teachers College where he received a B.S. degree in 1941. He began his Customs career as an examiner in Laredo, Texas, in 1944 and later was transferred to San Francisco. He served as a liaison officer at the Bureau of Customs in Washington, D.C. and later spent a year in Mexico City as a Treasury Representative.

Mr. and Mrs. Osborn reside at 26 Mohawk Ave., Corte Madera, California.

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ROGER A. MORIN, Assistant Regional Commissioner-designate (Administration) started his career in Customs as a clerk in 1937, transferring a year later to the Office of Collector of Customs in Boston, Mass. Since 1948 he has served as head of the Accounting Systems Unit and later as Acting Assistant Deputy Commissioner (Fiscal) at the Bureau of Customs in Washington, D.C.

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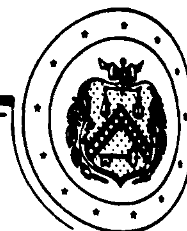
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE October 27, 1965

HIGHLIGHTS OF NOVEMBER REFINANCING

The Treasury today released the terms for refinancing $9.7 billion of notes that will mature on November 15. This financing will take the form of a cash offering of a new 18-month, 4-1/4 percent note in the amount of $9.7 billion. The new note will be priced at 99.83 to yield approximately 4.37%. Books will be open for subscriptions only on Monday, November 1.

Remaining requirements for new cash for the balance of this calendar year are now estimated at $2.0 - 2.5 billion. It is anticipated that this cash will be provided by an issue of June Tax Anticipation Bills in late November.

The Treasury also announced minimum allotment provisions have been made to facilitate the reinvestment of the holdings of smaller banks and investors, which account for a relatively large percentage of the maturing issues. The provisions are set out in more detail in the accompanying description of terms.

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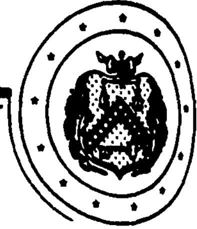
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE October 27, 1965

TREASURY ANNOUNCES NOVEMBER REFINANCING TERMS

The Treasury will borrow $9.7 billion, or thereabouts, through the issuance of 18-month 4-1/4% Treasury notes, at a price of 99.83 (to yield about 4.37%), for the purpose of paying off in cash a like amount of the following Treasury notes maturing November 15, 1965:

$1,617 million of 3-1/2% notes of Series B-1965, dated November 15, 1962; and
$8,099 million of 4% notes of Series E-1965, dated May 15, 1964.

The new notes will be dated November 15, 1965, and will mature May 15, 1967. Interest will be payable semiannually on May 15 and November 15, 1966, and on May 15, 1967.

The notes will be made available in registered as well as bearer form. All subscribers requesting registered notes will be required to furnish appropriate identifying numbers as required on tax returns and other documents submitted to the Internal Revenue Service.

Payment and delivery date for the notes will be November 15. Payment may be made in cash, or in 3-1/2% notes of Series B-1965 or 4% notes of Series E-1965, which will be accepted at par, in payment or exchange, in whole or in part, for the notes subscribed for, to the extent such subscriptions are allott by the Treasury. The new issue may not be paid for by credit in Treasury Tax and Loan Accounts.

The subscription books will be open only on Monday, November 1. Any subscriptions with the required deposits addressed to a Federal Reserve Bank or Branch, or to the Treasurer of the United States, and placed in the mail before midnight November 1, 1965, will be considered timely.

Subscriptions from commercial banks, for their own account, will be restricted in each case to an amount not exceeding 50 percent of the combined capital (not including capital notes or debentures), surplus and undivided profits of the subscribing bank.

Subscriptions from commercial and other banks for their own account, Federally-insured savings and loan associations, States, political subdivisions o instrumentalities thereof, public pension and retirement and other public fund international organizations in which the United States holds membership, forei central banks and foreign States, dealers who make primary markets in Governme securities and report daily to the Federal Reserve Bank of New York their posi tions with respect to Government securities and borrowings thereon, Government Investment Accounts, and the Federal Reserve Banks will be received without deposit.

Subscriptions from all others must be accompanied by the payment of deposits (in cash, or Treasury Notes of Series B-1965 or Series E-1965, maturing November 15, 1965, at par), not subject to withdrawal until after allotment, as follows:

(1) 10% for subscriptions in an amount of $200,000 or less, or
(2) 2% for subscriptions in an amount in excess of $200,000 with a minimum deposit of $20,000.

The Secretary of the Treasury reserves the right to reject or reduce any subscription, to allot less than the amount of notes applied for, and to make different percentage allotments to various classes of subscribers; and any action he may take in these respects shall be final. Subject to these reservations subscriptions will be allotted:

1. in full

(a) for amounts up to and including $200,000, and
(b) for States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Government Investment Accounts, and the Federal Reserve Banks, if a statement is submitted certifying that the amount of the subscription does not exceed the amount of the two maturing securities owned or contracted for purchase for value by the subscriber, at 4 p.m., Eastern Daylight Saving time, October 27, 1965; or

2. on a percentage basis, to be publicly announced, if they (other than those covered in item 1 above) are over $200,000, but such allotment will not be less than $200,000.

Allotment notices will be sent out promptly upon allotment.

All subscribers 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 of the new 4-1/4% notes at a specific rate or price until after midnight November 1, 1965.

Commercial banks in submitting subscriptions will be required to certify that they have no beneficial interest in any of the subscriptions they enter for the account of their customers, and that their customers have no beneficial interest in the banks' subscriptions for their own account.

counter or through the mail, for $3.00. The price includes shipping costs.

Medals have been made for each Secretary of the Treasury since 1897, with the exception of D. F. Houston, who served a brief term in 1920-1921.

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the place and date of his birth.

Other parts of the reverse design note Mr. Fowler's service with the Tennessee Valley Authority, 1934-1939; the Department of Justice 1939-1941; the Federal Power Commission, 1940-41; Office of Production Management, War Production Board and Foreign Economic Administration 1941-1945; the Department of Commerce, where Mr. Fowler was Administrator of the National Production Authority in 1952; Defense Production Administration and Office of Defense Mobilization, both of which he headed in 1952-1953, and the National Security Council, 1952-1953.

The reverse of the medal is the work of Edgar Z. Steever of the Engraving Department of the Philadelphia Mint.

The medal may be purchased from the Superintendent, United States Mint, Philadelphia, Pennsylvania, over the

in the Federal government, where half of Mr. Fowler's career to date has been spent. While not in government, he practised law in Washington, D.C. in the years 1933 and 1934, 1946 to 1951, and 1953 to 1961.

In the center of the reverse side of the medal is the seal of the Treasury, surrounded by the inscription, "Henry H. Fowler, Secretary of the Treasury, April 1, 1965," the date he took office.

Around the border, clockwise from the top, are governmental seals and inscriptions noting earlier periods of public service. At the top is the Great Seal of the United States, followed by the inscription, "Und. Secretary of Treasury 1961-1964." Next, clockwise, is the seal of the Secretary's native state, Virginia, where Mr. Fowler attended school and college, with the inscription "Roanoke, Va., Sept. 5th 1908,"

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October 27, 1965

FOWLER MEDAL ADDED TO MINT SERIES

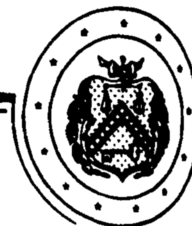
The Bureau of the Mint today placed on sale a portrait medal of Secretary of the Treasury Henry H. Fowler.

The medal is the latest in a series honoring Presidents, other public officials, heroes and outstanding citizens, and recording events of national historic significance, that have been issued by the Mint since 1860. The medal is of Mint bronze, three inches in diameter.

The obverse, or front, of the Fowler medal shows a front view portrait of the Secretary executed by Frank Gasparro, Chief Sculptor of the Mint. "Henry H. Fowler" is inscribed above the portrait and around the border.

The reverse, or back, notes the Treasury Secretary's place and date of birth and traces the main events of his service

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 28, 1965

FOR IMMEDIATE RELEASE

FOWLER MEDAL ADDED TO MINT SERIES

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The obverse, or front, of the Fowler medal shows a front view portrait of the Secretary executed by Frank Gasparro, Chief Sculptor of the Mint. "Henry H. Fowler" is inscribed above the portrait and around the border.

The reverse, or back, notes the Treasury Secretary's place and date of birth and traces the main events of his service in the Federal government, where half of Mr. Fowler's career to date has been spent. While not in government, he practised law in Washington, D. C. in the years 1933 and 1934, 1946 to 1951, and 1953 to 1961.

In the center of the reverse side of the medal is the seal of the Treasury, surrounded by the inscription, "Henry H. Fowler, Secretary of the Treasury, April 1, 1965," the date he took office.

Around the border, clockwise from the top, are governmental seals and inscriptions noting earlier periods of public service. At the top is the Great Seal of the United States, followed by the inscription, "Und. Secretary of Treasury 1961-1964." Next, clockwise, is the seal of the Secretary's native state, Virginia, where Mr. Fowler attended school and college, with the inscription "Roanoke, Va., Sept. 5th 1908," the place and date of his birth.

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Other parts of the reverse design note Mr. Fowler's service with the Tennessee Valley Authority, 1934-1939; the Department of Justice 1939-1941; the Federal Power Commission, 1940-41; Office of Production Management, War Production Board and Foreign Economic Administration 1941-1945; the Department of Commerce, where Mr. Fowler was Administrator of the National Production Authority in 1952; Defense Production Administration and Office of Defense Mobilization, both of which he headed in 1952-1953, and the National Security Council, 1952-1953.

The reverse of the medal is the work of Edgar Z. Steever of the Engraving Department of the Philadelphia Mint.

The medal may be purchased from the Superintendent, United States Mint, Philadelphia, Pennsylvania, over the counter or through the mail, for $3.00. The price includes shipping costs.

Medals have been made for each Secretary of the Treasury since 1897, with the exception of D. F. Houston, who served a brief term in 1920-1921.

oOo

silver dimes, quarters and half dollars because the silver could be supplied from stocks held by the Treasury. The changeover became necessary in the United States when, early this year, the Treasury's silver stock became equal to less than a three year supply at current expanded rates of demand for coinage.

dollar will be faced with layers of 80 percent silver and 20 percent copper, bonded to a core of approximately 79 percent copper and 21 percent silver, giving an overall 40 percent silver composition.

Like the new quarter, the new dime and half dollar will also have the same designs as the silver coins they succeed. All the new coins will be the same size as their silver counterparts. The dime and quarter are 9.3 percent lighter and the half dollar is 8 percent lighter.

The 90 percent silver dollar remains without change as a part of the United States coinage, but the Coinage Act of 1965 forbids production of silver dollars for five years.

Pennies and nickels are unchanged.

The non-silver dimes and quarters, and the low silver content half dollar, were adopted in the Coinage Act of 1965 due to a world silver shortage. In 1964, silver production was less than half as much as total annual silver usage in the Free World. Most other nations have removed most or all the silver from their coinage in recent years.

The United States was able to continue making 90 percent

rates, and at least 13 billion pieces of silver coins will be in circulation before production is ended. Most of these will have been made in the last three years and it is expected that they will continue in use for the normal 25 year life of a silver coin.

The Treasury still has very large stocks of silver -- nearly 900 million ounces -- and is authorized by the Coinage Act of 1965 to use these stocks to keep the price of silver below the point at which it would be come profitable to melt the silver coinage for its silver content.

The Coinage Act of 1965 gives the Treasury authority to forbid the melting or export of United States coins. This authority has not been exercised.

The new dime, to go into circulation early in 1966, will be made of the same alloy as the new quarter. The new half

~~DRAFT~~ October 2[illegible], 1965

ADVANCE FOR USE IN SUNDAY PAPERS
OF OCTOBER 31, 1965

White House
BACKGROUND [illegible] THAT
CIRCULATION OF THE NEW 25 CENT PIECE
Will Begin on November 1

~~In connection with [illegible] of initial circulation of the 25 cent piece authorized by the Coinage Act of 1965, the Treasury drew attention to the following information:~~

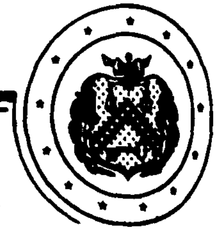
The new quarter was placed in circulation when a massive initial supply was available, backed up by a very large production stream.

The Mint will be able to provide approximately half a billion additional pieces of the new coin for circulation within two months of the initial distribution.

The traditional silver dimes, quarters and half dollars are to circulate side-by-side, interchangeably, with the new coinage.

The silver coinage will not be withdrawn. On the contrary, production of silver coins is continuing at high

TREASURY DEPARTMENT



WASHINGTON, D.C.

October 30, 1965

ADVANCE FOR USE IN SUNDAY PAPERS
OF OCTOBER 31, 1965

BACKGROUND TO WHITE HOUSE ANNOUNCEMENT THAT
CIRCULATION OF THE NEW 25 CENT PIECE
WILL BEGIN ON NOVEMBER 1

The new quarter was placed in circulation when a massive initial supply was available, backed up by a very large production stream.

The Mint will be able to provide approximately half a billion additional pieces of the new coin for circulation within two months of the initial distribution.

The traditional silver dimes, quarters and half dollars are to circulate side-by-side, interchangeably, with the new coinage.

The silver coinage will not be withdrawn. On the contrary, production of silver coins is continuing at high rates, and at least 13 billion pieces of silver coins will be in circulation before production is ended. Much of this circulating silver coinage will have been made in the last three years of greatly increased output, and these coins can continue in use for the normal 25 year life of a silver coin.

The Treasury still has very large stocks of silver -- nearly 900 million ounces -- and is authorized by the Coinage Act of 1965 to use these stocks to keep the price of silver below the point at which it would become profitable to melt the silver coinage for its silver content.

The Coinage Act of 1965 gives the Treasury authority to forbid the melting or export of United States coins. This authority has not been exercised.

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The new dime, to go into circulation early in 1966, will be
ıde of the same alloy as the new quarter.

The new half dollar will be faced with layers of 80 percent
.lver and 20 percent copper, bonded to a core of approximately
ı percent copper and 21 percent silver, giving an overall 40 per-
nt silver composition.

Like the new quarter, the new dime and half dollar will also
ve the same designs as the silver coins they succeed. All the
w coins will be the same size as their silver counterparts. The
me and quarter are 9.3 percent lighter and the half dollar is
percent lighter.

The 90 percent silver dollar remains without change as a part
the United States coinage, but the Coinage Act of 1965 forbids
oduction of silver dollars for five years.

Pennies and nickels are unchanged.

The non-silver dimes and quarters, and the low silver content
lf dollar, were adopted in the Coinage Act of 1965 due to a world
lver shortage. In 1964, new silver production was less than half
much as total annual silver usuage in the Free World. Most other
:ions have removed most or all the silver from their coinage in
:ent years.

The United States was able to continue making 90 percent silver
ıes, quarters and half dollars because the silver could be supplied
m stocks owned by the Treasury. The changeover became necessary
the United States when, early this year, the Treasury's silver
ck became equal to less than a three year supply at current ex-
ded rates of demand for coinage.

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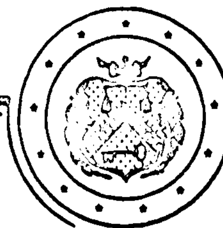
TREASURY DEPARTMENT



WASHINGTON, D.C.

RELEASE 6:30 P.M.,
y, November 1, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced today that the tenders for two series of Treasury
, one series to be an additional issue of the bills dated August 5, 1965, and the
series to be dated November 4, 1965, which were offered on October 27, were opened
e Federal Reserve Banks on November 1. Tenders were invited for $1,200,000,000, or
abouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills.
etails of the two series are as follows:

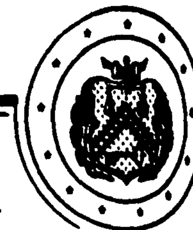
OF ACCEPTED TITIVE BIDS:	91-day Treasury bills maturing February 3, 1966		:	182-day Treasury bills maturing May 5, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.979 a/	4.039%	:	97.872 b/	4.209%
Low	98.966	4.091%	:	97.864	4.225%
Average	98.968	4.082% 1/	:	97.867	4.219% 1/

Excepting 1 tender of $155,000; b/ Excepting 5 tenders totaling $4,275,000
percent of the amount of 91-day bills bid for at the low price was accepted
percent of the amount of 182-day bills bid for at the low price was accepted

TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

trict	Applied For	Accepted	:	Applied For	Accepted
ton	$ 33,105,000	$ 33,105,000	:	$ 19,474,000	$ 9,074,000
York	1,503,651,000	767,811,000	:	1,292,848,000	700,800,000
ladelphia	28,645,000	16,645,000	:	16,919,000	8,919,000
reland	23,503,000	23,503,000	:	42,855,000	22,855,000
mond	22,289,000	15,729,000	:	21,740,000	10,580,000
nta	48,312,000	40,180,000	:	27,342,000	15,842,000
ago	272,372,000	149,432,000	:	258,501,000	128,101,000
Louis	58,439,000	48,327,000	:	22,205,000	15,517,000
eapolis	19,102,000	14,822,000	:	13,253,000	11,253,000
as City	23,332,000	22,332,000	:	17,084,000	16,084,000
as	30,647,000	22,367,000	:	16,646,000	12,566,000
Francisco	76,294,000	46,852,000	:	94,603,000	48,425,000
TOTALS	$2,139,691,000	$1,201,105,000 c/		$1,843,470,000	$1,000,016,000

cludes $254,518,000 noncompetitive tenders accepted at the average price of 98.96
cludes $123,096,000 noncompetitive tenders accepted at the average price of 97.867
a coupon issue of the same length and for the same amount invested, the return on
se bills would provide yields of 4.18%, for the 91-day bills, and 4.37%, for the
2-day bills. Interest rates on bills are quoted in terms of bank discount with
return related to the face amount of the bills payable at maturity rather than
amount invested and their length in actual number of days related to a 360-day
ar. In contrast, yields on certificates, notes, and bonds are computed in terms
interest on the amount invested, and relate the number of days remaining in an
erest payment period to the actual number of days in the period, with semiannual
pounding if more than one coupon period is involved.



TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, November 1, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced today that the tenders for two series of Trea[illegible] bills, one series to be an additional issue of the bills dated August 5, 1965, and [illegible] other series to be dated November 4, 1965, which were offered on October 27, were o[illegible] at the Federal Reserve Banks on November 1. Tenders were invited for $1,200,000,00[illegible] thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bil[illegible] The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing February 3, 1966		:	182-day Treasury bills maturing May 5, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equ[illegible] Annual Rate
High	98.979 a/	4.039%	:	97.872 b/	4.209%
Low	98.966	4.091%	:	97.864	4.225%
Average	98.968	4.082% 1/	:	97.867	4.219%

a/ Excepting 1 tender of $155,000; b/ Excepting 5 tenders totaling $4,275,000
72 percent of the amount of 91-day bills bid for at the low price was accepted
92 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 33,105,000	$ 33,105,000	:	$ 19,474,000	$ 9,07[illegible]
New York	1,503,651,000	767,811,000	:	1,292,848,000	700,80[illegible]
Philadelphia	28,645,000	16,645,000	:	16,919,000	8,91[illegible]
Cleveland	23,503,000	23,503,000	:	42,855,000	22,85[illegible]
Richmond	22,289,000	15,729,000	:	21,740,000	10,58[illegible]
Atlanta	48,312,000	40,180,000	:	27,342,000	15,84[illegible]
Chicago	272,372,000	149,432,000	:	258,501,000	128,10[illegible]
St. Louis	58,439,000	48,327,000	:	22,205,000	15,51[illegible]
Minneapolis	19,102,000	14,822,000	:	13,253,000	11,2[illegible]
Kansas City	23,332,000	22,332,000	:	17,084,000	16,0[illegible]
Dallas	30,647,000	22,367,000	:	16,646,000	12,5[illegible]
San Francisco	76,294,000	46,852,000	:	94,603,000	48,4[illegible]
TOTALS	$2,139,691,000	$1,201,105,000 c/		$1,843,470,000	$1,000,01[illegible]

c/ Includes $254,518,000 noncompetitive tenders accepted at the average price of
d/ Includes $123,096,000 noncompetitive tenders accepted at the average price of
1/ On a coupon issue of the same length and for the same amount invested, the re[illegible] these bills would provide yields of 4.18%, for the 91-day bills, and 4.37%, f[illegible] 182-day bills. Interest rates on bills are quoted in terms of bank discount the return related to the face amount of the bills payable at maturity rather the amount invested and their length in actual number of days related to a 36[illegible] year. In contrast, yields on certificates, notes, and bonds are computed in of interest on the amount invested, and relate the number of days remaining i[illegible] interest payment period to the actual number of days in the period, with semi[illegible] compounding if more than one coupon period is involved.

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November 1, 1965

~~(Draft)~~

FOR RELEASE A.M. NEWSPAPERS
WEDNESDAY, NOVEMBER 3, 1965

TREASURY TO EMBARGO WIGS

The Treasury will put into effect on November 10 an embargo on imports of wigs made with human hair from Communist China. Imports of such wigs have significantly increased recently. Treasury is taking this action to cut off a source of exchange to the Communist Chinese which could amount to several millions of dollars a year. Details of the embargo and of temporary licensing policies will be published in The Federal Register on November 10.

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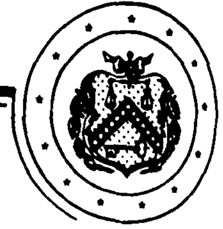
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 2, 1965

FOR RELEASE A.M. NEWSPAPERS
WEDNESDAY, NOVEMBER 3, 1965

TREASURY TO EMBARGO WIGS

The Treasury will put into effect on November 10 an embargo on imports of wigs made with human hair from Communist China. Imports of such wigs have significantly increased recently. Treasury is taking this action to cut off a source of exchange to the Communist Chinese which could amount to several millions of dollars a year. Details of the embargo and of temporary licensing policies will be published in The Federal Register on November 10.

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

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

rinted forms and forwarded in the special envelopes which will be supplied by Federal
eserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve
nks and Branches, following which public anouncement will be made by the Treasury
partment of the amount and price range of accepted bids. Those submitting tenders
ll be advised of the acceptance or rejection thereof. The Secretary of the Treasury
pressly reserves the right to accept or reject any or all tenders, in whole or in
rt, and his action in any such respect shall be final. Subject to these reserva-
ons, noncompetitive tenders for each issue for $200,000 or less without stated
ce from any one bidder will be accepted in full at the average price (in three
imals) of accepted competitive bids for the respective issues. Settlement for
epted tenders in accordance with the bids must be made or completed at the Federal
erve Bank on November 12, 1965 (X16), in cash or other immediately available funds
in a like face amount of Treasury bills maturing November 12, 1965 (X17). Cash
exchange tenders will receive equal treatment. Cash adjustments will be made for
ferences between the par value of maturing bills accepted in exchange and the issue
ce of the new bills.

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

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TREASURY DEPARTMENT
Washington

R IMMEDIATE RELEASE, November 3, 1965
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
(XX)

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series Treasury bills to the aggregate amount of $2,200,000,000 (X), or thereabouts, for sh and in exchange for Treasury bills maturing November 12, 1965 (X), in the amount $ 2,201,832,000 (X), as follows:

90 (X) -day bills (to maturity date) to be issued November 12, 1965 (X), in the amount of $1,200,000,000 (X), or thereabouts, representing an additional amount of bills dated August 12, 1965 (X), and to mature February 10, 1966 (X), originally issued in the amount of $1,000,124,000 (XX), the additional and original bills to be freely interchangeable.

181 (XX) -day bills, for $1,000,000,000 (XX), or thereabouts, to be dated November 12, 1965 (XX), and to mature May 12, 1966 (XX).

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing r, one-thirty p.m., Eastern Standard time, Monday, November 8, 1965 (X5). Tenders l not be received at the Treasury Department, Washington. Each tender must be an even multiple of $1,000, and in the case of competitive tenders the price ered must be expressed on the basis of 100, with not more than three decimals, ., 99.925. Fractions may not be used. It is urged that tenders be made on the

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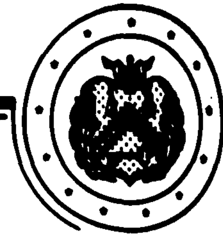
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 3, 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 November 12, 1965, in the amount of $ 2,201,832,000, as follows:

90-day bills (to maturity date) to be issued November 12, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated August 12, 1965, and to mature February 10, 1966, originally issued in the amount of $ 1,000,124,000, the additional and original bills to be freely interchangeable.

181-day bills, for $ 1,000,000,000, or thereabouts, to be dated November 12, 1965, and to mature May 12, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 8, 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 receive 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 ederal Reserve Banks and Branches, following which public announce- ent will be made by the Treasury Department of the amount and price ange of accepted bids. Those submitting tenders will be advised f the acceptance or rejection thereof. The Secretary of the Treasury xpressly reserves the right to accept or reject any or all tenders, n whole or in part, and his action in any such respect shall be inal. Subject to these reservations, noncompetitive tenders for ach issue for $200,000 or less without stated price from any one idder will be accepted in full at the average price (in three ecimals) of accepted competitive bids for the respective issues. ettlement for accepted tenders in accordance with the bids must be ade or completed at the Federal Reserve Bank on November 12,1965, in ash or other immediately available funds or in a like face amount f Treasury bills maturing November 12,1965. Cash and exchange tenders ill receive equal treatment. Cash adjustments will be made for ifferences between the par value of maturing bills accepted in xchange and the issue price of the new bills.

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

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

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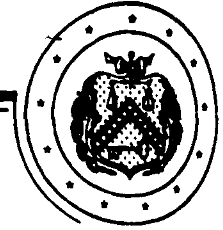
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE   November 3, 1965

RESULTS OF TREASURY'S CASH OFFERING OF 4-1/4% NOTES

Reports received thus far from the Federal Reserve Banks show that subscriptions total $12,039 million for the offering of $9,700 million, or thereabouts, of 4-1/4 percent Treasury Notes of Series D-1967, due May 15, 1967. The total amount of subscriptions accepted is about $9,730 million.

The Treasury will allot in full, as provided in the offering circular, $777 million of subscriptions in amounts of $200,000 and less, and $6,764 million of subscriptions from States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States, Government Investment Accounts, and the Federal Reserve Banks, where the subscriber made the required certification of ownership of notes maturing November 15, 1965.

All other subscriptions will be subject to a 48 percent allotment, with a minimum of $200,000 per subscription. Government Investment Accounts were allotted $192 million on this basis.

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

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TREASURY DEPARTMENT

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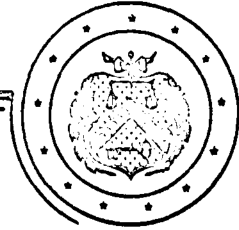


WASHINGTON, D.C.

LEASE 6:30 P.M.,
, November 8, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

he Treasury Department announced today that the tenders for two series of Treasury one series to be an additional issue of the bills dated August 12, 1965, and the series to be dated November 12, 1965, which were offered on November 3, were opened Federal Reserve Banks on November 8. Tenders were invited for $1,200,000,000, or abouts, of 90-day bills and for $1,000,000,000, or thereabouts, of 181-day bills. etails of the two series are as follows:

OF ACCEPTED ITIVE BIDS:	90-day Treasury bills maturing February 10, 1966		:	181-day Treasury bills maturing May 12, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv.. Annual Rate
High	98.994	4.024%	:	97.886	4.205%
Low	98.985	4.060%	:	97.874	4.229%
Average	98.989	4.045% 1/	:	97.878	4.221% 1/

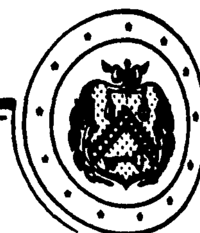
percent of the amount of 90-day bills bid for at the low price was accepted
percent of the amount of 181-day bills bid for at the low price was accepted

TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

rict	Applied For	Accepted	:	Applied For	Accepted
ton	$ 22,983,000	$ 11,447,000	:	$ 27,932,000	$ 27,932,000
York	1,265,143,000	712,853,000	:	1,258,962,000	606,002,000
adelphia	29,409,000	17,409,000	:	13,198,000	5,198,000
eland	31,496,000	31,496,000	:	25,008,000	22,908,000
mond	22,198,000	22,198,000	:	14,249,000	7,409,000
nta	45,125,000	38,538,000	:	28,847,000	15,279,000
ago	275,934,000	149,589,000	:	342,448,000	188,551,000
Louis	55,442,000	44,442,000	:	30,326,000	20,574,000
eapolis	21,941,000	21,251,000	:	12,955,000	11,745,000
as City	26,295,000	26,295,000	:	17,603,000	16,893,000
as	30,961,000	24,081,000	:	20,975,000	18,555,000
Francisco	133,465,000	101,045,000	:	124,286,000	58,981,000
TOTALS	$1,960,392,000	$1,200,644,000 a/		$1,916,789,000	$1,000,027,000 b/

ludes $256,948,000 noncompetitive tenders accepted at the average price of 98.989
ludes $125,648,000 noncompetitive tenders accepted at the average price of 97.878
a coupon issue of the same length and for the same amount invested, the return on se bills would provide yields of 4.14%, for the 90-day bills, and 4.37%, for the -day bills. Interest rates on bills are quoted in terms of bank discount with return related to the face amount of the bills payable at maturity rather than amount invested and their length in actual number of days related to a 360-day r. In contrast, yields on certificates, notes, and bonds are computed in terms interest on the amount invested, and relate the number of days remaining in an erest payment period to the actual number of days in the period, with semiannual pounding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON. D.C.

FOR RELEASE 6:30 P.M.,
Monday, November 8, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced today that the tenders for two series of Trea bills, one series to be an additional issue of the bills dated August 12, 1965, and other series to be dated November 12, 1965, which were offered on November 3, were o at the Federal Reserve Banks on November 8. Tenders were invited for $1,200,000,000 thereabouts, of 90-day bills and for $1,000,000,000, or thereabouts, of 181-day bill The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	90-day Treasury bills maturing February 10, 1966		:	181-day Treasury bills maturing May 12, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equi Annual Rate
High	98.994	4.024%	:	97.886	4.205%
Low	98.985	4.060%	:	97.874	4.229%
Average	98.989	4.045% 1/	:	97.878	4.221% 1/

31 percent of the amount of 90-day bills bid for at the low price was accepted
58 percent of the amount of 181-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	$ 22,983,000	$ 11,447,000	:	$ 27,932,000	$ 27,932,0
New York	1,265,143,000	712,853,000	:	1,258,962,000	606,002,0
Philadelphia	29,409,000	17,409,000	:	13,198,000	5,198,0
Cleveland	31,496,000	31,496,000	:	25,008,000	22,908,0
Richmond	22,198,000	22,198,000	:	14,249,000	7,409,0
Atlanta	45,125,000	38,538,000	:	28,847,000	15,279,0
Chicago	275,934,000	149,589,000	:	342,448,000	188,551,0
St. Louis	55,442,000	44,442,000	:	30,326,000	20,574,0
Minneapolis	21,941,000	21,251,000	:	12,955,000	11,745,0
Kansas City	26,295,000	26,295,000	:	17,603,000	16,893,0
Dallas	30,961,000	24,081,000	:	20,975,000	18,555,0
San Francisco	133,465,000	101,045,000	:	124,286,000	58,981,0
TOTALS	$1,960,392,000	$1,200,644,000 a/		$1,916,789,000	$1,000,027,

a/ Includes $256,948,000 noncompetitive tenders accepted at the average price of 98.
b/ Includes $125,648,000 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 these bills would provide yields of 4.14%, for the 90-day bills, and 4.37%, for t 181-day bills. Interest rates on bills are quoted in terms of bank discount with the return related to the face amount of the bills payable at maturity rather th the amount invested and their length in actual number of days related to a 360-d year. In contrast, yields on certificates, notes, and bonds are computed in ter of interest on the amount invested, and relate the number of days remaining in a interest payment period to the actual number of days in the period, with semiann compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT
Washington

FOR RELEASE A.M. NEWSPAPERS,
TUESDAY, NOVEMBER 9, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE
THE ECONOMIC CLUB OF NEW YORK
WALDORF-ASTORIA HOTEL, NEW YORK, NEW YORK
MONDAY, NOVEMBER 8, 1965, 8:30 P. M., EST.

It has been said that "The Great Society is the one in which businessmen think greatly of their function." The author of that statement was not President Johnson, but Alfred North Whitehead, the great philosopher, speaking more than half a century ago.

A more contemporary American, speaking of our present-day economy said: "It is an economy where the health of business benefits all the people. It is an economy where the prosperity of the people benefits the health of business. It is an economy where, in large measure, the fortunes of each are tied to the fortunes of all."

Gentlemen, that speaker was not the head of one of our giant corporations -- it was the President of the United States. Incidentally, in the spate of economic statistics which confuse us daily, one thing emerges loud and clear: namely, what is good for the country is certainly proving good for General Motors. And the same is true of virtually every business represented here tonight.

Instead of fortifying that last statement with a barrage of statistics about what has happened in the last two or five years to profits before taxes, profits after taxes, cash flow, gross national product, personal disposable income, consumption, weekly pay, employment, and numerous other indices let me be one speaker out of Washington who spared you a glorious statistical recital. There is no need to belabor the statistics, when to paraphrase one well known commentator: "In your heart you know I'm right." And, I might add -- in your annual report, too.

Behind all those heartwarming statistics you are being spared, there is an important fact of life in this good year 1965 -- you in business and we in government are a partnership for progress. We are bound by a common conviction that the right answer to our problems on both the domestic and international economic fronts must be based on a dynamic private sect(as the prime mover in the achievement of our economic goals. Business, labor, and government have learned that by pulling together we can all achieve much more than by pulling apart.

It is against this background of a fruitful, working partnership between business and government that I would speak to you tonight about the most important task of that partnership -- sustaining the greatest, longest, and best balanced economic advance in the Nation's history as it moves through its 57th month.

You will forgive me for speaking frankly and in a more personal vein than is customary. This is a very personal subject to you, and both this partnership and the economic advance are a personal and public thing to me. Much of the last four and one-half years of my life have been given to promoting both -- because it is good business for the Treasury and the country.

My personal credentials for a deep and demonstrated conviction that we must enable the private sector to play the prime and dynamic role in our national economy, include scars and bruises incurred in helping to secure the development, adoption, and execution of the liberalization of depreciation allowances -- the investment tax credit in 1962 -- the corporate tax cut and further improvement of the investment credit in 1964 -- individual tax reductions of 1964 that included top-to-bottom rate reductions -- and excise tax reductions this year.

But my most important credential by far is that I serve under a President of the United States who has done more and worked harder than any man in our long national history to bring about the better understanding that is essential to a fruitful working partnership between business, labor, and government. Night after night, day after day, as no

President before him, President Johnson has brought together leaders of business, finance, and labor to meet with him, his Cabinet, and White House staff members -- seeking advice, swapping ideas on what each could do separately and all could do together for a better America. He has made, "let us reason together", a national slogan as well as his personal expression of heart and mind.

It is in that spirit that we turn to our task -- sustaining the economic advance.

Debate is raging on how best to keep it rolling. A number of my friends have engaged publicly in this debate. An even larger number are debating privately. There are those who are fearful of "overheating" or inflation. There are those who feel that the economy may run out of power and lose its upward thrust. Some of my friends see the expansion exploding with a boom and a bang because it is being excessively stimulated. And some of my friends see the expansion running out of gas unless there is more stimulus. My own position on this issue is frank and forthright. I am for my friends.

Since I am a mere lawyer by profession, I am not eligible to join either of these economic schools. So I have been thinking of starting my own new school of economics. To be a member you must have the capacity to worry about both inflation and deflation at the same time. Students in this school, when they read each morning's ration of glowing economic statistics, will not know whether to laugh or cry. They must be aware of the dangers of unbridled optimism either as a strategy for successful performance or as a medium for successful prophecy. They must also not be inclined to surrender to pessimism. In my school, neither Cassandra nor Pollyanna will be eligible as coeds.

The curriculum will be simple. It will consist of persistent study of the policies which have been employed to sustain the present expansion and the adjustments, adaptations, and changing emphasis appropriate to new problems, new needs, or new facts.

The unprecedented economic expansion we are seeking to sustain has consistently confounded those who have failed to discern its true course and character -- those, often, who have also failed to comprehend the policies that have supported and sustained its progress.

And those policies have amply proven their worth. While they have not -- and I would not dare to claim they have -- eliminated the business cycle, it has been demonstrated that the cycle does not move by the calendar but by our private and public policies.

In considering the future of the current economic expansion and my views of the policies necessary to sustain it, my thoughts instinctively go back to the summer and fall of 1961. The views I held then -- and hold now -- were perhaps best expressed in my response to a request by the late President Kennedy at a Cabinet Meeting in mid-November 1961 -- just four years ago to the week -- for suggestions with reference to the coming year's legislative and administrative program. It was entitled: "A Recommended Program to Avoid Recession in 1963-64 or Minimize Period of Decline." Sparing you the analysis and commentary and much of the detail of the program recommended, let me outline the policies to which it was directed:

First, a steady and healthy increase in the rate of business investment in modernized plant and equipment, providing the capacity and efficient facilities essential to support more rapid growth at stable prices but without encouraging an unsustainable burst of investment activity;

Second, coordination of monetary and fiscal policies to promote this growth by providing new investment incentives in our tax structure, while maintaining the availability of ample credit for investment, home-building, and state and local construction at reasonable rates of interest;

Third, an early attack on structural problems potentially constricting our growth potential, including especially the training of additional supplies of manpower equipped to play a useful role in modernized industry or expanded services, private and public, and enactment of a Federal aid to education bill;

Fourth, the avoidance of destabilizing price, wage, inventory, and budgetary policies, including action to avoid a violent shift back and forth between large deficits and large surpluses in the Federal budget, to

develop productivity measures and guidelines, and to encourage labor-management-Government understanding of appropriate price and wage changes;

Fifth, improvement of countercyclical tools through the enactment of automatic or discretionary countercyclical tax and expenditure devices that could be promptly brought to bear, in coordination with monetary policy, when desirable to counter actual or reasonably forecast sharp changes in demand.

What stands out, as we look back upon the expansion of the four years that have ensued since that early analysis, is how far we have come toward those goals, and how smooth the ride has been. For this expansion has remained remarkably free from the excesses and imbalances that too often in the past have upset our periods of prosperity.

There were tests that might easily have tripped up a less solidly based 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.

I am not here tonight to contend that there is no need for flexibility in the public and private policy mix we have so successfully lived by for nearly five prosperous years.

Of course, new facts and new circumstances may call for a reexamination of policies. Policies must be adjusted and adapted to new problems and new needs as they emerge. And we must not airily dismiss potential new dangers. But there are dangers, too, in acting prematurely in response to fears for the future that are not grounded in hard facts and hard analysis.

A few months ago, many were concerned that the expansion might sputter and fail -- particularly after the turn of the year, when the large rise in payroll taxes to finance Medicare and increased Social Security payments would take effect. We took steps to meet the legitimate problem that did exist. Now that fear has largely receded and the principal concern seems to be that there will be inflation

entailing risks to the expansion. This position must be examined and dealt with frankly. Are there solid grounds for these fears or, as "Fortune" magazine recently put it, has "the curve of business activity and the curve of sentiment about it parted company"?

In amassing the gains from our expansion, the Nation has brought unemployment down from 6.8 to 4.3 percent. We have raised industry operating rates from about 78 percent to some 90 percent of capacity in recent months. In so doing, we have brought our economic performance far closer to our rising economic potential. These welcome developments are the fruits of efforts which have been zealously pursued. Are they to become bitter fruit, giving rise to inflation and the loss of our expansion?

What _is_ the situation?

The situation is that private demand is increasing at a healthy rate and defense expenditures are rising because of Viet Nam at a time when the gap between demand and the availability of manpower and unused capacity has narrowed to the lowest point in this 57-month expansion.

Defense Department spending currently accounts for less than eight percent of our total output, and the current levels of the build-up will mean no appreciable change in that percentage. During the Korean War period, by contrast, military spending necessarily zoomed from five percent to thirteen percent of a much smaller gross national product.

There is still some room to absorb that spending through the fuller use of our current resources. For instance, unemployment is still significantly above the levels that we feel represent a realistic non-inflationary target for our economy.

Much larger elbow room is assured by the growth in our productive capacity. There is the prospect of large annual net additions to the labor force averaging 1.5 million each year. There is under way in both the public and private sector the most massive effort ever undertaken to attack the problem of structural unemployment, involving the training and retraining of young and old and those whose

skills have been outmoded or never properly developed to take a more useful and efficient role in our economic society.

Furthermore, industry is already adding to capacity at a rap rate, and most industries are ready and able to expand production substantially, even with present facilities. The McGraw-Hill reports last week of projected plans for 1966 expenditures for plant and equipment were reassuring. In no sense do they add up to a non-sustainable rate of expansion or modernization or an inflationary strain on the capital goods industry such as characterized 1956-57. The bulk of the new capacity seems to be going to the right places -- to those industries where operating rates are highest.

Thanks to rigid Federal expenditure control in fiscal 1965 and 1966, our budgetary deficit position was rapidly approaching a balanced condition until the additional expenditures of the conflict in Viet Nam intervened. At present tax rates, we can look forward to a revenue growth of some $6 to $7 billion or so a year as the economy grows in line with its potential -- revenues which can be allocated to meeting increased budget requirements.

There are also several restraining factors on the economic horizon -- including not only the rise in payroll taxes I mentioned earlier, but the run-off of steel inventories and the less than exuberant outlook for housing.

In the price sector, some disturbing signs have appeared. The last year has seen more of a tendency for price increases to outweigh declines than any year since 1958. Industrial wholesale prices have risen by 1.5 percent in twelve months after six years of comparative flatness. Consumer prices are 1.7 percent above a year ago, as compared with yearly increases averaging 1.3 percent since 1958.

In summary, the situation calls for confidence in our capacity to adjust to increased demands upon our economy. But, at the same time the situation requires us -- both in the public and in the private sector -- to recognize that the margin for error is much smaller and the need for responsible action is much greater.

What are some of the elements of responsible action?

The situation requires that we forego further tax cuts until some more opportune time when the stimulation that would result from increased private consumption and investment will be more appropriate. Fiscal dividends from our economic growth in the form of tax cuts seem, for the present, to be a casualty of the increasing requirements for the defense of freedom in Viet Nam. A favorable change in that situation might call for a review.

Responsibility also requires a budget that will enable us both to meet our domestic objectives and our international commitments without fostering inflationary pressures. It requires a budget that, without neglecting national needs, seeks to finance new programs from savings on old ones to the maximum extent possible. It requires a budget that achieves all possible savings to offset greater defense needs by eliminating or reducing low priority civilian programs, and by stretching out or deferring the impact on spending of some of the new and proposed civilian programs -- without delaying basic authorizing legislation or otherwise unduly impairing important, but longer-run objectives.

It requires, in short, the kind of budget that President Johnson is going to give us -- a budget that reflects both the most stringent kind of fiscal discipline and the most effective response to essential national needs.

Some are not content to tackle any present or potential risks of inflation with that responsible kind of fiscal policy. They advocate abrupt restrictions on the expansion of money and credit to restrain the growth of demand, and would invite sharply higher long-term interest rates. This would be a substantial change in our policy mix of the last five years and amount to a new ball game. It would raise in the minds of our producers and consumers serious questions about whether or not to continue to buy and expand in the light of increased cost of money and tightness of credit.

The important point is that no sufficient evidence has yet developed to justify this kind of treatment of the price situation or of the supply-demand relationship by cutting back on demand rather than emphasizing efforts to expand supply. To restrain demand at this time would be to admit that

the continued growth of the U. S. economy in amounts comparable to the advances of the last two years is beyond our resources. In those years our pluses and minuses have added up to a generally smooth and well-phased expansion of about ten and a half billion dollars a quarter in our GNP. The pluses and minuses that are in prospect, according to the analyses of most of our economic forecasters, public and private, do not suggest a marked deviation from that pattern in the next year -- either upward or downward. Is it too much? I believe the answer is, and should be, "no."

I would urge that from here on our priority objective should be to achieve that growth without increasing pressure unduly on reserve capacity. To do so we must increase our efforts to provide the capacity to absorb that growth so that the risks of pressure on prices and of aggregate demand on productive capacity are minimized by increases in supply rather than restrain of demand.

We must intensify our attack on structural causes of unemployment by more job training and retraining, a better organization of the labor market, and the decasualization of many types of seasonal or part-time employment. We must use every effort to increase productivity and hold down costs. In that effort, we must not forget the lessons of the 1950's -- that the steady gains in productivity required to absorb increases in wages and other costs rest on steady growth and output -- that the investment required to enhance efficiency, cut costs, and assure ample capacity over the longer run is dependent on the combination of steadily expanding markets and profits.

And to digress for a moment, we hear again a refraim that a solution to the balance of payments problem can be found in tight money and higher interest rates. Presumably proponents of this approach must be referring to rather drastic measures since that is what would be necessary to bring into equilibrium the interest rate levels that characterize the U. S. economy and other capital markets.

Let me also remind you that twice before the Federal Reserve has raised its discount rates -- one half percent in the summer of 1963 and one half percent in the fall of 1964 -- to deal with balance of payments problems. We have clearly not overlooked this instrument. But our rises were followed by rises abroad and the gap remained -- and in some important areas widened. Only a few months after the second increase it was necessary to request voluntary action to restrain an accelerating outflow of capital from our banks and nonbank financial institutions. As my predecessor, Douglas Dillon, several times pointed out -- as early as Rome in 1962 -- the problem of disparity between interest rates and capital availability here and abroad is rooted in rates abroad that are far too high, and in the woeful inadequacies of foreign capital markets. This kind of substantial disequilibrium cannot be eliminated or reduced to manageable proportions under present circumstances by any monetary action at all consistent with our domestic needs.

May I suggest that the zealous exponents of the use of monetary policy to achieve a better balance among international interest rates have a fertile field for missionary work in Western Europe. We should not play the game of the dog chasing its tail to the point of severely damaging our economy and risking a recession. It makes no sense to raise persistently our interest rates to a point where they may conflict with the maintenance of our domestic expansion and yet not provide a real solution to our balance of payments problem.

But in no sense is this the end of the discussion. In any marriage or partnership, there comes a time for frank talk. That time has now arrived in the partnership between business and government -- if we are to maintain our excellent record of price stability, which must continue to be a key element in sustaining the current expansion, as well as in bringing our balance of payments deficits to an end.

There is a particular danger today -- when we are engaged in war in Viet Nam at a time when margins between supply and demand have narrowed, in hasty and ill-considered action in wages and prices -- a misguided effort to exploit present markets for short term individual advantage at the inevitable expense of damaging the prospects for future markets and for healthy growth for all.

I would like every single businessman who is now contemplating or who may be contemplating in the future an increase in price to stop, look and listen. Do changes in his unit costs and profit trends justify that action or permit him to hold steady? Or do gains in productivity and lower costs offer an opportunity to lower prices, broaden markets and increase sales?

The wage-price guideposts of the Council of Economic Advisors point out the kinds of policies that serve the public interest in this sphere, but they can do no more than point out. It is business and labor that must carry the burden of responsibility.

The man who unnecessarily raises prices today or fails to take advantage of opportunities to cut costs and reduce prices will only add to other producers' costs tomorrow. That is a cycle that we must stop before it starts.

Everyone in the business and financial community, and in labor organizations, and everyone concerned with wages or prices, should look beyond their own personal and professional responsibilities to their very real -- and much broader-common responsibility toward the economy at large.

That standard would be true in any season or year. But the need for responsible action of this nature is particularly acute in the period ahead against the background of smaller margins of unutilized labor and production capacity and the especial responsibility that the situation in Viet Nam places on every American.

Today's prosperity reflects a combination of sound fiscal and monetary policies, intelligent business planning, and responsible restrain by business and labor in making wage and price decisions.

The future is in our hands -- government, business, labor and the public. It is not in the private interest and it is contrary to the public interest to gamble with that future for the sake of immediate -- and very possibly temporary -- gain.

In conclusion, I do not see before us any economic problems in sustaining our economic advance which we cannot handle -- and without abandoning the essentials of the policy mix that has served us so well thus far.

Our task is simply to prove that we can stand prosperity. I have no doubt that we can and will -- if we remember that the one thing which prosperity cannot stand is to be taken for granted. It must, on the contrary, be earned anew every day, every week, every year -- earned by the continued cooperative effort of business, labor and government. For it is that effort -- and not some phantom force -- that determines how well our economy performs.

Once again we are approaching a crossroads of national decision. There are those in the private sector -- in both business and labor -- who would abandon this time-tested policy mix which has served so well as the basis of the working partnership between business, labor and government and has given the Nation 57-months of uninterrupted and unparalleled prosperity. If it should be abandoned, what is to be used as a replacement? Old formulas that have not worked? New formulas that have not been thought through or grounded on a new consensus? Or the chaos of divergent policies that add up to no policy at all? The real question is: Why give up a winning combination? My answer is let's not throw it away.

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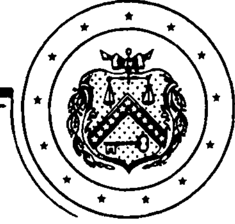
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 9, 1965

FOR IMMEDIATE RELEASE

TREASURY MARKET TRANSACTIONS IN OCTOBER

During October 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 $39,796,500.00.

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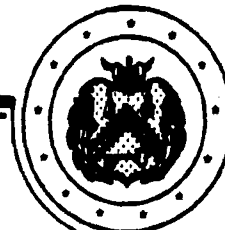
TREASURY DEPARTMENT



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F-260

Let us not become so preoccupied by questions of mere detail that we end up doing nothing. Ours is a large and growing world. It has a large and growing trade. Let us provide for this growth."

--oOo--

4/

is to expand, we must provide an effective and adequate substitute.

"This is not a matter of an immediate crisis. But it is a matter on which we must begin to act -- now. We must begin now to provide machinery for the creation of additional reserves. Gold alone will not be enough to support the healthy growth which the entire world demands. It will not be enough in the future any more than it has been in the past.

"There is no shortage of plans for reforming the world's monetary system.

"Let us try to choose the best. But let us remember the best is sometimes the enemy of the possible.

On the other hand, many of the member countries of the IMF at the recent annual meeting supported IMF Managing Director Schweitzer's view that "liquidity is the Fund's business."

The rules for decision-making present both economic and political difficulties. How can the minority be protected, while avoiding the exercise of an inordinate degree of power on the part of a country or countries which, at any given time, would be reluctant to approve the creation of the reserves generally desired?

Conclusion

In conclusion, let me cite a statement of the President of the United States on October 1, 1965:

> "The long period of large U. S. deficits has come to an end. If growth is to continue and trade

For our part, we believe that the creation or use of a new unit should not influence nations directly or indirectly to seek to add unnecessarily to their holdings of gold. As the country to whom others turn for gold when new supplies are not available, we have a vital interest in this aspect.

The width of membership for purposes of management and distribution of additional reserve assets raises economic, financial, and political questions, involving the status of nations outside the Group of Ten, and their relationship to the process of creating and distributing new reserve assets.

In the third place, a view has been expressed that the IMF should properly be provided with sufficient resources to fulfill its function of providing credits to individual countries, but that the Fund should not have a leading or important policy role in the deliberate creation of reserves.

Some are simple ones which could be instituted fairly quickly through modifications in the operating policies of the IMF. Others would call for the creation of a new reserve unit, either within or outside the IMF. Still others would aim primarily at changing the character of present reserve elements without necessarily adding to the supply. Some envisage that combinations of schemes should be adopted.

Four issues have been conveniently listed at the end of the Ossola Group Report, and these four will clearly confront the negotiators. The substantive views of the United States are being developed in these questions, and I shall not try to anticipate them here.

One question is whether or not a new reserve asset can be utilized in international settlements only along with a specified quantity of gold or other reserves or may circulate

Second, the European concern about inflation also causes them to put a great deal of emphasis on the ways of imposing adequate discipline on countries in deficit to take prompt and effective measures to restore balance. The United States has, for its part, endorsed more intensified study of the adjustment process in the hope this study will emphasize more clearly that surplus countries, as well as the deficit countries, have essential responsibilities in this area.

Third, there are a number of substantive questions concerning the techniques for creating reserve assets. The Study on the Creation of Reserve Assets by a study group of the Group of Ten countries, headed by Rinaldo Ossola, of Italy, and made public last August, has explored in depth a wide variety of ways in which a new reserve asset might be created.

proportion of the world's reserves do remain largely inert for long periods of time.

What are some of the major negotiating problems? I shall merely sketch them briefly, though much has been and will be written about these questions, I am sure.

First, there are differing views among the Group of Ten, itself, as to the imminence of a need for additional reserves. The Continental European countries generally believe there is too much liquidity now. They have had large-scale annual increases in reserves amounting to about 10 percent a year. They believe these increases have contributed to the inflationary pressures which present to them their most difficult internal problem of economic policy.

Group of Ten must be represented in the second stage of the preparations for formal improvements in the monetary system, after the first stage of negotiations in the Group of Ten has provided some basis for an eventual international understanding. In doing this, however, we fully recognize that there is a conceptual difference between the problem of creating adequate reserves for the world and the capital needs of developing countries.

In the same way, there is a conceptual distinction between the financing of a cyclical or short-term deficit and the creation of reserves of an indefinite duration. But, again, reserves, however created and for whatever purpose, can be spent. Reserves which could only be held and never spent would be strange instruments, indeed, though, in practice, a large

The world has never before set about this task deliberately. Monetary authorities are going to be careful before they introduce into balance sheets a reserve asset to be held more or less indefinitely.

I have used the term "additional reserve asset" consciously. There are ways of creating deliberately more reserve assets of the type that we already have, such as reserve positions in the Fund. There are also approaches that would require an entirely new type of asset, such as special reserve units created by a group of countries, either in partnership with the Fund or independently.

The United States has stressed that the interests of all members of the International Monetary Fund must be considered in these negotiations and that countries not members of the

This is now being recognized, and the global statistics on reserves, carried in the publications of the International Monetary Fund, include a category called Reserve Positions in the Fund.

It is in considering the longer term, or secular area of creating reserves intended to be more or less permanently or indefinitely carried on the books of monetary authorities, that we encounter the third aspect of the task. This is usually described as the "deliberate creation of additional reserve assets."

There are a number of difficult problems ahead for negotiators. The deliberate creation of additional reserve assets differs from what has been done up to now, in somewhat the same way as our nuclear and space activities in the scientific field differ from conventional weapons and conventional aircraft of the past.

How to assure this, to couple the use of the Fund's facilities with appropriate encouragement of correction of the imbalance and to gain the cooperation of surplus countries in correcting imbalances, are the key problems in the cyclical aspect of the over-all task. Whether there is a field for bilateral credits of a medium-term character, through special securities issued to creditor countries directly, could also be explored, since increases in quotas or changes in the scale of the General Arrangements to Borrow may occur only at relatively infrequent intervals.

As in the case of short-term monetary credits, medium-term credits are likely to create reserve assets on the books of the monetary authorities of the creditor countries.

The first aspect is the perfecting of our arrangements for safeguarding the monetary system against abrupt and short-term strains on major currencies. Here, bilateral and other credit arrangements, involving direct action by national monetary authorities, are particularly useful, due to their flexibility and speed of activation.

Secondly, cyclical imbalances of particular countries must be expected, even if we had an all but perfectly adjusted economic world. To deal with such imbalances, medium-term credit is called for, and the Fund has come increasingly to be relied upon for this purpose, supplemented, in appropriate cases, by the General Arrangements to Borrow. To fulfill this function, the Fund needs adequate access to the currencies of surplus countries.

The Tasks Ahead

Against this background, there are, as mentioned, two basic tasks ahead. Our first major responsibility is to reach and maintain a sustained equilibrium in the United States balance of payments. We are well advanced in this task. We know that we can succeed in it, and we will not relax our program for doing so until we succeed.

The second major task, on which I will comment here, is to improve our international monetary arrangements so that they will continue to meet the needs of the rest of the world and of the United States in the future, when reserves are no longer supplied by U. S. deficits because our payments have been brought into equilibrium. We may conveniently divide this into several aspects.

In the meantime, the Deputies of the Group of Ten bring together responsible officials of these countries to consider the basic problems of the functioning of the international monetary system and future needs for reserves. Under the aegis of this group, a technical study, known as the "Ossola Report," was published in August, 1965. This Report examines a number of possible ways of creating reserve assets.

For its part, the International Monetary Fund has also examined the question of creating reserve assets. In its Annual Report for 1964, the Fund strongly urged that any alterations made in the monetary system be evolutionary and be based on supplementing the existing system, where necessary. The Fund also indicated its belief that further development of international reserves could, and should, be based on the Fund.

The United Kingdom has, from time to time, made use of similar short-term facilities, arranged to meet particular needs. The largest such operation took place at the end of November, 1964, when $3 billion in short-term credits was arranged to strengthen the pound sterling.

In addition to the development of credit facilities, close and frequent consultations between responsible officials of treasuries and central banks are now a regular feature, through the Bank for International Settlements, and through a Working Party of the Organization for Economic Cooperation and Development. This Working Party is now undertaking a thorough study of the process of adjustment of international imbalances under modern conditions.

This understanding became known as the General Arrangements to Borrow, and the participants in it became known as the Group of Ten. Parallel arrangements were set up by the Swiss authorities to provide up to about $200 million in Swiss francs directly to the Fund for GAB members.

There is now in process a further increase in the Fund resources, amounting to 25 percent across the board plus additional amounts for a number of individual countries.

Generally speaking, Fund resources make available medium-term credit. Through direct contacts among the monetary authorities of leading countries, short-term credit facilities have also been provided on a very large scale, both on a stand-by basis and through ad hoc arrangements. A network of swap facilities, developed by the Federal Reserve System, has now reached a total of $2.8 billion.

First, in 1958-59, quotas in the International Monetary Fund were increased by 50 percent across the board, with additional selective increases for several leading industrial countries. This provided about $2.7 billion in additional gold and European currencies to the Fund, with a total enlargement of its resources of about $5 billion. However, in 1961, it was realized that, even with the quota increase, the resources of the Fund might prove insufficient to meet severe strains on leading currencies and that such strains could threaten to impair the functioning of the monetary system as a whole. After negotiations carried on during 1961, agreement was reached between the Fund and ten leading industrial countries under which these countries contracted to provide loans to the Fund under specified conditions in amounts up to $6 billion.

it will be helpful to review briefly what has been accomplished in the field of international monetary cooperation during the six years of large U. S. deficits. It is important to do this not only because the progress made in this area makes it now possible to mount an international approach to the new and more difficult task of deliberate reserve creation, but also because the developments of the past six years are, themselves, unprecedented and represent really gigantic steps in international understanding and in determined efforts to organize international activities in the monetary field.

The monetary history of these years is so crowded that it is difficult even to touch upon these achievements in a brief commentary of this type. However, some of the highlights may be mentioned.

This means that reserves of other Free World countries were roughly sufficient to cover four months of imports, if fully utilized. Naturally, there were wide differences among countries and regions, but the over-all ratio of 35 percent is the same as it was in 1928, lower than it was in 1958, when it was 41 percent, and as low as at any time since 1948, when the ratio was 43 percent. The ratio of U. S. reserves to imports, at 66 percent, is nearly twice as high as that of other Free World countries taken together. But United States reserves can be called upon by foreign holders of dollars as well as for financing our own imports in case of need. Our own ratio to imports has been halved since 1959.

International Monetary Cooperation -- 1958 to 1964

Before noting some of the issues that will be faced in trying to find a solution to the problem of reserve creation,

For this means that a major part of the secular growth in international reserves also stops. New monetary gold supplies are not sufficiently large to meet needs for additional reserves. The world economy is growing rapidly and, while no one sees as necessary an exact or mechanical relationship between the growth in world trade or world activity and the need for additional reserves, it seems quite clear that, sooner or later, more reserves will be required. Thus, some alternative procedures that will provide for additions to world reserves must be established.

In this connection, it is of interest that, in June, 1965, the official reserves of all Free World countries taken together -- excluding the United States -- stood at about 35 percent of world imports, c.i.f. basis.

The acceptability of dollar assets to foreign monetary authorities would be weakened, and this could lead to a shrinkage in existing world liquidity, concentrated on our own reserves, which have been declining over quite a long period.

For these reasons, President Johnson has made clear that United States deficits must be stopped. Speaking in Washington on the first of October, he told the Governors of the International Monetary Fund: "I want to be very clear about this. We must, in our own interest and in the interest of those who rely on the dollar as a reserve currency, maintain our payments in equilibrium. This we will do."

But the second part of the problem then faces us with the cessation of U. S. deficits.

they also derived rather small amounts from new monetary gold supplies or through the net increase of their creditor claims on the International Monetary Fund.

These figures give a quick indication of the two major problems that are faced by the United States and the world in dealing with international reserves in the future. The United States cannot afford to continue to run deficits and supply reserves in this fashion. To do so would mean that our own reserves would be reduced and our own international position impaired, not only financially but in many other ways as well. An internationally strong currency and a strong voice in world affairs tend to go together. Financially, our current assets would be reduced too far relative to our current liabilities.

During the six years beginning with 1959, the United States recorded a series of very large international deficits. It is true that a substantial part of the deficit reported by the Department of Commerce during these years, about $5 billion, took the form of additions to private dollar holdings. Nevertheless, the amount of the deficit which resulted in an increase of officially held reserves in foreign countries was nearly $13 billion. Continental European countries acquired the lion's share of these reserves. We have estimated that nearly three-quarters of the growth in official reserves of the rest of the world was accounted for by the counterpart of United States deficits. Since the over-all growth in reserves of other countries was about $17 billion during these six years,

Thus, over-all, the countries of the Free World now have about $68 billion in reserve assets -- $41 billion in gold, $22 billion in foreign exchange, and $5 billion in unconditional drawing rights on the Fund.

The U. S. Balance of Payments Deficit and World Reserves -- 1958 to 1964

After this survey of the principal types of reserve assets, we may now look at the crowded monetary history of 1959-64 to find the answer to the question as to why there is so much current interest in improving our monetary system. By 1958, the United States had swung sharply into a large deficit, following the somewhat favorable balance of payments position brought about in 1957 by exceptional difficulties of the United Kingdom and France.

The third type of reserve asset has developed more recently, as the Fund has extended credits to its members. It has come to be realized that there is a basic claim on the Fund known as the gold tranche -- tranche being French for "slice" or "cut" -- which arises initially when a country contributes gold to the Fund in the amount of one-quarter of its quota subscription. But, in addition to this gold tranche, there is also the so-called "super gold tranche," which represents an amount equal to any credit claims that countries may acquire in the Fund in excess of the gold tranche. These credit claims on the Fund arise when the currency of a given country is utilized by the Fund to make loans to other countries. Countries may draw virtually at will on the Fund, so long as they have super gold tranche or gold tranche claims. These "unconditional drawing rights" on the Fund total about $5 billion.

They like to find assets in which the foreign exchange can be safely invested and which can be sold quickly and easily, with a minimum of possible loss. This means there must be broad and deep markets for the securities in which their reserves are invested. There must be a large supply of foreign exchange available to be widely held by foreign countries. Today, only the dollar and the pound, and, to a more limited extent, the franc, are used as reserve currencies in this way. The pound and the franc are held as reserves largely by countries within the sterling area and the franc area. The foreign exchange component in international reserves now totals about $22 billion, of which about three-fifths is in the form of dollar assets.

It is, as someone once pointed out, one of the few commodities that can move in international trade without tariffs or restrictions, at least when it is destined for monetary authorities. In effect, it has universal acceptability. The countries of the Free World presently have $41 billion in gold in their international reserves, with about one-third held by the United States and about 50 percent held by Western European countries.

The foreign exchange component of international reserves consists principally of dollars and sterling. Currencies held as reserves depend partly upon history and practice. A very important factor is confidence in the maintenance of value of the currency in terms of gold and other currencies. But there are other important considerations that lead countries to hold reserves in a particular currency.

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In the last analysis, reserves for the commercial banking system are whatever is defined as reserves and accepted as reserves by national authorities and by the practice of commercial banks. Internationally, in somewhat the same manner, reserves, or reserve assets, represent those assets which major central banks will accept freely from other major central banks.

Types of Reserve Assets

At present, there are three basic forms of international reserve assets: gold, foreign exchange, and virtually unconditional drawing rights on the International Monetary Fund.

The oldest and most firmly established form of reserve is gold. It has served this purpose for many decades, and its use in some form as a basic money goes back for centuries.

A word must be said here about the applicability of much of what has just been said to reserve currencies. So long as other monetary authorities are prepared to acquire and hold additional deposits or investments denominated in a reserve currency, the monetary authorities of such a reserve country may be able to finance deficits without using reserves or calling upon specific credit facilities. That is, they are in the position of being able to transfer domestic assets to foreign monetary authorities without losing reserves. But this situation lasts only so long as other monetary authorities are prepared to add to their holdings of such assets. And at any time, foreign holders may decide to turn in such assets for conversion and draw down the reserves of the reserve center.

There is, of course, an important inter-connection between the growth of demand and of business activity in the region and the supply and price of credit within the region, but credit cost and availability are by no means the sole factors affecting the relative competitive positions of two currency areas. The efficiency of labor, the availability of natural resources, the many other factors affecting the aggregate levels of demand in the two areas, the structure of savings, consumption and investment, the form and magnitude of public outlays for defense and other purposes, and many other variables will affect the volume of transactions between two currency areas and, hence, the net settlements which must be met out of reserves or out of credit facilities that supplement reserves.

International reserves may also perform, sometimes in rather severe fashion, the function of exercising restraint upon the lending and investment activities of the national currency system.

But there is no direct and true analogy of the workings of the international monetary system in laying a restraining hand upon the monetary expansion of a country and the workings of domestic monetary systems in restraining the credit expansion of banks within the system. For there is only one monetary authority for a given region or country. Consequently, its reserve position is affected not only in the narrow sense by its own liberality or tightness in credit policy, but also in the broader sense by the vigor and competitive strength of all the business activity that is carried out within the region or country it serves.

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Internationally, reserve assets are available in case of need to finance deficits in a country's balance of payments. However, central banks cannot replenish their reserves in quite the same way as a commercial bank in the United States. They do have access to certain credit facilities in the International Monetary Fund and they may have arranged bilateral swaps with the United States or other countries, but these credit facilities are usually limited as to the amount that is quickly available without any questions being asked (unconditional credit). Additional borrowing is likely to be accompanied by searching international inquiry into the policies of the borrowing country. Especially important is their inability, in most cases, to sell or discount abroad their assets representing domestic loans or investments.

French franc would be the normal currency for transactions between France and the French-speaking areas of Africa, for example. Along with the use of their currencies in international trade, there is likely to be a substantial amount of financing of trade by banks in New York or in London or Paris in the form of dollar, sterling, and franc credits. During the postwar period, privately held international balances have risen rapidly in the form of dollars to $10.6 billion at the end of 1964, while sterling balances in private hands have grown more slowly to about $4.8 billion.

The third category, reserve assets, are held as reserves by the monetary authorities of the major countries. Although private holdings have their bearing on the over-all liquidity problem, the main questions relate to official reserves. Most of these remarks deal with this category of money.

vehicle or transactions currencies that are used by banks traders of one country in making payments to banks and ders of other countries; and (3) reserve assets that are d by and used by monetary authorities in making payments to etary authorities of other countries.

Domestically, countries utilize money created by their tral banks and their commercial banking systems in the form :urrency notes and deposits. The use of domestic money is e familiar and needs no further comment.

The second type of currency may be called a "trading" "vehicle" currency. For this purpose national currencies normally used in foreign trade, and especially the national encies of some of the major countries. Most international e, in practice, utilizes dollars or sterling, though the

ch trade or payments are conducted, or reserves are trans-

red, lent or borrowed.

The system may be likened somewhat to a rather rambling

se that has grown up over a considerable period of time,

ı various additions made from time to time by different

lders. It is not necessarily an artistic whole, but it

:tions rather well and keeps the currencies of the world

ing together more or less comfortably. At times, however,

:e is a certain restiveness among the tenants and a feeling

the house needs some further expansion or some major repairs,

oth. This is one of those periods.

There appears to be increasing agreement that the world

ents system as a whole requires three types of money:

national or domestic currencies for internal use;

‹ that, in a strict sense, there is not really an inter-

ional monetary system at all. What we have is a set of

:itutions and procedures which, over time, have become con-

:ionally acceptable arrangements for making international

ısfers of funds that settle international transactions and

providing reserves that are held by monetary authorities.

The International Monetary Fund and the Articles of Agree-

under which it was established provide a certain foundation

basic framework for the system. This is essentially the

em of exchange rates that are fixed for considerable periods

ime and are changed only when there is a clear case of a

amental disequilibrium. In addition, there are a number of

ial arrangements between particular countries and groups of

:ries, such as the franc area or the sterling area, under

Europe, full employment contrasted with the heavy unem-
ment of the Twenties. Reserves were built up with great
idity. The burden of postwar indebtedness to the United
es was extremely moderate because of the enormous quantity
ur resources that was made available to Europe through
Lend-Lease system and the Marshall Plan.

This was the situation at the end of 1958. Why, now, is
e so much talk about the need to improve the international
tary system? To find an answer to this question, let us
t review some of the elements that make up the inter-
onal monetary system.

ents of the International Monetary System

Mr. Roosa, my distinguished predecessor as Under Secretary
e Treasury for Monetary Affairs, has pointed out in a recent

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ɿever, France was still troubled with currency weakness il 1958. Sterling also came under pressure periodically, British reserves showed no persistent upward trend. Over-, however, industrial countries other than the United States already increased their reserves by $14 billion from 1948 1958, to nearly $22 billion, a figure almost as large as ted States reserves of $22.5 billion.

During this period, the world seemed to be approaching ıdily toward carrying out more and more of the objectives :he Bretton Woods Conference. The international monetary em appeared to be making steady progress and to be serving world well. The postwar recovery of Europe, both economi-y and financially, was in striking contrast to the diffi-ies that had been encountered in the first fifteen years r World War I.

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exchange rates of most European countries were depreciated

terms of the dollar in 1949. Although exchange restrictions

,an to be relaxed, in the Fifties, and the European Payments

on brought liberalized payments within the Western European

up of countries, world-wide convertibility did not come until

e in the Fifties. At the end of 1958, fourteen European

ntries announced de facto convertibility for new acquisitions

their currencies by foreigners, and this was the crucial

p in eliminating an important barrier to flows of goods and

ey between the Western Hemisphere and Western Europe.

Continental Europe recovered its financial strength rapidly

er the exchange adjustments of 1949, with the help of the

shall Plan and large U. S. military expenditures in Europe.

4

third major principle was that current exchange transactions,

listinguished from capital transactions, should be carried

freely without exchange restrictions.

However, it took some time for reality to overtake these

ls. The world emerged from the war with the dollar as the

r key currency. Other currencies were fixed in relation to

dollar, and their value was maintained by official purchase

sale of dollars. Through the convertibility of the dollar

gold, the major currencies were connected with gold. But,

a number of years after the war, restrictions were maintained

uropean countries, even on current transactions. Many

tries did not achieve strong currencies until after the

iall Plan had poured very large amounts of dollars into their

omies.

ı Hampshire. From that conference there emerged certain ıeral principles that have formed the foundation of the inter- :ional monetary system during the past two decades. And out this conference came the International Monetary Fund and the ernational Bank for Reconstruction and Development.

The experience of the inter-war period had vividly im- ssed the delegates to the conference at Bretton Woods. They, refore, established the system of so-called "adjustable pegs," exchange rates, that remained fixed unless a country was sidered to be in fundamental disequilibrium. The purpose ; was to limit competitive exchange rate depreciation. The ınd major element was to provide a pool of international lit which could supplement the reserves of individual countries ɪstablishing specified lines of credit availability.

it also introduced a general presumption against exchange
:eciation among these leading countries.

During the Thirties, world trade fell off in terms of value.
938, trade was only about 10 percent higher than it had been
913 and was about 25 percent below the 1928 level. Because
his shrinkage, and because currency depreciation raised the
e of gold, reserves became very large by comparison with
e. For the world as a whole, reserves rose to 117 percent
:ade, and, for the world outside the United States, reserves
63 percent of trade. However, these very large reserves
ıot stimulate an effective recovery of world trade under
'ost-depression conditions.

on Woods and the Period 1945 to 1958

While the war was still going on, the Allied nations held
ternational monetary conference in 1944 at Bretton Woods,

United States also withdrew for some years from the business

extending international credit in the form of bonds and loans

foreign banking systems. The depreciation of sterling in 1931

followed by dollar depreciation in 1933, and by the eventual

lapse of gold bloc exchange rates in 1936.

The record of the Thirties was not a happy one in inter-

onal trade and finance. It was marked by competitive

ency depreciation, by restrictive trade practices, and by

neral breakdown in international capital flow. And in the

er years, prior to the War, large amounts of Continental

pean funds sought refuge in London and in the United States.

In 1936, the first tentative efforts to develop continuing

tary cooperation by the major governments appeared with the

artite Agreement of that year. Technically and operationally,

agreement assured temporary official support for the gold

et, and thus for the major exchange rates.

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funds from the United States to Europe, the outflow being

vided by our banks and private investors, and the inflow

resenting intergovernmental debt receipts. When it began

be difficult to sell European bonds in the United States,

ere exchange pressures soon developed, first in Central Europe

then on the pound sterling.

The great depression brought serious disorganization of

international monetary system, as well as the banking system,

he United States. However liquidity is defined, it was

rely shrunk. At least some part of the severity of the

ession must probably be attributed to the cumulative weak-

es that became evident in the U. S. financial and monetary

em. These weaknesses led to certain important modifications.

internal redeemability of dollar currency into gold was

inated, thus reserving our gold reserves for international use.

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During the Twenties, balance of payments data began to collected and discussed. The dollar became a major world ding and reserve currency. Intergovernmental transfers oss the exchanges in the form of reparations and debt ments directed the attention of economists to international hange and monetary problems.

After 1926, the stabilization of the French franc at an er-valued level was followed by very large receipts of eign exchange by the French monetary authorities. The ıgement of these funds became a critical aspect of inter-onal financial developments of the late Twenties, and the ersion of some of these foreign exchange resources into gold nk international liquidity. The international financial tionships of this period were noteworthy for a circular flow

After the First World War, it was soon realized that the ce level was tending to settle down on a plateau about 50 :ent higher than prewar prices. There was considerable fear there would be a shortage of gold, even though a large of the gold previously circulating among the public in ›pe had been called into official reserves during the war. Genoa Conference in 1921 recommended wide use of the gold ange standard in order to economize on gold. By the year world imports had risen about 45 percent above the 1913 l, but the ratio of gold and foreign exchange to imports approximately doubled, to 42 percent. And, of this total, t one-quarter consisted of foreign exchange reserves. Out- the United States, countries held, on the average, reserves ›ld and foreign exchange equal to about 35 percent of annual ·ts.

How did the system manage to function -- with what, in
rospect, we can see were relatively few periods of stress --
n such limited reserves?

First, deficit countries generally were net borrowers on
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creditor countries tightened up, this probably led rather
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other goods by deficit countries, which were simply not
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Excluding countries now in the Communist bloc, the Fund imated total world gold reserves at about 19 percent of orts in 1913, with an additional 2 percent of imports, or ut $400 million, held in the form of foreign exchange erves.

On the whole, the international monetary system was rather ly loaned up. When pressure developed on the system, credit kly became tight, leading to the financial panics which ntuated the cyclical down-turns in business activity in e times. At such times, there was not only a drain on gold rnationally, but an internal drain on gold reserves could be expected, because most major currencies could be emed in gold coin.

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Even before the first World War, there was a considerable iation in the extent to which countries held gold. Accord- to a study made by the International Monetary Fund in 1958, ı France and Italy in 1913 had gold reserves equivalent to ıt 40 percent of annual imports, whereas the Netherlands, zerland, and the United Kingdom held gold reserves that of an entirely different order, equivalent to 4 to 8 ent of imports.

TREASURY DEPARTMENT
Washington

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RELEASE ON DELIVERY

REMARKS BY THE HONORABLE FREDERICK L. DEMING
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
AT THE JOINT LUNCHEON MEETING OF THE
[THERN ECONOMIC ASSOCIATION AND SOUTHERN FINANCE ASSOCIATION
AT THE DEAUVILLE HOTEL, MIAMI BEACH, FLORIDA
ON FRIDAY, NOVEMBER 12, 1965, AT 12:30 PM (EST)

THE INTERNATIONAL MONETARY SYSTEM -- ITS EVOLUTION AND THE PROBLEMS AHEAD

System Prior to World War II

Before the First World War, the major currencies were tied
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Before the First World War, the major currencies were tie to gold by fixed exchange rates, and sterling was the major currency used in international transactions. The Bank of Engl was at the focal point of the whole international monetary sys and was able to operate on a remarkably small gold reserve, equivalent to about 5 to 7 percent of the annual imports of tl United Kingdom. As the main international banking center, London had at all times large short-term claims on the rest o the world, as well as large liabilities to foreign countries. Changes in the availability and price of credit in London had a very important impact on the attraction of funds to London. The inflow and the outflow of funds from London was a major aspect of the adjustment mechanism under which international settlements were kept within limits that could be met either with a national reserve or borrowings.

Even before the first World War, there was a considerabl variation in the extent to which countries held gold. Accord to a study made by the International Monetary Fund in 1958, both France and Italy in 1913 had gold reserves equivalent to about 40 percent of annual imports, whereas the Netherlands, Switzerland, and the United Kingdom held gold reserves that were of an entirely different order, equivalent to 4 to 8 percent of imports.

Excluding countries now in the Communist bloc, the Fund estimated total world gold reserves at about 19 percent of imports in 1913, with an additional 2 percent of imports, or about $400 million, held in the form of foreign exchange reserves.

On the whole, the international monetary system was rathe fully loaned up. When pressure developed on the system, credi quickly became tight, leading to the financial panics which accentuated the cyclical down-turns in business activity in those times. At such times, there was not only a drain on gol internationally, but an internal drain on gold reserves could also be expected, because most major currencies could be redeemed in gold coin.

How did the system manage to function -- with what, in retrospect, we can see were relatively few periods of stress - with such limited reserves?

First, deficit countries generally were net borrowers on long-term capital account, and surplus countries were net investors of long-term capital. When the capital outflow fro the creditor countries tightened up, this probably led rather directly to a shrinkage in the imports of capital equipment and other goods by deficit countries, which were simply not able to raise the capital needed to finance them. Note that this type of adjustment process is a rather stringent one. Second, governmental transactions were much less important in the balance of payments at that time. Finally, and perhaps most important over-all, imports of capital by surplus countr if they occurred at all, probably took the form of short-term funds.

After the First World War, it was soon realized that the price level was tending to settle down on a plateau about 50 percent higher than prewar prices. There was considerable fe that there would be a shortage of gold, even though a large part of the gold previously circulating among the public in Europe had been called into official reserves during the war. The Genoa Conference in 1921 recommended wide use of the gold exchange standard in order to economize on gold. By the year 1928, world imports had risen about 45 percent above the 1913 level, but the ratio of gold and foreign exchange to imports had approximately doubled, to 42 percent. And, of this total about one-quarter consisted of foreign exchange reserves. Outside the United States, countries held, on the average, reserves of gold and foreign exchange equal to about 35 percent of annual imports.

During the Twenties, balance of payments data began to be collected and discussed. The dollar became a major world trading and reserve currency. Intergovernmental transfers across the exchanges in the form of reparations and debt payments directed the attention of economists to international exchange and monetary problems.

After 1926, the stabilization of the French franc at an under-valued level was followed by very large receipts of foreign exchange by the French monetary authorities. The management of these funds became a critical aspect of international financial developments of the late Twenties, and the conversion of some of these foreign exchange resources into gold shrank international liquidity. The international financial relationships of this period were noteworthy for a circular flow of funds from the United States to Europe, the outflow being provided by our banks and private investors, and the inflow representing intergovernmental debt receipts. When it began to be difficult to sell European bonds in the United States, severe exchange pressures soon developed, first Central Europe and then on the pound sterling.

The great depression brought serious disorganization of the international monetary system, as well as the banking system in the United States. However liquidity is defined, it was severely shrunk. At least some part of the severity of the depression must probably be attributed to the cumulative weaknesses that became evident in the U. S. financial and monetary system. These weaknesses led to certain important modifications. The internal redeemability of dollar currency gold was eliminated, thus reserving our gold reserves for international use. The United States also withdrew for some years from the business of extending international credit in the form of bonds and loans to foreign banking systems. The depreciation of sterling in 1931 was followed by dollar depreciation in 1933, and by the eventual collapse of gold bl exchange rates in 1936.

The record of the Thirties was not a happy one in international trade and finance. It was marked by competitive currency depreciation, by restrictive trade practices, and by a general breakdown in international capital flow. And in the latter years, prior to the War, large amounts of Continental European funds sought refuge in London and in the United States.

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In 1936, the first tentative efforts to develop continu monetary cooperation by the major governments appeared with t Tripartite Agreement of that year. Technically and operatio this agreement assured temporary official support for the gol market, and thus for the major exchange rates. But it also introduced a general presumption against exchange depreciatio among these leading countries.

During the Thirties, world trade fell off in terms of val In 1938, trade was only about 10 percent higher than it had b in 1913, and was about 25 percent below the 1928 level. Beca of this shrinkage, and because currency depreciation raised t price of gold, reserves became very large by comparison with trade. For the world as a whole, reserves rose to 117 percen of trade, and, for the world outside the United States, reser were 63 percent of trade. However, these very large reserves did not stimulate an effective recovery of world trade under the post-depression conditions.

Bretton Woods and the Period 1945 to 1958

While the war was still going on, the Allied nations hel an international monetary conference in 1944 at Bretton Woods New Hampshire. From that conference there emerged certain general principles that have formed the foundation of the international monetary system during the past two decades. A out of this conference came the International Monetary Fund a the International Bank for Reconstruction and Development.

The experience of the inter-war period had vividly impressed the delegates to the conference at Bretton Woods. They, therefore, established the system of so-called "adjusta pegs," or exchange rates, that remained fixed unless a countr was considered to be in fundamental disequilibrium. The purp here was to limit competitive exchange rate depreciation. Th second major element was to provide a pool of international credit which could supplement the reserves of individual coun by establishing specified lines of credit availability. The third major principle was that current exchange transactions, as distinguished from capital transactions, should be carried out freely without exchange restrictions.

However, it took some time for reality to overtake these ideals. The world emerged from the war with the dollar as th major key currency. Other currencies were fixed in relation the dollar, and their value was maintained by official purcha and sale of dollars. Through the convertibility of the dolla into gold, the major currencies were connected with gold. Bu

for a number of years after the war, restrictions were maintai
by European countries, even on current transactions. Many
countries did not achieve strong currencies until after the
Marshall Plan had poured very large amounts of dollars into th
economies. The exchange rates of most European countries were
depreciated in terms of the dollar in 1949. Although exchange
restrictions began to be relaxed, in the Fifties, and the
European Payments Union brought liberalized payments within th
Western European group of countries, world-wide convertibility
did not come until late in the Fifties. At the end of 1958,
fourteen European countries announced de facto convertibility
for new acquisitions of their currencies by foreigners, and th
the crucial step in eliminating an important barrier to flows
of goods and money between the Western Hemisphere and Western
Europe.

Continental Europe recovered its financial strength
rapidly after the exchange adjustments of 1949, with the help
of the Marshall Plan and large U. S. military expenditures in
Europe. However, France was still troubled with currency weak
until 1958. Sterling also came under pressure periodically,
and British reserves showed no persistent upward trend. Over-
all, however, industrial countries other than the United Stat
had already increased their reserves by $14 billion from 1948
to 1958, to nearly $22 billion, a figure almost as large as
United States reserves of $22.5 billion.

During this period, the world seemed to be approaching
steadily toward carrying out more and more of the objectives
of the Bretton Woods Conference. The international monetary
system appeared to be making steady progress and to be servin
the world well. The postwar recovery of Europe, both
economically and financially, was in striking contrast to the
difficulties that had been encountered in the first fifteen
years after World War I. In Europe, full employment
contrasted with the heavy unemployment of the Twenties.
Reserves were built up with great rapidity. The burden of
postwar indebtedness to the United States was extremely moder
because of the enormous quantity of our resources that was
made available to Europe through the Lend-Lease system and th
Marshall Plan.

This was the situation at the end of 1958. Why, now, is there so much talk about the need to improve the international monetary system? To find an answer to this question, let us first review some of the elements that make up the international monetary system.

Elements of the International Monetary System

Mr. Roosa, my distinguished predecessor as Under Secretar of the Treasury for Monetary Affairs, has pointed out in a rec book that, in a strict sense, there is not really an international monetary system at all. What we have is a set o institutions and procedures which, over time, have become conventionally acceptable arrangements for making internationa transfers of funds that settle international transactions and for providing reserves that are held by monetary authorities.

The International Monetary Fund and the Articles of Agreement under which it was established provide a certain foundation and basic framework for the system. This is essentially the system of exchange rates that are fixed for considerable periods of time and are changed only when there is a clear case of a fundamental disequilibrium. In addition, there are a number of special arrangements between particular countries and groups of countries, such as the franc area or the sterling area, under which trade or payments are conducted or reserves are transferred, lent or borrowed.

The system may be likened somewhat to a rather rambling house that has grown up over a considerable period of time, with various additions made from time to time by different builders. It is not necessarily an artistic whole, but it functions rather well and keeps the currencies of the world living together more or less comfortably. At times, however, there is a certain restiveness among the tenants and a feelin that the house needs some further expansion or some major repairs, or both. This is one of those periods.

There appears to be increasing agreement that the world payments system as a whole requires three types of money: (1) national or domestic currencies for internal use; (2) vehicle or transactions currencies that are used by banks and traders of one country in making payments to banks and traders of other countries; and (3) reserve assets that are held by and used by monetary authorities in making payments t monetary authorities of other countries.

Domestically, countries utilize money created by their central banks and their commercial banking systems in the for of currency notes and deposits. The use of domestic money is quite familiar and needs no further comment.

The second type of currency may be called a "trading" or a "vehicle" currency. For this purpose national currencies are normally used in foreign trade, and especially the nationa currencies of some of the major countries. Most international trade, in practice, utilizes dollars or sterling, though the French franc would be the normal currency for transactions between France and the French-speaking areas of Africa, for example. Along with the use of their currencies in international trade, there is likely to be a substantial amou of financing of trade by banks in New York or in London or Par in the form of dollar, sterling, and franc credits. During the postwar period, privately held international balances have risen rapidly in the form of dollars to $10.6 billion at the end of 1964, while sterling balances in private hands have grown more slowly to about $4.8 billion.

The third category, reserve assets, are held as reserves by the monetary authorities of the major countries. Although private holdings have their bearing on the over-all liquidity problem, the main questions relate to official reserves. Most of these remarks deal with this category of money.

Internationally, reserve assets are available in case of need to finance deficits in a country's balance of payments. However, central banks cannot replenish their reserves in qui the same way as a commercial bank in the United States. They do have access to certain credit facilities in the Internatio Monetary Fund and they may have arranged bilateral swaps with the United States or other countries, but these credit facili are usually limited as to the amount that is quickly availabl without any questions being asked (unconditional credit). Additional borrowing is likely to be accompanied by searching international inquiry into the policies of the borrowing country. Especially important is their inability, in most ca to sell or discount abroad their assets representing domestic loans or investments.

International reserves may also perform, sometimes in rather severe fashion, the function of exercising restraint upon the lending and investment activities of the national currency system.

But there is no direct and true analogy of the workings of the international monetary system in laying a restraining hand upon the monetary expansion of a country and the workings of domestic monetary systems in restraining the credit expansi of banks within the system. For there is only one monetary authority for a given region or country. Consequently, its reserve position is affected not only in the narrow sense by its own liberality or tightness in credit policy, but also in the broader sense by the vigor and competitive strength of all the business activity that is carried out within the region or country it serves. There is, of course, an important inte connection between the growth of demand and of business activi the region and the supply and price of credit within the regi but credit cost and availability are by no means the sole factors affecting the relative competitive positions of two currency areas. The efficiency of labor, the availability of natural resources, the many other factors affecting the aggre levels of demand in the two areas, the structure of savings, consumption and investment, the form and magnitude of public outlays for defense and other purposes, and many other variab will affect the volume of transactions between two currency a and, hence, the net settlements which must be met out of reserves or out of credit facilities that supplement reserves.

A word must be said here about the applicability of much of what has just been said to reserve currencies. So long as other monetary authorities are prepared to acquire and hold additional deposits or investments denominated in a reserve currency, the monetary authorities of such a reserve country may be able to finance deficits without using reserves or calling upon specific credit facilities. That is, they are i the position of being able to transfer domestic assets to foreign monetary authorities without losing reserves. But th situation lasts only so long as other monetary authorities ar prepared to add to their holdings of such assets. And at any time, foreign holders may decide to turn in such assets for conversion and draw down the reserves of the reserve center.

In the last analysis, reserves for the commercial bankin system are whatever is defined as reserves and accepted as reserves by national authorities and by the practice of commercial banks. Internationally, in somewhat the same man reserves, or reserve assets, represent those assets which ma central banks will accept freely from other major central ba

Types of Reserve Assets

At present, there are three basic forms of international reserve assets: gold, foreign exchange, and virtually unconditional drawing rights on the International Monetary Fund.

The oldest and most firmly established form of reserve is gold. It has served this purpose for many decades, and its use in some form as a basic money goes back for centuries. It is, as someone once pointed out, one of the few commodities that can move in international trade without tariffs or restrictions, at least when it is destined for monetary authorities. In effect, it has universal acceptability. The countries of the Free World presently have $41 billion in gold in their international reserves, with about one-third held by the United States, and about 50 percent held by Western European countries.

The foreign exchange component of international reserves consists principally of dollars and sterling. Currencies held as reserves depend partly upon history and practice. A very important factor is confidence in the maintenance of value of the currency in terms of gold and other currencies. But there are other important considerations that lead countries to hol reserves in a particular currency. They like to find assets i which the foreign exchange can be safely invested and which ca sold quickly and easily, with a minimum of possible loss. Thi means there must be broad and deep markets for the securities which their reserves are invested. There must be a large sup of foreign exchange available to be widely held by foreign countries. Today, only the dollar and the pound, and, to a more limited extent, the franc, are used as reserve currencie in this way. The pound and the franc are held as reserves largely by countries within the sterling area and the franc area. The foreign exchange component in international reser now totals about $22 billion, of which about three-fifths is in the form of dollar assets.

The third type of reserve asset has developed more recently, as the Fund has extended credits to its members. It has come to be realized that there is a basic claim on the Fund known as the gold tranche -- tranche being French for

"slice" or "cut" -- which arises initially when a country contributes gold to the Fund in the amount of one-quarter of its quota subscription. But, in addition to this gold tranch there is also the so-called "super gold tranche," which represents an amount equal to any credit claims that countrie may acquire in the Fund in excess of the gold tranche. These credit claims on the Fund arise when the currency of a given country is utilized by the Fund to make loans to other countr Countries may draw virtually at will on the Fund, so long as they have super gold tranche or gold tranche claims. These "unconditional drawing rights" on the Fund total about $5 bill

Thus, over-all, the countries of the Free World now have about $68 billion in reserve assets -- $41 billion in gold, $22 billion in foreign exchange, and $5 billion in unconditio drawing rights on the Fund.

<u>The U. S. Balance of Payments Deficit and World Reserves -- 1958 to 1964</u>

After this survey of the principal types of reserve asse we may now look at the crowded monetary history of 1959-64 to find the answer to the question as to why there is so much curr interest in improving our monetary system. By 1958, the United States had swung sharply into a large deficit, followi the somewhat favorable balance of payments position brought about in 1957 by exceptional difficulties of the United Kingdom and France. During the six years beginning with 1959 the United States recorded a series of very large internation deficits. It is true that a substantial part of the deficit reported by the Department of Commerce during these years, ab $5 billion, took the form of additions to private dollar hold Nevertheless, the amount of the deficit which resulted in an increase of officially held reserves in foreign countries was nearly $13 billion. Continental European countries acquired the lion's share of these reserves. We have estimated that nearly three-quarters of the growth in official reserves of t rest of the world was accounted for by the counterpart of United States deficits. Since the over-all growth in reserve of other countries was about $17 billion during these six years, they also derived rather small amounts from new moneta gold supplies or through the net increase of their creditor claims on the International Monetary Fund.

These figures give a quick indication of the two major problems that are faced by the United States and the world in dealing with international reserves in the future. The United States cannot afford to continue to run deficits and supply reserves in this fashion. To do so would mean that our own reserves would be reduced and our own international position impaired, not only financially but in many other ways as well. An internationally strong currency and a strong voic in world affairs tend to go together. Financially, our curren assets would be reduced too far relative to our current liabilities. The acceptability of dollar assets to foreign monetary authorities would be weakened, and this could lead to a shrinkage in existing world liquidity, concentrated on our own reserves, which have been declining over quite a long period.

For these reasons, President Johnson has made clear that United States deficits must be stopped. Speaking in Washingto on the first of October, he told the Governors of the International Monetary Fund: "I want to be very clear about this. We must, in our own interest and in the interest of tho who rely on the dollar as a reserve currency, maintain our payments in equilibrium. This we will do."

But the second part of the problem then faces us with the cessation of U. S. deficits. For this means that a major part of the secular growth in international reserves also sto New monetary gold supplies are not sufficiently large to meet needs for additional reserves. The world economy is growing rapidly and, while no one sees as necessary an exact or mecha relationship between the growth in world trade or world activity and the need for additional reserves, it seems quite clear that, sooner or later, more reserves will be required. Thus, some alternative procedures that will provide for additions to world reserves must be established.

In this connection, it is of interest that, in June, 196 the official reserves of all Free World countries taken together -- excluding the United States -- stood at about 35 percent of world imports, c.i.f. basis. This means that reserves of other Free World countries were roughly sufficien to cover four months of imports, if fully utilized. Naturall there were wide differences among countries and regions, but the over-all ratio of 35 percent is the same as it was in 1928, lower than it was in 1958, when it was 41 percent, and as low as at any time since 1948, when the ratio was 43 perc

The ratio of U. S. reserves to imports, at 66 percent, is nearly twice as high as that of other Free World countries taken together. But United States reserves can be called upon by foreign holders of dollars as well as for financing our own imports in case of need. Our own ratio to imports has been ha since 1959.

International Monetary Cooperation -- 1958 to 1964

Before noting some of the issues that will be faced in trying to find a solution to the problem of reserve creation, it will be helpful to review briefly what has been accomplish in the field of international monetary cooperation during the six years of large U. S. deficits. It is important to do this not only because the progress made in this area makes it now possible to mount an international approach to the new and more difficult task of deliberate reserve creation, but also becaus the developments of the past six years are, themselves, unprecedented and represent really gigantic steps in international understanding and in determined efforts to organize international activities in the monetary field.

The monetary history of these years is so crowded that it is difficult even to touch upon these achievements in a brief commentary of this type. However, some of the highlights may be mentioned.

First, in 1958-59, quotas in the International Monetary Fund were increased by 50 percent across the board, with additional selective increases for several leading industrial countries. This provided about $2.7 billion in additional gold and European currencies to the Fund, with a total enlargement of its resources of about $5 billion. However, in 1961, it was realized that, even with the quota increase, the resources of the Fund might prove insufficient to meet severe strains on leading currencies and that such strains could threaten to impair the functioning of the monetary system as a whole. After negotiations carried on during 1961, agreement was reached between the Fund and ten leading industrial count under which these countries contracted to provide loans to the Fund under specified conditions in amounts up to $6 billion. This understanding became known as the General Arrangements to Borrow, and the participants in it became known as the Group of Ten. Parallel arrangements were set up by the Swiss authorities to provide up to about $200 million in Swiss franc directly to the Fund for GAB members.

There is now in process a further increase in the Fund resources, amounting to 25 pcercent across the board plus additional amounts for a number of individual countries.

Generally speaking, Fund resources make available medium-term credit. Through direct contacts among the monetary authorities of leading countries, short-term credit facilities have also been provided on a very large scale, both on a stand-by basis and through ad hoc arrangements. A network of swap facilities, developed by the Federal Reserve System, has now reached a total of $2.8 billion. The United Kingdom has, from time to time, made use of similar short-term facilities, arranged to meet particular needs. The largest such operation took place at the end of November, 1964, when $3 billion in short-term credits was arranged to strengthen the pound sterling.

In addition to the development of credit facilities, close and frequent consultations between responsible officials of treasuries and central banks are now a regular feature, through the Bank for International Settlements, and through a Working Party of the Organization for Economic Cooperation and Development. This Working Party is now undertaking a thorough study of the process of adjustment of international imbalances under modern conditions.

In the meantime, the Deputies of the Group of Ten bring together responsible officials of these countries to consider the basic problems of the functioning of the international monetary system and future needs for reserves. Under the aegis of this group, a technical study, known as the "Ossola Report," was published in August, 1965. This Report examines a number of possible ways of creating reserve assets.

For its part, the International Monetary Fund has also examined the question of creating reserve assets. In its Annual Report for 1964, the Fund strongly urged that any alterations made in the monetary system be evolutionary and be based on supplementing the existing system, where necessary. The Fund also indicated its belief that further development of international reserves could, and should, be based on the Fund

The Tasks Ahead

Against this background, there are, as mentioned, two basic tasks ahead. Our first major responsibility is to reach and maintain a sustained equilibrium in the United States balance of payments. We are well advanced in this task. We known that we can succeed in it, and we will not relax our program for doing so until we succeed.

The second major task, on which I will comment here, is to improve our international monetary arrangements so that they will continue to meet the needs of the rest of the world and of the United States in the future, when reserves are no longer supplied by U. S. deficits because our payments have been brought into equilibrium. We may conveniently divide this into several aspects.

The first aspect is the perfecting of our arrangements for safeguarding the monetary system against abrupt and short-term strains on major currencies. Here, bilateral and other credit arrangements, involving direct action by national monetary authorities, are particularly useful, due to their flexibility and speed of activation.

Secondly, cyclical imbalances of particular countries must be expected, even if we had an all but perfectly adjusted economic world. To deal with such imbalances, medium-term credit is called for, and the Fund has come increasingly to be relied upon for this purpose, supplemented, in appropriate cases, by the General Arrangements to Borrow. To fulfill this function, the Fund needs adequate access to the currencies of surplus countries. How to assure this, to couple the use of the Fund's facilities with appropriate encouragement of correction of the imbalance and to gain the cooperation of surplus countries in correcting imbalances, are the key problems in the cyclical aspect of the over-all task. Whether there is a field for bilateral credits of a medium-term character, through special securities issued to creditor countries directly, could also be explored, since increase in quotas or changes in the scale of the General Arrangements to Borrow may occur only at relatively infrequent intervals.

As in the case of short-term monetary credits, medium-term credits are likely to create reserve assets on the books of the monetary authorities of the creditor countries. This is now being recognized, and the global statistics on reserves, carried in the publications of the International Monetary Fund, include a category called Reserve Positions in the Fund.

It is in considering the longer term, or secular area of creating reserves intended to be more or less permanently or indefinitely carried on the books of monetary authorities, that we encounter the third aspect of the task. This is usually described as the "deliberate creation of additional reserve assets."

There are a number of difficult problems ahead for negotiators. The deliberate creation of additional reserve assets differs from what has been done up to now, in somewhat the same way as our nuclear and space activities in the scientific field differ from conventional weapons and conventional aircraft of the past. The world has never before set about this task deliberately. Monetary authorities are going to be careful before they introduce into balance sheets a reserve asset to be held more or less indefinitely.

I have used the term "additional reserve asset" consciously. There are ways of creating deliberately more reserve assets of the type that we already have, such as reserve positions in the Fund. There are also approaches that would require an entirely new type of asset, such as special reserve units created by a group of countries, either in partnership with the Fund or independently.

The United States has stressed that the interests of all members of the International Monetary Fund must be considered in these negotiations and that countries not members of the Group of Ten must be represented in the second stage of the preparations for formal improvements in the monetary system, after the first stage of negotiations in the Group of Ten has provided some basis for an eventual international understanding. In doing this, however, we fully recognize that there is a conceptual difference between the problem of creating adequate reserves for the world and the capital needs of developing countries.

In the same way, there is a conceptual distinction between the financing of a cyclical or short-term deficit and the creation of reserves of an indefinite duration. But, again, reserves, however created and for whatever purpose, can be spent. Reserves which could only be held and never spent would be strange instruments, indeed, though, in practice, a large proportion of the world's reserves do remain largely inert for long periods of time.

What are some of the major negotiating problems? I shall merely sketch them briefly, though much has been and will be written about these questions, I am sure.

First, there are differing views among the Group of Ten, itself, as to the imminence of a need for additional reserves. The Continental European countries generally believe there is too much liquidity now. They have had large-scale annual increases in reserves amounting to about 10 percent a year. They believe these increases have contributed to the inflationary pressures which present to them their most difficult internal problem of economic policy.

Second, the European concern about inflation also causes them to put a great deal of emphasis on the ways of imposing adequate discipline on countries in deficit to take prompt and effective measures to restore balance. The United States has, for its part, endorsed more intensified study of the adjustment process in the hope this study will emphasize more clearly that surplus countries, as well as the deficit countr have essential responsibilities in this area.

Third, there are a number of substantive questions concerning the techniques for creating reserve assets. The Study on the Creation of Reserve Assets by a study group of Group of Ten countries, headed by Rinaldo Ossola, of Italy, and made public last August, has explored in depth a wide var of ways in which a new reserve asset might be created. Some are simple ones which could be instituted fairly quickly through modifications in the operating policies of the IMF. Others would call for the creation of a new reserve unit, either within or outwide the IMF. Still others would aim primarily at changing the character of present reserve elements without necessarily adding to the supply. Some envisage that combinations of schemes should be adopted.

Four issues have been conveniently listed at the end of the Ossola Group Report, and these four will clearly confront the negotiators. The substantive views of the United States are being developed in these questions, and I shall not try t anticipate them here.

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One question is whether or not a new reserve asset can be utilized in international settlements only along with a specified quantity of gold or other reserves or may circulate on its own. For our part, we believe that the creation or use of a new unit should not influence nations directly or indirectly to seek to add unnecessarily to their holdings of gold. As the country to whom others turn for gold when new supplies are not available, we have a vital interest in this aspect.

The width of membership for purposes of management and distribution of additional reserve assets raises economic, financial, and political questions, involving the status of nations outside the Group of Ten, and their relationsip to the process of creating and distributing new reserve assets.

In the third place, a view has been expressed that the IMF should properly be provided with sufficient resources to fulfill its function of providing credits to individual countries, but that the Fund should not have a leading or important policy role in the deliberate creation of reserves. On the other hand, many of the member countries of the IMF at the recent annual meeting supported IMF Managing Director Schweitzer's view that "liquidity is the Fund's business."

The rules for decision-making present both economic and political difficulties. How can the minority be protected, while avoiding the exercise of an inordinate degree of power on the part of a country or countries which, at any given time would be reluctant to approve the creation of the reserves generally desired?

Conclusion

In conclusion, let me cite a statement of the President of the United States on October 1, 1965:

> "The long period of large U. S. deficits has come to an end. If growth is to continue and trade is to expand, we must provide an effective and adequate substitute.
>
> "This is not a matter of an immediate crisis. But it is a matter on which we must begin to act -- now. We must begin now to provide machinery for the creation of additional reserves. Gold

alone will not be enough to support the healthy growth which the entire world demands. It will not be enough in the future any more than it has been in the past.

"There is no shortage of plans for reforming the world's monetary system.

"Let us try to choose the best. But let us remember the best is sometimes the enemy of the possible. Let us not become so preoccupied by questions of mere detail that we end up doing nothing. Ours is a large and growing world. It has a large and growing trade. Let us provide for this growth."

o0o

Country or Group	Gold	Foreign Exchange	IMF Position	Total Increase (6 Years)	Average Annual Rate of Increase Amount	%
Industrial Europe	7.7	2.8	2.0	12.5	2.1	10.1 %
Canada and Japan	0.2	1.3	0.3	1.8	.3	7.9 %
United Kingdom	-0.7	-0.1	-	- 0.8	- .1	-
Other Western Europe	0.6	1.1	0.2	1.9	.3	11.5 %
Australia, New Zealand, South Africa	0.4	0.6	0.2	1.2	.2	9.5 %
Less Developed Areas	-0.2	0.6	0.2	0.6	.1	1.0 %
Total above *	8.0	6.3	2.8	17.1	2.9	6.8 %
United States	-5.1	0.4	-1.2	- 5.9	-1.0	-
Total all Countries*	2.9	6.8	1.6	11.3	1.9	3.0 %

* Columns may not add due to rounding

1959	54	126	41	64	43	48
1960	51	117	40	61	45	50
1961	51	117	41	61	47	51
1962	48	97	40	56	45	50
1963	47	91	40	52	43	47
1964	43	82	38	48	40	46
1965*** (1st half)	39	66	35	43	37	42

*** As percentage of estimated 1965 imports

GOLD HOLDINGS AS PERCENT OF IMPORTS

	All Countries	U.S.	All Countries Minus U.S.	G-10 Plus Switzerland	G-10 Plus Switzerland Minus U.S.	G-10 Plus Switzerland Minus U.S. and U.K.
1913	19		14			
1928	32		23			
1937	93		53			
1938	110		54			
1948	55	302	16	97	21	31
1949	57	326	17	98	22	26
1950	57	237	22	86	27	23
1951	41	192	15	62	18	18
1952	43	199	15	64	18	20
1953	46	186	19	65	23	22
1954	44	196	18	65	24	23
1955	39	174	17	58	22	23
1956	36	158	16	52	20	21
1957	35	156	15	50	19	21
1958	38	141	20	55	28	28
1959	36	115	21	51	28	30
1960	32	108	20	45	27	29

1913	21		17			
1928	42		35			
1937	101		63			
1938	117		63			
1948	81	319	43	104	30	34
1949	77	345	48	109	31	37
1950	84	252	50	100	41	38
1951	62	204	37	72	28	31
1952	63	211	38	80	34	38
1953	69	198	45	81	40	47
1954	68	206	45	82	43	48
1955	62	183	42	73	40	44
1956	58	169	39	67	37	41
1957	53	170	35	63	33	38
1958	58	154	41	71	44	50

* Total reserves at the end of the indicated period including gold, foreign exchange, and reserve position in IMF.

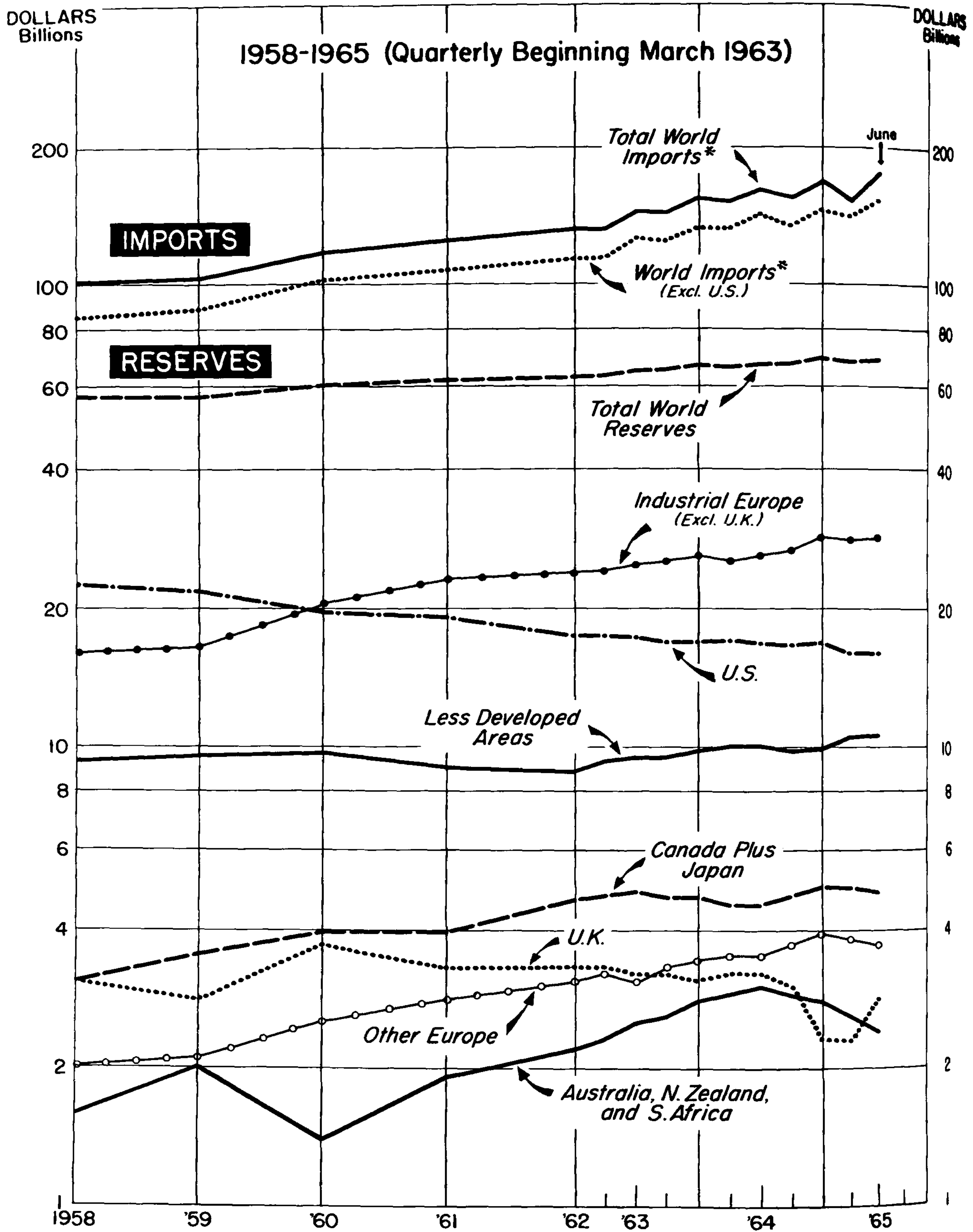
** All IMF members plus Switzerland

GOLD HOLDINGS AS PERCENT OF IMPORTS - Contin

	All Countries	U.S.	All Countries Minus U.S.	G-10 Plus Switzerland	G-10 Plus Switze Minus U.S.	G-10 Plus Switzerlan Minus U.S. and U
1961	31	105	20	44	27	30
1962	30	90	20	40	27	28
1963	28	84	20	37	26	27
1964	26	76	18	34	24	28
1965** (First half)	24	60	18	31	23	25

* All IMF members plus Switzerland
** As percentage of estimated 1965 imports

WORLD IMPORTS AND MONETARY RESERVES

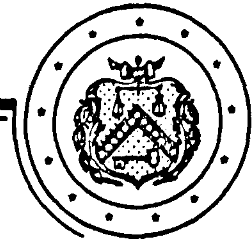


*Quarterly data for imports expressed as annual rates.
Source: IMF. International Financial Statistics.

Office of the Secretary of the Treasury

FO-395

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 9, 1965

CANADIAN SECURITIES ISSUES POSTPONED

[T]he Treasury today issued the following statement in response [to in]quiries:

The United States and Canada have agreed that the [f]inancial authorities of both countries will solicit the [c]ooperation of borrowers and underwriters of both countries in deferring delivery until 1966 of further securities [o]fferings.

It is hoped, in this way, to smooth the quarterly flow [o]f capital between the two countries consistently with the [s]easonal balance of payments considerations of both.

The background to the above moves is the following:

The United States and Canada have agreed, as part of [c]ontinuing cooperative arrangements made in 1963, to make a [j]oint effort to limit during the remainder of this year the [a]mount of funds delivered to Canadian borrowers raising [m]oney in U. S. capital markets.

In July 1963, at the time when the Canadian exemption [f]rom the Interest Equalization Tax was secured, Canada [s]tated that it was neither her desire nor intent to increase [h]er foreign exchange reserves through the proceeds of [b]orrowing in the U. S. The two governments agreed to [m]aintain close consultation on this matter in the interest [o]f both countries.

As a result of recent large sales of wheat to the [U]SSR and the usual seasonal strength in her current account, [t]he level of Canada's foreign exchange reserves, including [h]er creditor position with the International Monetary Fund, [h]as been running somewhat higher in recent months than the [l]evel used as a base in the 1963 understanding. At the [s]ame time, Canadian security offerings have been running [a]t a high rate, with expected deliveries in the fourth quarter, [i]n the absence of deferments, expected to reach $250 million.

While Canada's balance of payments picture is seasonally [s]trong in the fourth quarter, it traditionally has a large [c]urrent account deficit to meet in the winter and in the spring.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 9, 1965

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It is hoped, in this way, to smooth the quarterly flow of capital between the two countries consistently with the seasonal balance of payments considerations of both.

The background to the above moves is the following:

The United States and Canada have agreed, as part of continuing cooperative arrangements made in 1963, to make a joint effort to limit during the remainder of this year the amount of funds delivered to Canadian borrowers raising money in U. S. capital markets.

In July 1963, at the time when the Canadian exemption from the Interest Equalization Tax was secured, Canada stated that it was neither her desire nor intent to increase her foreign exchange reserves through the proceeds of borrowing in the U. S. The two governments agreed to maintain close consultation on this matter in the interest of both countries.

As a result of recent large sales of wheat to the USSR and the usual seasonal strength in her current account, the level of Canada's foreign exchange reserves, including her creditor position with the International Monetary Fund, has been running somewhat higher in recent months than the level used as a base in the 1963 understanding. At the same time, Canadian security offerings have been running at a high rate, with expected deliveries in the fourth quarter in the absence of deferments, expected to reach $250 million.

While Canada's balance of payments picture is seasonally strong in the fourth quarter, it traditionally has a large current account deficit to meet in the winter and in the spri

-0-

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

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

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forms and forwarded in the special envelopes which will be supplied by Federal
Banks or Branches on application therefor.

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

ediately after the closing hour, tenders will be opened at the Federal Reserve
d Branches, following which public anouncement will be made by the Treasury
nt of the amount and price range of accepted bids. Those submitting tenders
advised of the acceptance or rejection thereof. The Secretary of the Treasury
y reserves the right to accept or reject any or all tenders, in whole or in
d his action in any such respect shall be final. Subject to these reserva-
oncompetitive tenders for each issue for $200,000 or less without stated
om any one bidder will be accepted in full at the average price (in three
) of accepted competitive bids for the respective issues. Settlement for
tenders in accordance with the bids must be made or completed at the Federal
Bank on November 18, 1965 (x6), in cash or other immediately available funds
like face amount of Treasury bills maturing November 18, 1965 (x7). Cash
nge tenders will receive equal treatment. Cash adjustments will be made for
es between the par value of maturing bills accepted in exchange and the issue
the new bills.

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

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TREASURY DEPARTMENT
Washington

November 10, 1965

DIATE RELEASE,
XXXXXXXXXXXXXXXXXXXXXXXXXXX
(XX)

TREASURY'S WEEKLY BILL OFFERING

Treasury Department, by this public notice, invites tenders for two series ury bills to the aggregate amount of $ 2,200,000,000 , or thereabouts, for (X) in exchange for Treasury bills maturing November 18, 1965 , in the amount (X) 2,558,000 , as follows:
(X)

1 -day bills (to maturity date) to be issued November 18, 1965 , (X)
) in the amount of $ 1,200,000,000 , or thereabouts, represent- (X) ing an additional amount of bills dated August 19, 1965 , (X) and to mature February 17, 1966 , originally issued in the (X) amount of $ 1,000,551,000 , the additional and original bills (X) to be freely interchangeable.

182 -day bills, for $ 1,000,000,000 , or thereabouts, to be dated
X) (X) November 18, 1965 , and to mature May 19, 1966 .
(X) (X)

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

ders will be received at Federal Reserve Banks and Branches up to the closing -thirty p.m., Eastern Standard time, Monday, November 15, 1965 . Tenders (X) be received at the Treasury Department, Washington. Each tender must be en multiple of $1,000, and in the case of competitive tenders the price ust be expressed on the basis of 100, with not more than three decimals, .925. Fractions may not be used. It is urged that tenders be made on the

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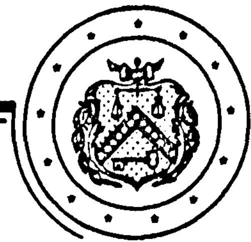
TREASURY DEPARTMENT



WASHINGTON, D.C.
November 10, 1965

FOR IMMEDIATE RELEASE

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tender 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 November 18, 1965, in the amount of $2,202,558,000, as follows:

91-day bills (to maturity date) to be issued November 18, 1965 in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated August 19, 1965, and to mature February 17, 1966, originally issued in the amount of $1,000,551,000, the additional and original bills to be freely interchangeable.

182-day bills, for $1,000,000,000, or thereabouts, to be dated November 18, 1965, and to mature May 19, 1966.

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty p.m., Eastern Standard time, Monday, November 15, 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 no be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Feder Reserve Banks or Branches on application therefor.

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

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Immediately after the closing hour, tenders will be opened at the
:al Reserve Banks and Branches, following which public announce-
will be made by the Treasury Department of the amount and price
: of accepted bids. Those submitting tenders will be advised
ie acceptance or rejection thereof. The Secretary of the Treasury
:ssly reserves the right to accept or reject any or all tenders,
iole or in part, and his action in any such respect shall be
.. Subject to these reservations, noncompetitive tenders for
issue for $200,000 or less without stated price from any one
:r will be accepted in full at the average price (in three
ials) of accepted competitive bids for the respective issues.
.ement for accepted tenders in accordance with the bids must be
or completed at the Federal Reserve Bank on November 18, 1965, in
or other immediately available funds or in a like face amount
:easury bills maturing November 18, 1965. Cash and exchange tenders
receive equal treatment. Cash adjustments will be made for
:rences between the par value of maturing bills accepted in
inge and the issue price of the new bills.

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

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

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BACKGROUND SKETCH OF RUFUS W. YOUNGBLOOD

Mr. Youngblood was appointed to the United States Secret
ervice in 1951. He has served in the Atlanta office and had prior service on the
hite House Detail, and was assigned to the Vice Presidential
etail shortly after Vice President Johnson took office. In
ovember, 1963, Mr. Youngblood became an Assistant Special
gent in Charge of the White House Detail. He was promoted
o Special Agent in Charge of the White House Detail on January
1, 1965. Born in Macon, Georgia, on January 13, 1924,
r. Youngblood received a Bachelor of Science Degree from the
eorgia Institute of Technology in 1949. He is married to the
ormer Peggy Behman, and has three daughters and one son.

BACKGROUND SKETCH OF THOMAS L. JOHNS

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Mr. Johns was appointed to the Secret Service in 1954. He has served in the Birmingham, Chicago, and Atlanta office, and on the Vice Presidential and White House Details. In November, 1963, he was assigned to the White House as an Assistant Special Agent in Charge. Born on December 11, 1925, at Birmingham, Alabama, he holds a Bachelor of Science Degree in Law and Business Administration from Howard College, Birmingham. He is married to the former Nita Jean Parker. They have one son.

e ~~Treasury today announced the~~ following people will fill
e positions created under Treasury Department Order No.
3-3:

rector:	James J. Rowley (Presently Chief of the U. S. Secret Service)
sistant to the Director nspection and Audit)	Jackson N. Krill (Presently Chief Inspector)
sistant to the Director nformation and Liaison)	Burrill A. Peterson (Presently Inspector)
unsel	Robert O. Goff
sistant Director nvestigations)	Thomas J. Kelley (Presently Inspector)
sistant Director rotective Intelligence)	Walter H. Young (Presently Special Agent in Charge, Protective Research Section)
sistant Director rotective Forces)	Rufus W. Youngblood (Presently Special Agent in Charge, White House Detail)*
sistant Director lministration)	-- Yet to be filled --

* Thomas L. Johns, Assistant Special Agent in Charge, White House Detail, to become Special Agent in Charge, White House Detail.

Warren Commission recommended that the Service improve elligence criteria, intake, and processing, and obtain ied personnel and resources.

Secretary Fowler noted that execution of these recommendations to a separation of protective logistics and manpower from tective intelligence, under two Assistant Directors directly ponsible to the Director of the Secret Service. Other changes e in the reorganization are the creation of Assistant Directors Administration and Investigations.

A copy of the order outlining the reorganization is :ached, ~~AS WERE~~ TOGETHER WITH A LIST OF OSE NAMED TO THE NEW POSITIONS

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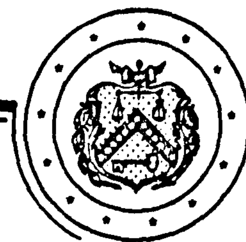
TREASURY DEPARTMENT



UNDER

WASHINGTON, D.C.

NOV. 10
~~November 3,~~ 1965

THE DIRECTOR

RELEASE ~~A.M. NEWSPAPERS~~
~~DAY, NOVEMBER 4, 1965~~

HEADQUARTERS REORGANIZATION
OF THE
UNITED STATES SECRET SERVICE

Secretary of the Treasury Henry H. Fowler announced
lay that a headquarters reorganization of the U. S. Secret
vice has been put into effect. The reorganization was
nned and recommended by David C. Acheson, Special Assistant
the Secretary in charge of Law Enforcement and by James J.
ley, Chief of the Secret Service, and was approved by
~~ing~~ Secretary Joseph W. Barr. Mr. Rowley will [remain as] CONTINUE TO
head [of] the Service [under the new organization,] with his
le changed from Chief to Director.

The purpose of the reorganization, the Secretary said,
to give the Washington headquarters of Secret Service a
e effective means of supervision over a Service that is
anding in size and changing in methods. The changes do
affect the number of agents regularly employed on the
te House detail.

In addition to the post of Director, the order provides
four Assistant Directors, two Assistants to the Director and
nsel.

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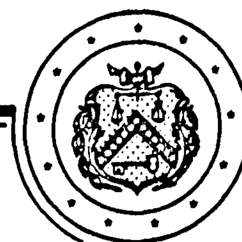
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 10, 1965

FOR IMMEDIATE RELEASE

HEADQUARTERS REORGANIZATION OF THE UNITED STATES SECRET SERVICE

Secretary of the Treasury Henry H. Fowler announced today t a headquarters reorganization of the U. S. Secret Service has be put into effect. The reorganization was planned and recommende by David C. Acheson, Special Assistant to the Secretary in charg of Law Enforcement and by James J. Rowley, Chief of the Secret Service, and was approved by Under Secretary Joseph W. Barr. Mr. Rowley will head the Service, with his title changed from Chief to Director.

The purpose of the reorganization, the Secretary said, is t give the Washington headquarters of Secret Service a more effec means of supervision over a Service that is expanding in size a changing in methods. The changes do not affect the number of agents regularly employed on the White House detail.

In addition to the post of Director, the Reorganization Order provides for four Assistant Directors, two Assistants to Director and a Counsel.

A copy of the Order outlining the reorganization is attach together with a list of those named to the new positions.

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F-263

THE SECRETARY OF THE TREASURY
WASHINGTON

645

TREASURY DEPARTMENT ORDER NO. 173-3

Realignment of Headquarters Functions and Responsibilities in the United States Secret Service

By virtue of the authority vested in me as Secretary of the Treasury, including the authority in Reorganization Plan No. 26 of 1950, the following offices are hereby established in the Headquarters of the United States Secret Service:

Director

Assistant to the Director (Inspection and Audit)

Assistant to the Director (Information and Liaison)

Counsel

Assistant Director (Investigations)

Assistant Director (Protective Intelligence)

Assistant Director (Protective Forces)

Assistant Director (Administration)

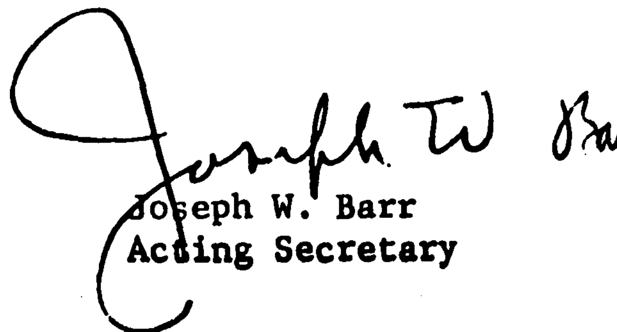
The Director of the Secret Service will proceed to carry out the provisions of this Order as expeditiously as possible. He shall, with the approval of the Special Assistant to the Secretary (for Enforcement):

(1) create appropriate subordinate offices and assign to all offices such functions and duties as he determines to be necessary or desirable, and

(2) eliminate, during the process of realigning functions and responsibilities, those positions which in his judgment are made superfluous or duplicative by this Order.

The Counsel of the Secret Service shall be subject to the general supervision of the General Counsel of the Treasury.

All present functions and duties of the Chief, United States Secret Service, including functions under any delegation of authority to that officer made pursuant to the provisions of any Treasury Order, are transferred to the Director, United States Secret Service.



Joseph W. Barr
Acting Secretary

Dated: October 29, 1965

The following people will fill the positions created under Treasury Department Order No. 173-3:

Position	Name
Director:	James J. Rowley (Presently Chief of the U. S. Secret Service)
Assistant to the Director (Inspection and Audit)	Jackson N. Krill (Presently Chief Inspector)
Assistant to the Director (Information and Liaison)	Burrill A. Peterson (Presently Inspector)
Counsel	Robert O. Goff
Assistant Director (Investigations)	Thomas J. Kelley (Presently Inspector)
Assistant Director (Protective Intelligence)	Walter H. Young (Presently Special Agent in Charge, Protective Research Section)
Assistant Director (Protective Forces)	Rufus W. Youngblood (Presently Special Agent in Charge, White House Detail)*
Assistant Director (Administration)	--Yet to be filled--

*Thomas L. Johns, Assistant Special Agent in Charge, White House Detail, to become Special Agent in Charge, White House Detail.

ported from the producing country no later than November 30 --

rovided that a firm contract for these goods was entered into

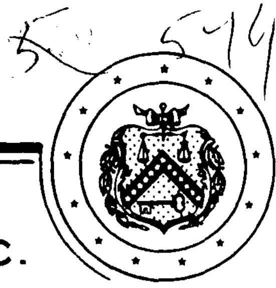
before November 10. [Additionally licenses will generally be issued for goods exported after November if a letter of credit covering the export had been opened prior to Nov. 10, 1965.]

lditionally, licenses will generally be issued for goods exported

ter November 30 if a letter of credit covering the export has

en opened prior to November 10, 1965.

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 2, 1965

FOR RELEASE A.M. NEWSPAPERS
WEDNESDAY, NOVEMBER 3, 1965

TREASURY TO EMBARGO WIGS

The Treasury will put into effect on November 10 an embargo on imports of wigs made with human hair from Communist China. Imports of such wigs have significantly increased recently. Treasury is taking this action to cut off a source of exchange to the Communist Chinese which could amount to several millions of dollars a year. Details of the embargo and of temporary licensing policies will be published in The Federal Register on November 10.

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F-255

November 10, 1965

TREASURY PRESS RELEASE

IMMEDIATE RELEASE

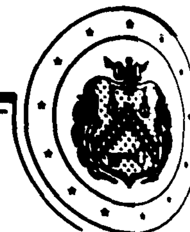
DEADLINE ON WIG LICENSES

The Treasury announced today that no licenses for mportation of wigs made with human hair from Communist [illegible] will be issued for orders placed after November 10, 1965.

This ruling was contained in restrictions published in e Federal Register on November 10, but the Treasury has eceived a number of inquiries requesting clarification of hese licensing policies.

The restrictions prohibit all unlicensed dealing of such gs and hair products as of November 10. Licenses will nerally be issued in cases where orders for goods will be

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 10, 1965

FOR IMMEDIATE RELEASE

DEADLINE ON WIG LICENSES

The Treasury announced today that no specific licenses for importation of wigs made with human hair from Asian countries will be issued for orders placed on or after November 10, 1965.

The November 10 embargo on imports of such wigs was imposed to cut off a source of exchange to the Communist Chinese which could amount to several millions of dollars a year.

This ruling was contained in restrictions published in the Federal Register on November 10, but the Treasury has received a number of inquiries requesting clarification of these licensing policies.

The restrictions prohibit all unlicensed dealings in such wigs and hair products as of November 10. Licenses will general be issued in cases where the goods are exported from the producing country no later than November 30 -- provided that a firm contract for these goods was entered into before Novembe

Additionally, licenses will generally be issued for goods exported after November 30 if a letter of credit covering the export has been opened prior to November 10, 1965.

oOo

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TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS,
FRIDAY, NOVEMBER 12, 1965

REMARKS BY DAVID C. ACHESON
SPECIAL ASSISTANT TO THE SECRETARY (FOR ENFORCEMENT)
BEFORE
THE WOMAN'S NATIONAL DEMOCRATIC CLUB
WASHINGTON, D. C.
FRIDAY, NOVEMBER 12, 1965, 12:15 P.M.

It is a happy chance for me to be able to talk to this nonpartisan civic association instead of to a political grou We at the Treasury always try to keep anything as serious as money away from politics. For that matter, I thought everyo knew that the Woman's National Democratic Club follows a tradition of asking only statesmen to speak here, until one of my friends who saw the luncheon notice said, "Well, that' what they used to do."

So apparently I am here neither as a politician nor as a statesman and will have to follow the last resort of a luncheon speaker--I will stick to the facts. I would like to talk to you about the national crime problem and particu- larly about what President Johnson's administration is doing about it and proposes to do about it.

First--the scope of the problem: The Uniform Crime Reports for 1964 show 2.6 million major offenses, reported in from local police organizations across the nation. That figure represents an increase of 13% over the previous year. I will spare you further heartwarming statistics, except to say that this figure really is limited to local crimes--it does not take account of federal narcotics violations, numbe ing about 1750 arrests during 1964, and about 10,000 reporte new addicts. It does not take account of organized crime an racketeering violations, of which the number and the cost-- social and financial--are very difficult to measure accurate

Ironically, another 13% increase was recently in the news. About two weeks ago General Motors announced a 9-mont profit for 1965 that was 13% over the figure for last year,

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to give it the highest 9-month profit in the world's corporate history. While this doesn't prove that what's good for General Motors is good for the country, it certainly does show that crime is keeping up with national growth. Actually crime is moving ahead--it is growing faster than the national debt, faster than the GNP, faster than the population--and all Democrats know how fast the population is growing.

Crime is not only a big problem--it has a lot of extraneo complications. There are serious differences, for example, between many judges and enforcement agencies--differences of objective and of method. There is not enough communication between these two groups, not enough mutual education. Also crime has a way of getting into community politics and confusi its race relations, federal-state relations, and the relations between the local citizenry and local government authority.

Now, what is President Johnson's administration doing about this problem of crime? The program was very concretely laid out in the President's message to Congress on law enforce ment last March.

The three main parts of the program are:

-- increased federal law enforcement effort

-- federal assistance to local law enforcement efforts

-- a comprehensive, penetrating analysis of the origins and nature of crime in modern America.

Federal enforcement is concerned particularly with organ ized crime, narcotics and dangerous drugs, firearms control, and crime in the District of Columbia. In the first three of these the Treasury has major responsibility.

In organized crime, federal enforcement has been greatly accelerated since 1961 and very impressive resources thrown into it, with marked success. Our job now is to keep the pressure on the racketeers and put them out of business. Las month, for example, the key Internal Revenue field supervisor

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in the organized crime program met in Washington, and fresh emphasis was given to this program and to the importance it has to the President, the Secretary of the Treasury and the Attorney General.

In the firearms control field, the administration pushed hard in the last session of Congress for a bill which would prohibit retail mail order purchases. This effort ran into organized opposition, particularly in the House. One can't help but wonder how many more people must be killed or maimed with firearms before the voice of the gun lobby loses its mag spell. Last year about 4400 reported murders were committed with guns, 55 per cent of all the reported murders. Approximately 26,000 aggravated assaults and the vast majority of 64,000 armed robberies were committed with guns. Apparently these figures must go higher yet before the facts will speak more eloquently than the propaganda of the gun lobby.

In narcotics enforcement we have solid evidence that greater effort in the countries where narcotics originate can substantially reduce the traffic in heroin and opium, all of which originates abroad. This evidence is a shortage of heroin on the illegal market, much greater dilution, and skyrocketing prices. But we have a long way to go before we reach an acceptable level of interdiction of heroin and opiu let alone the dangerous nonaddictive drugs that are manufact domestically. New enforcement methods at home and abroad are going to be essential.

Leadership in something like enforcement is a lot of thi at a lot of levels. It is important at the level of professi enforcement officers working on the cases, but it is also im- portant for political leadership to give elements of directio that professional enforcement people cannot be expected to pr

First among these elements of direction is priority. O political leadership can change a low priority problem to a high priority problem, and the President has given to law enforcement the highest priority. He is giving his own atte tion to it, he is calling the attention of Congress to it, h has underwritten resources for it, he has let the enforcemen

community know that he is backing them up. This is the way priorities are changed and enforcement has needed this change of priority. Law enforcement too closely affects the quality of our community life to permit neglect. I think we can now realistically hope that in ten years it will be hard to remember that policemen were once underpaid, that officers once typed their own reports, that investigation data were once manually processed, that judges once patronized enforcement officers and even held them in suspicion.

These ills are still with us today, but their days are running out. Enforcement work will involve some of the best engineers, computer programmers, lawyers, psychologists and intelligence experts, and these developments are unfolding rapidly today in the Treasury enforcement agencies. They will depend upon the comprehension of a more aware society that it cannot advance, or even stand still, without effective professional law enforcement. The President's law enforcement program is intended to bring about this comprehension and to relieve society from the drain on its energy that crime has caused.

The other major ingredient of political leadership in enforcement is originality, the capacity and willingness to make major changes. Again, this must come from the top. Originality is based upon skepticism, a conviction that what one is doing is not good enough. It is understandably difficult for professionals to work from this premise. After all esprit de corps is based on the conviction that one is the best there is. But at the political level there must be a kindly but critical scrutiny--a scrutiny that reexamines objectives, priorities, and resources.

The President has taken care to assure originality of approach in the law enforcement program. The uncomfortable, fundamental questions that he has put to the Commission on Law Enforcement are intended to get at what we should be doing and how, and what it will take to do it:

-- What is the best organization of enforcement functions to meet present needs?

-- How can we improve understanding between the enforcement community and the courts?

-- What are the best programs for federal assistance of state and local enforcement?

-- How can we improve training of enforcement personnel?

-- What correction programs can best reclaim first offenders?

-- How can we improve citizen support and respect for law enforcement?

-- How can federal and local authorities best deal with organized crime?

The answers to these questions, if there are answers, will point to new targets and bring new methods in their wake.

In short, the crime program is a three-way program of increased federal enforcement, federal assistance to local enforcement, and a critical, cold-eyed examination of what we ought to be doing and how we ought to be doing it.

The thought I would leave with you is that law enforceme is in a state of revolution--in objectives, methods, standard resources, and relations with community life. This revolutio will be given helpful direction and added momentum by the Johnson administration's greater involvement in the problems of crime and enforcement. In all of this the interest and attention of any group that has influence on opinion is usefu civic groups, political groups, church groups and many more. There is plenty of work here for all of us.

draft

11/12/65

— The issue will be sold by competitive bidding on Wednesday, November 17, and payment is scheduled for Wednesday, November 24.

~~New~~ Treasury ~~Borrowing~~ Plans Sale of $2.5 billion June Tax Bills

In accordance with earlier plans, The Treasury announced today that it will shortly borrow

$2.5 billion in cash through tax anticipation bills that will

mature June 22, 1966. Commercial banks may make full payment for bills allotted them for themselves or customers by credit to Treasury ~~Full~~ tax and loan accounts. ~~credit will be granted~~

~~Commercial~~ ~~to banks in the payment for these bills which are to be~~

~~auctioned Wednesday, November 17.~~

The ~~Treasury also noted that~~ This financing ~~would~~ is expected to

~~complete arrangements~~ to provide for ~~its~~ the remaining cash needs of Treasury for calendar

~~in the balance of~~ 1965.

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15

Treasury Plans Sale of $2.5 Billion June Tax Bills

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This financing is expected to provide for the remaining
ash needs of the Treasury for calendar 1965.

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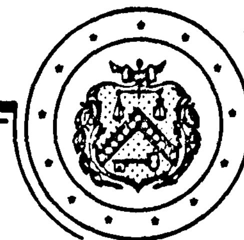
TREASURY DEPARTMENT



650

WASHINGTON, D.C.

November 12, 1965

FOR IMMEDIATE RELEASE

Treasury Plans Sale of $2.5 Billion June Tax Bills

In accordance with earlier plans, the Treasury announc today that it will shortly borrow $2.5 billion in cash thro tax anticipation bills that will mature June 22, 1966. Thi issue will be sold by competitive bidding on Wednesday, November 17, and payment is scheduled for the following Wednesday, November 24. Commercial banks may make full payment for bills allotted them for themselves or customers by credit to Treasury tax and loan accounts.

This financing is expected to provide for the remaini cash needs of the Treasury for calendar 1965.

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r other disposition of Treasury bills does not have any special treatment, as
r the Internal Revenue Code of 1954. The bills are subject to estate, inher-
ft or other excise taxes, whether Federal or State, but are exempt from all
ow or hereafter imposed on the principal or interest thereof by any State, or
possessions of the United States, or by any local taxing authority. For
f taxation the amount of discount at which Treasury bills are originally sold
ted States is considered to be interest. Under Sections 454 (b) and 1221 (5)
ernal Revenue Code of 1954 the amount of discount at which bills issued here-
sold is not considered to accrue until such bills are sold, redeemed or other-
sed of, and such bills are excluded from consideration as capital assets.
y, the owner of Treasury bills (other than life insurance companies) issued
need include in his income tax return only the difference between the price
uch bills, whether on original issue or on subsequent pruchase, and the amount
eceived either upon sale or redemption at maturity during the taxable year
the return is made, as ordinary gain or loss.
ury Department Circular No. 418 (current revision) and this notice, prescribe
of the Treasury bills and govern the conditions of their issue. Copies of
ar may be obtained from any Federal Reserve Bank or Branch.

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

idders are required to agree not to purchase or to sell, or to make any agree-
respect to the purchase or sale or other disposition of any bills of this
specific rate or price, until after one-thirty p.m., Eastern Standard time,
, November 17, 1965.
(11)

iately after the closing hour, tenders will be opened at the Federal Reserve
Branches, following which public announcement will be made by the Treasury
of the amount and price range of accepted bids. Those submitting tenders will
of the acceptance or rejection thereof. The Secretary of the Treasury ex-
serves the right to accept or reject any or all tenders, in whole or in part,
tion in any such respect shall be final. Subject to these reservations, non-
e tenders for $ 400,000 or less without stated price from any one bidder will
(12)
d in full at the average price (in three decimals) of accepted competitive bids.
accepted tenders at the prices offered must be made or completed at the Federal
nk in cash or other immediately available funds on November 24, 1965,
(13)
however, any qualified depositary will be permitted to make payment by credit
sury tax and loan account for Treasury bills allotted to it for itself and
rs up to any amount for which it shall be qualified in excess of existing
en so notified by the Federal Reserve Bank of its District.

come derived from Treasury bills, whether interest or gain from the sale
sposition of the bills, does not have any exemption, as such, and loss from

)IATE RELEASE

November 12, 1965

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TREASURY OFFERS ADDITIONAL $2-1/2 BILLION IN JUNE TAX BILLS

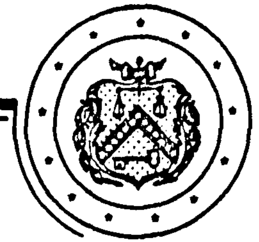
Treasury Department, by this public notice, invites tenders for $2,500,000,000,
ibouts, of 210-day Treasury bills (to maturity date), to be issued November 24,
a discount basis under competitive and noncompetitive bidding as hereinafter

The bills of this series will be designated Tax Anticipation Series and
an additional amount of bills dated October 11, 1965, to mature June 22,
iginally issued in the amount of $1,002,548,000. The additional and original
il be freely interchangeable. They will be accepted at face value in payment
taxes due on June 15, 1966 (6)x, and to the extent they are not presented
purpose the face amount of these bills will be payable without interest at

Taxpayers desiring to apply these bills in payment of June 15, 1966 (7),
xes have the privilege of surrendering them to any Federal Reserve Bank or
to the Office of the Treasurer of the United States, Washington, not more than
ays before June 15, 1966 (8), and receiving receipts therefor showing the
it of the bills so surrendered. These receipts may be submitted in lieu of
on or before June 15, 1966 (9), to the District Director of Internal Rev-
the District in which such taxes are payable. The bills will be issued in
rm only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000,
ind $1,000,000 (maturity value).

ers will be received at Federal Reserve Banks and Branches up to the closing
-thirty p.m., Eastern Standard time, Wednesday, November 17, 1965 (10). Tenders
be received at the Treasury Department, Washington. Each tender must be for
ltiple of $1,000, and in the case of competitive tenders the price offered
pressed on the basis of 100, with not more than three decimals, e. g., 99.925.
may not be used. It is urged that tenders be made on the printed forms and
in the special envelopes which will be supplied by Federal Reserve Banks or
n application therefor.

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 12, 1965

FOR IMMEDIATE RELEASE

TREASURY OFFERS ADDITIONAL $2-1/2
BILLION IN JUNE TAX BILLS

The Treasury Department, by this public notice, invites tenders $2,500,000,000, or thereabouts, of 210-day Treasury bills (to maturi date), to be issued November 24, 1965, on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be designated Tax Anticipation Series and represent an additional amount of bills dated October 11, 1965, to mature June 22, 1966, originally issued in the amount of $1,002,548 The additional and original bills will be freely interchangeable. They will be accepted at face value in payment of income taxes due June 15, 1966, and to the extent they are not presented for this purpose the face amount of these bills will be payable without inte at maturity. Taxpayers desiring to apply these bills in payment of June 15, 1966, income taxes have the privilege of surrendering them any Federal Reserve Bank or Branch or to the Office of the Treasure the United States, Washington, not more than fifteen days before June 15, 1966, and receiving receipts therefor showing the face amc of the bills so surrendered. These receipts may be submitted in li of the bills on or before June 15, 1966, to the District Director Internal Revenue for the District in which such taxes are payable. bills will be issued in bearer form only, and in denominations of $5,000, $10,000, $50,000, $100,000, $500,000 and $1,000,000 (matur value).

Tenders will be received at Federal Reserve Banks and Branche to the closing hour, one-thirty p.m., Eastern Standard time, Wedne November 17, 1965. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple $1,000, and in the case of competitive tenders the price offered be expressed on the basis of 100, with not more than three decimal 99.925. Fractions may not be used. It is urged that tenders be on the printed forms and forwarded in the special envelopes which be supplied by Federal Reserve Banks or Branches on application therefor.

Banking institutions generally may submit tenders for account customers provided the names of the customers are set forth in suc tenders. Others than banking istitutions will not be permitted to submit tenders except for their own account. Tenders will be rece

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without deposit from incorporated banks and trust companies and fr responsible and recognized dealers in investment securities. Tend from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accom 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, make any agreements with respect to the purchase or sale or other disposition of any bills of this additional issue at a specific rat price, until after one-thirty p.m., Eastern Standard time, Wednesd November 17, 1965.

Immediately after the closing hour, tenders will be opened at Federal Reserve Banks and Branches, following which public announc will be made by the Treasury Department of the amount and price ra 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 tender whole or in part, and his action in any such respect shall be final Subject to these reservations, noncompetitive tenders for $400,000 less without stated price from any one bidder will be accepted in at the average price (in three decimals) of accepted competitive bi 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 November 24, 1965, provided, however, any quali depositary will be permitted to make payment by credit in its Trea tax and loan account for Treasury bills allotted to it for itself its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserv Bank of its District.

The income derived from Treasury bills, whether interest or g 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 Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, are exempt from all taxation now or hereafter imposed on the princ 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 origin sold by the United States is considered to be interest. Under Sec 454 (b) and 1221 (5) of the Internal Revenue Code of 1954 the amou discount at which bills issued hereunder are sold is not considere accrue until such bills are sold, redeemed or otherwise disposed o 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 original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the tax year for which the return is made, as ordinary gain or loss.

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

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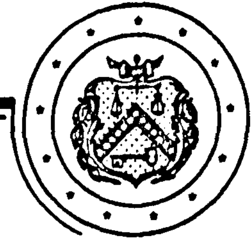
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

November 12, 1965

SUBSCRIPTION AND ALLOTMENT FIGURES FOR TREASURY'S CURRENT CASH OFFERING

The Treasury Department today announced the subscription and allotment figures with respect to the current offering of 4-1/4% Treasury Notes of Series D-1967, due May 15, 1967.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District		Total Subscriptions Received	Total Allotments
Boston		$ 447,571,000	$ 243,071,000
New York		8,671,017,000	7,675,376,000
Philadelphia		210,510,000	117,774,000
Cleveland		312,590,000	186,662,000
Richmond		200,553,000	120,789,000
Atlanta		341,343,000	205,049,000
Chicago		811,313,000	485,241,000
St. Louis		243,360,000	160,745,000
Minneapolis		129,830,000	94,296,000
Kansas City		216,796,000	151,061,000
Dallas		153,960,000	95,231,000
San Francisco		325,002,000	209,481,000
Treasury		2,903,000	2,839,000
	Totals	$12,066,748,000	$9,747,615,000

Subscriptions by investor classes:

States, political subdivisions or instrumentalities thereof, public pension and retirement and other public funds, international organizations in which the United States holds membership, foreign central banks and foreign States which received full allotment ----------------	$ 383,991,000
Commercial Banks (own account) ---------	3,288,073,000
All Others ----------------------------	1,609,802,000
Total	$ 5,281,866,000
Fed. Res. Banks & Govt. Inv. Accts. ----	6,784,882,000
Grand Total	$12,066,748,000

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Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 30, 1965
e Quotas:				
substitutes contain- ver 45% of butterfat, utter oil	Calendar year	1,200,000	Pound	Quota filled
of cotton processed ot spun	12 mos. from Sept. 11, 1965	1,000	Pound	
, shelled or not ed, blanched, or wise prepared or rved (except peanut r)	12 mos. from August 1, 1965	1,709,000	Pound	811,401 1/

ɔrts as of November 8, 1965.

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TREASURY DEPARTMENT
Washington

TE RELEASE

Y, NOVEMBER 15, 1965

e Bureau of Customs announced today preliminary figures on imports for tion of the following commodities from the beginning of the respective eriods through October 30, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 30, 1965
Rate Quotas:				
fresh or sour	Calendar year	1,500,000	Gallon	793,484 1/
ilk, fresh or sour ...	Calendar year	3,000,000	Gallon	53
700 lbs. or more each r than dairy cows) ...	Oct. 1, 1965 - Dec. 31, 1965	120,000	Head	20,500
less than 200 lbs.	12 mos. from April 1, 1965	200,000	Head	63,981
resh or frozen, fil- , etc., cod, haddock, pollock, cusk, and ish	Calendar year	24,383,589	Pound	Quota filled
sh	Calendar year	66,059,400	Pound	37,954,445
r Irish potatoes:				
fied seed	12 mos. from	114,000,000	Pound	1,218,000
....	Sept. 15, 1965	45,000,000	Pound	1,340,470
forks, and spoons stainless steel es	Nov. 1, 1964 - Oct. 31, 1965	69,000,000	Pieces	Quota filled

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

MONDAY, NOVEMBER 15, 1965

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 October 30, 1965:

Commodity	Period and Quantity		Unit of Quantity	Imports Oct. 30,
Tariff-Rate Quotas:				
Cream, fresh or sour	Calendar year	1,500,000	Gallon	79
Whole Milk, fresh or sour ...	Calendar year	3,000,000	Gallon	
Cattle, 700 lbs. or more each (other than dairy cows) ...	Oct. 1, 1965 - Dec. 31, 1965	120,000	Head	
Cattle, less than 200 lbs. each	12 mos. from April 1, 1965	200,000	Head	
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	24,383,589	Pound	Quota
Tuna Fish	Calendar year	66,059,400	Pound	37,9
White or Irish potatoes:				
Certified seed	12 mos. from	114,000,000	Pound	1,2
Other	Sept. 15, 1965	45,000,000	Pound	1,3
Knives, forks, and spoons with stainless steel handles	Nov. 1, 1964 - Oct. 31, 1965	69,000,000	Pieces	Quota

1/ Adjusted

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Commodity	Period and Quantity		Unit of Quantity	Imports as of Oct. 30, 1965
ıte Quotas:				
· substitutes contain- over 45% of butterfat, butter oil	Calendar year	1,200,000	Pound	Quota filled
; of cotton processed not spun	12 mos. from Sept. 11, 1965	1,000	Pound	-
·s, shelled or not .led, blanched, or rwise prepared or erved (except peanut er)	12 mos. from August 1, 1965	1,709,000	Pound	811,401[1/]

ɔorts as of November 8, 1965.

TREASURY DEPARTMENT
Washington

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MEDIATE RELEASE

NDAY, NOVEMBER 15, 1965

The Bureau of Customs has announced the following preliminary gures showing the imports for consumption from January 1, 1965, to tober 30, 1965, inclusive, of commodities under quotas established rsuant to the Philippine Trade Agreement Revision Act of 1955:

mmodity	Established Annual Quota Quantity	Unit of Quantity	Imports as of Oct. 30, 1965
ttons	510,000	Gross	373,773
gars	120,000,000	Number	7,999,396
conut oil	268,800,000	Pound	Quota filled
rdage	6,000,000	Pound	5,076,332
bacco	3,900,000	Pound	3,829,518

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TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE

MONDAY, NOVEMBER 15, 1965

The Bureau of Customs has announced the following preliminary figures showing the imports for consumption from January 1, 1965, to October 30, 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 Oct. 30, 1965
Buttons	510,000	Gross	373,773
Cigars	120,000,000	Number	7,999,396
Coconut oil	268,800,000	Pound	Quota filled
Cordage	6,000,000	Pound	5,076,332
Tobacco	3,900,000	Pound	3,829,518

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QUARTERLY QUOTA PERIOD — October 1, 1965 - December 31, 1965

IMPORTS — October 1, 1965 - November 5, 1965 (or as noted)

Country of Production	ITEM 925.01* 1/ Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* 1/ 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	9,006,146	-	-	-	-
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***4,559,213
Bolivia	5,040,000	531,962	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	9,457,580	66,480,000	66,480,000	37,840,000	31,404,813
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	19,460,550	70,480,000	10,018,289	6,320,000	3,762,627
Peru	16,160,000	12,011,477	12,880,000	4,502,116	35,120,000	173,427	3,760,000	1,599,952
Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	***5,108,151
**Un. So. Africa	14,880,000	14,880,000	-	-	-	-	-	-
Yugoslavia	-	-	15,760,000	***5,496,347	-	-	-	-
All other countries (total)	6,560,000	2,048,570	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of November 8, 1965.
1/ Quotas terminated effective October 22, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

QUARTERLY QUOTA PERIOD — October 1, 1965 - December 31, 1965

IMPORTS — October 1, 1965 - November 5, 1965 (or as noted)

Country of Production	ITEM 925.01* 1/ Lead-bearing ores and materials		ITEM 925.03* Unwrought lead and lead waste and scrap		ITEM 925.02* 1/ 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	9,006,146	-	-	-	
Belgium and Luxemburg (total)	-	-	-	-	-	-	7,520,000	***4,559,21[illegible]
Bolivia	5,040,000	531,962	-	-	-	-	-	-
Canada	13,440,000	13,440,000	15,920,000	9,457,580	66,480,000	66,480,000	37,840,000	31,404,813
Italy	-	-	-	-	-	-	3,600,000	-
Mexico	-	-	36,880,000	19,460,550	70,480,000	10,018,289	6,320,000	3,762,627
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Republic of the Congo (formerly Belgian Congo)	-	-	-	-	-	-	5,440,000	***5,108,151
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Yugoslavia	-	-	15,760,000	***5,496,347	-	-	-	-
All other countries (total)	6,560,000	2,048,570	6,080,000	6,080,000	17,840,000	17,840,000	6,080,000	6,080,000

*See Part 2, Appendix to Tariff Schedules.
**Republic of South Africa.
***Imports as of November 8, 1965.
1/ Quotas terminated effective October 22, 1965.

PREPARED IN THE BUREAU OF CUSTOMS

(in pounds) 5

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, 1965, to Nov. 8, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965 to Nov. 8, 1965
United Kingdom............	4,323,457	-	1,441,152	-
Canada....................	239,690	-	-	-
France....................	227,420	-	75,807	-
India and Pakistan........	69,627	-	-	-
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	-	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

Prepared in the Bureau of Customs.

7271

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, 1965 - November 8, 1965

Country of Origin	Established Quota	Imports	Country of Origin	Established Quota	Imports
Egypt and Sudan	783,816	-	Honduras	752	
Peru	247,952	-	Paraguay	871	
India and Pakistan	2,003,483	-	Colombia	124	
China	1,370,791	-	Iraq	195	
Mexico	8,883,259	2,838	British East Africa	2,240	
Brazil	618,723	-	Indonesia and Netherlands New Guinea	71,388	
Union of Soviet Socialist Republics	475,124	-	1/ British W. Indies	21,321	
Argentina	5,203	-	Nigeria	5,377	
Haiti	237	-	2/ British W. Africa	16,004	
Ecuador	9,333	-	Other, including the U.S.	-	

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

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

Imports August 1, 1965 - November 8, 1965

Staple Length	Allocation	Imports
1-3/8" or more	39,590,778	28,170,614
1-5/32" or more and under 1-3/8" (Tanguis)	1,500,000	175,594
1-1/8" or more and under 1-3/8"	4,565,642	198,804

MONDAY, NOVEMBER 15, 1965

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

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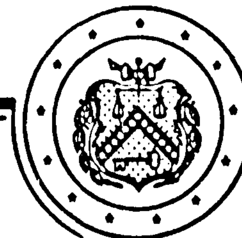
COTTON WASTES
(In pounds)

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

Country of Origin	Established TOTAL QUOTA	Total Imports Sept. 20, 1965, to Nov. 8, 1965	Established 33-1/3% of Total Quota	Imports 1/ Sept. 20, 1965 to Nov. 8, 1965
United Kingdom............	4,323,457	-	1,441,152	-
Canada....................	239,690	-	-	-
France....................	227,420	-	75,807	-
India and Pakistan........	69,627	-	-	-
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	-	25,443	-
Italy.....................	21,263	-	7,088	-
Other, including the U.S..	-	-	-	-
	5,482,509	-	1,599,886	-

1/ Included in total imports, column 2.

REASURY DEPARTMENT



WASHINGTON, D.C.

SE 6:30 P.M.,
ovember 15, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

Treasury Department announced today that the tenders for two series of Treasury
e series to be an additional issue of the bills dated August 19, 1965, and the
ies to be dated November 18, 1965, which were offered on November 10, were opened
deral Reserve Banks on November 15. Tenders were invited for $1,200,000,000, or
ts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day bills.
ls of the two series are as follows:

ACCEPTED VE BIDS:	91-day Treasury bills maturing February 17, 1966		:	182-day Treasury bills maturing May 19, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
	98.971 a/	4.071%	:	97.854 b/	4.245%
	98.963	4.102%	:	97.845	4.263%
age	98.964	4.097% 1/	:	97.847	4.259% 1/

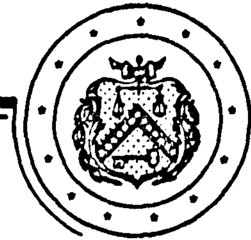
pting 2 tenders totaling $220,000; b/ Excepting 1 tender of $1,400,000
ent of the amount of 91-day bills bid for at the low price was accepted
ent of the amount of 182-day bills bid for at the low price was accepted

IDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

t	Applied For	Accepted	:	Applied For	Accepted
	$ 24,999,000	$ 14,999,000	:	$ 24,599,000	$ 15,530,000
k	1,448,805,000	819,747,000	:	1,478,508,000	745,903,000
lphia	31,019,000	19,019,000	:	12,632,000	4,632,000
nd	26,614,000	26,614,000	:	26,178,000	25,485,000
d	18,511,000	12,511,000	:	10,457,000	4,457,000
	38,877,000	24,251,000	:	32,316,000	14,093,000
	265,782,000	137,952,000	:	329,894,000	112,494,000
is	42,503,000	35,879,000	:	25,200,000	15,920,000
olis	18,204,000	14,832,000	:	8,541,000	4,741,000
City	26,504,000	25,504,000	:	16,541,000	15,501,000
	22,198,000	13,138,000	:	12,623,000	7,623,000
ncisco	93,841,000	56,331,000	:	122,048,000	34,548,000
TALS	$2,057,857,000	$1,200,777,000 c/		$2,099,537,000	$1,000,927,000 d/

les $247,618,000 noncompetitive tenders accepted at the average price of 98.964
les $123,552,000 noncompetitive tenders accepted at the average price of 97.847
oupon issue of the same length and for the same amount invested, the return on
bills would provide yields of 4.20%, for the 91-day bills, and 4.41%, for the
y bills. Interest rates on bills are quoted in terms of bank discount with
turn related to the face amount of the bills payable at maturity rather than
ount invested and their length in actual number of days related to a 360-day
In contrast, yields on certificates, notes, and bonds are computed in terms
erest on the amount invested, and relate the number of days remaining in an
st payment period to the actual number of days in the period, with semiannual
nding if more than one coupon period is involved.

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, November 15, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced today that the tenders for two series of Tr bills, one series to be an additional issue of the bills dated August 19, 1965, other series to be dated November 18, 1965, which were offered on November 10, we at the Federal Reserve Banks on November 15. Tenders were invited for $1,200,000 thereabouts, of 91-day bills and for $1,000,000,000, or thereabouts, of 182-day The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	91-day Treasury bills maturing February 17, 1966		:	182-day Treasury bill maturing May 19, 19	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Annual
High	98.971 a/	4.071%	:	97.854 b/	4.245
Low	98.963	4.102%	:	97.845	4.263
Average	98.964	4.097% 1/	:	97.847	4.259

a/ Excepting 2 tenders totaling $220,000; b/ Excepting 1 tender of $1,400,000
94 percent of the amount of 91-day bills bid for at the low price was accepted
20 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	$ 24,999,000	$ 14,999,000	:	$ 24,599,000	$ 15,5
New York	1,448,805,000	819,747,000	:	1,478,508,000	745,9
Philadelphia	31,019,000	19,019,000	:	12,632,000	4,6
Cleveland	26,614,000	26,614,000	:	26,178,000	25,4
Richmond	18,511,000	12,511,000	:	10,457,000	4,4
Atlanta	38,877,000	24,251,000	:	32,316,000	14,0
Chicago	265,782,000	137,952,000	:	329,894,000	112,4
St. Louis	42,503,000	35,879,000	:	25,200,000	15,9
Minneapolis	18,204,000	14,832,000	:	8,541,000	4,7
Kansas City	26,504,000	25,504,000	:	16,541,000	15,5
Dallas	22,198,000	13,138,000	:	12,623,000	7,0
San Francisco	93,841,000	56,331,000	:	122,048,000	34,5
TOTALS	$2,057,857,000	$1,200,777,000 c/		$2,099,537,000	$1,000,9

c/ Includes $247,618,000 noncompetitive tenders accepted at the average price of
d/ Includes $123,552,000 noncompetitive tenders accepted at the average price of
1/ On a coupon issue of the same length and for the same amount invested, the re these bills would provide yields of 4.20%, for the 91-day bills, and 4.41%, f 182-day bills. Interest rates on bills are quoted in terms of bank discount the return related to the face amount of the bills payable at maturity rather the amount invested and their length in actual number of days related to a 36 year. In contrast, yields on certificates, notes, and bonds are computed in of interest on the amount invested, and relate the number of days remaining i interest payment period to the actual number of days in the period, with semi compounding if more than one coupon period is involved.

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

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

5

ed forms and forwarded in the special envelopes which will be supplied by Federal re Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve and Branches, following which public anouncement will be made by the Treasury ment of the amount and price range of accepted bids. Those submitting tenders be advised of the acceptance or rejection thereof. The Secretary of the Treasury sly reserves the right to accept or reject any or all tenders, in whole or in and his action in any such respect shall be final. Subject to these reserva- noncompetitive tenders for each issue for $200,000 or less without stated from any one bidder will be accepted in full at the average price (in three ls) of accepted competitive bids for the respective issues. Settlement for ed tenders in accordance with the bids must be made or completed at the Federal e Bank on November 26, 1965, in cash or other immediately available funds a like face amount of Treasury bills maturing November 26, 1965. Cash change tenders will receive equal treatment. Cash adjustments will be made for ences between the par value of maturing bills accepted in exchange and the issue of the new bills.

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

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TREASURY DEPARTMENT
Washington

November 17, 1965

MEDIATE RELEASE,

(XX)

TREASURY'S WEEKLY BILL OFFERING

he Treasury Department, by this public notice, invites tenders for two series asury bills to the aggregate amount of $2,200,000,000, or thereabouts, for nd in exchange for Treasury bills maturing November 26, 1965, in the amount 201,196,000, as follows:

90-day bills (to maturity date) to be issued November 26, 1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated August 26, 1965, and to mature February 24, 1966, originally issued in the amount of $1,000,381,000, the additional and original bills to be freely interchangeable.

181-day bills, for $1,000,000,000, or thereabouts, to be dated November 26, 1965, and to mature May 26, 1966.

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

nders will be received at Federal Reserve Banks and Branches up to the closing one-thirty p.m., Eastern Standard time, Monday, November 22, 1965. Tenders ot be received at the Treasury Department, Washington. Each tender must be even multiple of $1,000, and in the case of competitive tenders the price must be expressed on the basis of 100, with not more than three decimals, 99.925. Fractions may not be used. It is urged that tenders be made on the

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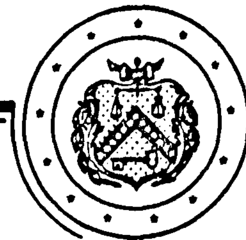
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 17, 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 November 26,1965, in the amount of $ 2,201,196,000, as follows:

90-day bills (to maturity date) to be issued November 26,1965, in the amount of $1,200,000,000, or thereabouts, representing an additional amount of bills dated August 26,1965, and to mature February 24,1966, originally issued in the amount of $ 1,000,381,000, the additional and original bills to be freely interchangeable.

181-day bills, for $1,000,000,000, or thereabouts, to be dated November 26,1965, and to mature May 26,1966.

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 Standard time, Monday, November 22,1965. 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.

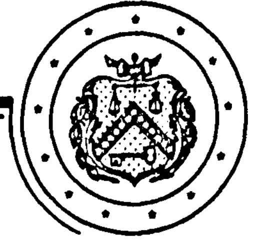
Banking institutions generally may submit tenders for account of customers provided the names of the customers are set forth in such tenders. Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated 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
eral Reserve Banks and Branches, following which public announce-
t will be made by the Treasury Department of the amount and price
ge of accepted bids. Those submitting tenders will be advised
the acceptance or rejection thereof. The Secretary of the Treasury
ressly reserves the right to accept or reject any or all tenders,
whole or in part, and his action in any such respect shall be
al. Subject to these reservations, noncompetitive tenders for
h issue for $200,000 or less without stated price from any one
der will be accepted in full at the average price (in three
imals) of accepted competitive bids for the respective issues.
tlement for accepted tenders in accordance with the bids must be
e or completed at the Federal Reserve Bank on November 26,1965, in
h or other immediately available funds or in a like face amount
Treasury bills maturing November 26,1965. Cash and exchange tenders
l receive equal treatment. Cash adjustments will be made for
ferences between the par value of maturing bills accepted in
hange and the issue price of the new bills.

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

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

TREASURY DEPARTMENT



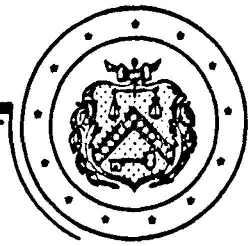
WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

November 17, 1965

TREASURY DECISION ON TITANIUM DIOXIDE
UNDER THE ANTIDUMPING ACT

TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE November 17, 1965

TREASURY DECISION ON TITANIUM DIOXIDE
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of titanium dioxide, pigment grade, from West Germany, manufactured by Farbenfabriken Bayer A. G., Leverkusen, Germany. A notice of a tentative determination that this merchandise is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended, will be published in an early issue of the Federal Register.

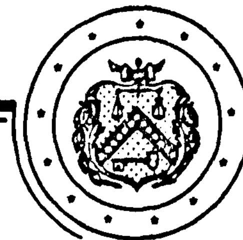
There are under consideration two types of pigment grade titanium dioxide, anatase and rutile. Anatase titanium dioxide is a low-energy crystal form used in paper manufacture and in the production of paints where chalking tendencies are desired, while rutile, a higher-energy crystal form, is used in paints where higher opacity per unit of weight is desired.

Appraisement of the above-described merchandise, manufactured by Farbenfabriken Bayer A.G., Leverkusen, Germany, is being withheld at this time.

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

Imports of the involved merchandise received during the period July 1, 1964, through September 30, 1965, amounted to approximately $3,650.000.

TREASURY DEPARTMENT



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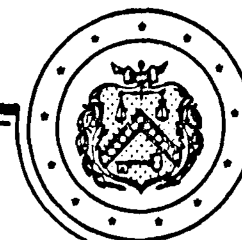
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Wednesday, November 17, 1965.

RESULTS OF TREASURY'S OFFER OF ADDITIONAL
$2-1/2 BILLION IN JUNE TAX BILLS

The Treasury Department announced today that the tenders for an additional $2,500,000,000, or thereabouts, of the Tax Anticipation Series Treasury bills dated October 11, 1965, and to mature June 22, 1966, were opened at the Federal Reserve on November 17. The additional amount of bills, which were offered on November 12, will be issued November 24 (210 days to maturity date).

The details of this issue are as follows:

Total applied for - $5,152,146,000
Total accepted - 2,500,906,000 (includes $459,951,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids: (Excepting 12 tenders totaling $12,105,

High	- 97.638	Equivalent rate of discount approx.	4.049% per a
Low	- 97.616	" " " " "	4.087% "
Average	- 97.623	" " " " "	4.075% "

(2% of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 182,060,000	$ 88,360,000
New York	1,981,180,000	441,860,000
Philadelphia	156,165,000	88,205,000
Cleveland	377,930,000	195,290,000
Richmond	95,650,000	44,550,000
Atlanta	197,800,000	135,600,000
Chicago	808,066,000	645,486,000
St. Louis	164,980,000	82,480,000
Minneapolis	136,310,000	73,810,000
Kansas City	98,640,000	76,640,000
Dallas	173,180,000	123,320,000
San Francisco	780,185,000	505,305,000
TOTAL	$5,152,146,000	$2,500,906,000

1/ On a coupon issue of the same length and for the same amount invested, the retu these bills would provide a yield of 4.22%. Interest rates on bills are quoted terms of bank discount with the return related to the face amount of the bills at maturity rather than the amount invested and their length in actual number o related to a 360-day year. In contrast, yields on certificates, notes, and bon computed in terms of interest on the amount invested, and relate the number of remaining in an interest payment period to the actual number of days in the per with semiannual compounding if more than one coupon period is involved.

F-274

exempt from all taxation now or hereafter imposed on the principal or interest
eof by any State, or any of the possessions of the United States, or by any
l taxing authority. For purposes of taxation the amount of discount at which
sury bills are originally sold by the United States is considered to be in-
st. Under Sections 454 (b) and 1221 (5) of the Internal Revenue Code of 1954
amount of discount at which bills issued hereunder are sold is not considered
ccrue until such bills are sold, redeemed or otherwise disposed of, and such
s are excluded from consideration as capital assets. Accordingly, the owner
reasury bills (other than life insurance companies) issued hereunder need in-
e in his income tax return only the difference between the price paid for such
s, whether on original issue or on subsequent purchase, and the amount actually
ived either upon sale or redemption at maturity during the taxable year for
h the return is made, as ordinary gain or loss.

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

XXXXXX

banking institutions will not be permitted to submit tenders except for their account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment secu Tenders from others must be accompanied by payment of 2 percent of the face 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 serve Banks and Branches, following which public announcement will be made by Treasury Department of the amount and price range of accepted bids. Those subi ting tenders will be advised of the acceptance or rejection thereof. The Secr of the Treasury expressly reserves the right to accept or reject any or all te in whole or in part, and his action in any such respect shall be final. Subje 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 three decimals) of accepted competitive bids. Settlement for accepted tenders accordance with the bids must be made or completed at the Federal Reserve Bank November 30, 1965, in cash or other immediately available funds or in a li face amount of Treasury bills maturing November 30, 1965. Cash and exchar tenders will receive equal treatment. Cash adjustments will be made for diffe ences 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 th or other disposition of the bills, does not have any exemption, as such, and from the sale or other disposition of Treasury bills does not have any specia treatment, as such, under the Internal Revenue Code of 1954. The bills are s to estate, inheritance, gift or other excise taxes, whether Federal or State

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TREASURY DEPARTMENT
Washington

MMEDIATE RELEASE,
XXXXXXXXXXXXXXXXXXXXXXXXX
XXXX

November 17, 1965

TREASURY REFUNDS ONE-YEAR BILLS

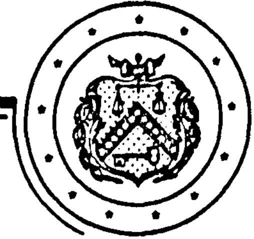
The Treasury Department, by this public notice, invites tenders for .0,000,000 XXXX, or thereabouts, of 365 XXXX -day Treasury bills, for cash and change for Treasury bills maturing November 30, 1965 XXXX, in the amount 1,000,542,000 XXXX, to be issued on a discount basis under competitive and npetitive bidding as hereinafter provided. The bills of this series will be November 30, 1965 XXXX, and will mature November 30, 1966 XXXX, when ace amount will be payable without interest. They will be issued in bearer only, and in denominations of $1,000, $5,000, $10,000, $50,000, $100,000, 000 and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the ng hour, one-thirty p.m., Eastern Standard time, November 23, 1965 XXXX rs will not be received at the Treasury Department, Washington. Each tender be for an even multiple of $1,000, and in the case of competitive tenders the offered must be expressed on the basis of 100, with not more than three dec- e. g., 99.925. Fractions may not be used. (Notwithstanding the fact that bills will run for 365 XXX days, the discount rate will be computed on a bank unt basis of 360 days, as is currently the practice on all issues of Treasury

It is urged that tenders be made on the printed forms and forwarded in ecial envelopes which will be supplied by Federal Reserve Banks or Branches lication therefor.

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

TREASURY DEPARTMENT



WASHINGTON, D.C.
November 17, 1965

FOR IMMEDIATE RELEASE

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 November 30, 1965, in the amount of $1,000,542,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter proveded. The bills of this series will be dated November 30, 1965, and will mature November 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).

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on November 30, 1965, in cash or other immediately available funds or in a like face amount of Treasury bills maturing November 30, 1965. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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isposition of the bills, does not have any exemption, as such, and loss from the
other disposition of Treasury bills does not have any special treatment, as
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l taxation now or hereafter imposed on the principal or interest thereof by
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ion at maturity during the taxable year for which the return is made, as ordinary
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ple are now in a position to put dollars aside for the
ure. Savings Bonds offer them an excellent opportunity
do this in one of the world's finest and safest invest-
ts.

With the judicious use of your own time and talents,
recruitment of even a greater army of volunteers, I feel
fident that you will help them to do this, and in doing
you serve the public, the government and the country.

o0o

longest peacetime economic expansion we have known;

-- In that time a total of 7.6 million non-farm jobs have been created -- 4 million of them in the last two years;

-- In that time personal income has increased from $406.6 billion to $535.9 billion -- an increase of 32 percent.

-- In that time business profits after taxes have increased by $20 billion.

Yes, our economic outlook for the future is bright, and ere is no serious threat of over-exuberance. It is an onomy well suited to the Savings Bond program, because.

There are a number of factors working in your favor

the Silver Anniversary year begins. Not the least of these

the continued strength, stability and soundness of our

mestic economy.

This is something of extreme importance to each of you,

t only as private citizens, but in your work in behalf of

e Savings Bond program. Its importance to the bond program

es in the fact that a solid economic foundation is essential

sales of bonds are to continue to mount.

And I assure you that foundation is sound, for instance:

-- The present business expansion has continued

to its current record length of 57 months, the

A recitation of these facts is really not necessary for us who are working in the Savings Bond program day after day. Yet they spell out the immensity of this effort as well as the very real significance of the program to those of us who are charged with the management of the national debt.

This bulwark of savings protects the financial security of millions of our citizens.

Furthermore, without the availability of these dollars in helping to manage the national debt, the government conceivably could be forced into highly inflationary financing.

persons who are anxious to see their fellow Americans in greater financial stability and at the same time assist the government in sound management of the Nation's debt.

The extent to which the bond program has succeeded is best reflected by the fact that in the past 25 years, an estimated 100 million persons have invested 149 billion dollars in bonds, including accrued interest. Proceeds from those that have been redeemed have been used to purchase homes, educate children, ease the burdens of retirement, and supply thousands of other needed items.

In fact, during the first nine months of this calendar year, purchases of these smaller bonds totaled more than [illegible] billion dollars -- 68 percent of all Savings Bonds sold.

These figures are strong evidence of the degree of success that has been attained in Payroll Savings activities, since these smaller bonds are the ones normally acquired by the millions of Americans who, each payday, are putting a portion of their earnings into bonds.

These gains have been accomplished, as you know, largely under the leadership of a group of Americans leading industrialists and businessmen, all of whom serve as volunteers, giving of their time, talent and money in behalf of the program. It is an area that should have tremendous appeal to thousands

I am well aware that you in the Savings Bonds Division have for years continued to achieve record sales with a small staff. You have done this by enlisting thousands and thousands of volunteers who have been willing to help you and their government in the sale of Savings Bonds.

But more and more volunteers must be enlisted in the cause if we are going to achieve maximum effort at minimum cost.

You already have a splendid record, which includes:

-- 25 years of solid progress;

-- a record high in the total of bonds outstanding;

-- increasing purchases of smaller bonds -- those in the $25 to $200 range -- reflecting the ever-growing appeal of the bond program to small investors.

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ax dollars in the process.

President Johnson has made it clear that it is imperative

hat greater attention be given throughout the Federal

overnment to sound cost-reduction techniques -- and that

ncludes the management of our program.

That means better utilization of our manpower facilities;

t means taking actions to simplify, expedite, or lessen

he cost of carrying on our programs; it means taking every

ction possible to conserve time, money and manpower.

That is the expressed desire of President Johnson and

as been conveyed in executive orders issued by the White

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Furthermore, without the availability of these dollars in helping to manage the national debt, the government conceivably could be forced into highly inflationary financing.

There are a number of factors working in your favor as the Silver Anniversary year begins. Not the least of these is the continued strength, stability and soundness of our domestic economy.

This is something of extreme importance to each of you, not only as private citizens, but in your work in behalf of the Savings Bond program. Its importance to the bond program lies in the fact that a solid economic foundation is essential if sales of bonds are to continue to mount.

And I assure you that foundation is sound, for instance:

-- The present business expansion has continued to its current record length of 57 months, the longest peacetime economic expansion we have known;

-- In that time a total of 7.6 million non-farm jobs have been created -- 4 million of them in the last two years;

-- In that time personal income has increased from $406.6 billion to $535.9 billion -- an increase of 32 percent;

-- In that time business profits after taxes have increased by $20 billion.

Yes, our economic outlook for the future is bright. It is an economy well suited to the Savings Bond program, because people are now in a position to put dollars aside for the future. Savings Bonds offer them an excellent opportunity to do this in one of the world's finest and safest investments.

With the judicious use of your own time and talents, and recruitment of even a greater army of volunteers, I feel confident that you will help them to do this, and in doing so you serve the public, the government and the country.

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BIOGRAPHICAL SKETCH OF DONALD C. UTTERBACK

Donald C. Utterback, District Director-designate for the San Diego Customs District, was born in Wendell, Idaho, July 1915, and attended the U.S. Marine Corps Institute and the University of Oregon at Eugene. He has taken management courses for Customs supervisors.

Mr. Utterback entered the Customs Service in San Ysidro, Calif. as an inspector in 1942. After military duty with the Marine Corps in 1945 and 1946 he returned as a Customs inspector. He was promoted in 1950 to the position of Deputy Collector at Calexico, Calif. He served for a time as a Customs agent and became Deputy Collector in Charge in 1954. He has been Assistant Collector of Customs in San Diego since April 23, 1956 where he has supervised the work of 107 employees in the San Diego area.

Mr. and Mrs. Utterback reside at 38 East Shasta Street, Chula Vista, Calif.

* * *

BIOGRAPHICAL SKETCH OF WILLIAM R. KNOKE

William R. Knoke, District Director-designate of the Los Angeles Customs District was born on August 29, 1911 at Santa Maria, Calif. He holds a Bachelor of Arts degree from the University of Southern California at Los Angeles and majored in political science. Later he attended the School of Engineering at the University of Southern California, specializing in textile engineering.

Mr. Knoke served with the U.S. Army in Europe. He has traveled extensively and has a working knowledge of German, Spanish, and French.

Mr. Knoke was employed as a Customs Examiner in Los Angeles from 1947-58 except for a 2-year period in Frankfurt, Germany, for the Customs Agency Service. In 1958 he was promoted to the position of Senior Customs Representative in Frankfurt. He represented the Treasury Department as an observer at conferences of the Customs Cooperation Council in Brussels, Belgium. Since December 1963 he has been Assistant Supervising Customs Agent in Los Angeles.

Mr. and Mrs. Knoke reside at 2085 Canyon Close Road, Pasadena, California.

* * *

BIOGRAPHICAL SKETCH OF CARROLL R. LONG

Carroll R. Long, District Director-designate of the Nogales Customs District, was born in 1905 at Lancaster, Pa. He was educated at the Lancaster Business College and took a law course given by the LaSalle Extension University in Chicago, Ill.

Mr. Long started his career with the Customs Service in July 1927 and has been Assistant Collector of Customs in Nogales, Ariz. since August, 1951, with 63 clerical, administrative, and inspectional employees under his supervision.

Mr. and Mrs. Long reside at 217 Pajarito Street, Nogales, Arizona.

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Street. With Regional Commissioner Creed at this location are Assistant Regional Commissioners-designate Ray M. Osborn (Operations) and Roger A. Morin (Administration).

There will be a total of nine Customs regions established in accordance with a year-long timetable, as follows: Los Angeles, Calif., January 1, 1966; Miami, Fla. and New Orleans, La., in February 1966; Chicago, Ill., March; Baltimore, Md., April; Houston, Texas, and Boston, Mass., May; and New York City in June. Region VIII in San Francisco became operational November 1, 1965.

United States Commissioner of Customs Lester D. Johnson heads the Bureau of Customs which is part of the Treasury Department. His office is in Washington, D. C.

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(Biographies follow)

(more)

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FOR RELEASE A.M. NEWSPAPERS
~~WEDNESDAY, NOVEMBER 17, 1965~~
THURSDAY, NOV. 18, 1965

CUSTOMS DISTRICT DIRECTORS
APPOINTED FOR LOS ANGELES REGION

The appointment of three district directors for the Los Angeles Customs Region VII was announced today by Assistant Secretary of the Treasury True Davis. Selections were made in accordance with Civil Service regulations from a number of qualified applicants.

The Los Angeles Region comprises three districts--Los Angeles, San Diego, and Nogales, Arizona, and the appointments, effective January 1, 1966, are as follows:

William R. Knoke of Pasadena -- Los Angeles Customs District;

Donald C. Utterback of San Diego -- San Diego Customs District;

Carroll R. Long of Nogales -- Nogales (Ariz.) Customs District.

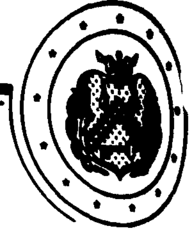
The appointments were made as part of the President's Reorganization Plan No. 1 of 1965 which was sent to Congress last March and became effective on May 26, 1965. It called for the elimination of 53 Customs positions throughout the U.S., which were previously filled by Presidential appointment. The Reorganization Plan placed the 176-year-old Customs Service wholly on a career basis.

Mr. Frank R. Creed was named Regional Commissioner-designate of the Los Angeles Region on October 27, 1965, with headquarters offices on the third floor of the Federal Building at 300 N. Los Angeles

F-277

(more)

TREASURY DEPARTMENT



WASHINGTON, D.C.
November 17, 1965

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United States Commissioner of Customs Lester D. Johnson heads the Bureau of Customs which is part of the Treasury Department. His office is in Washington,D. C.

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own interest and in the interest of those who rely on the dollar as a reserve currency, maintain our payments in equilibrium. This we will do.

"The world not only expects but requires that the dollar be as good as gold."

$489 million.

We estimate that from January 1 through September of this year the conversion of British held U. S. securities, undertaken to help the pound, had unfavorable payments results for us of about half a billion dollars.

Let me close by quoting what the President told the meeting here of the World Bank and International Monetary Fund Directors this fall on the subject of ending our payments deficits, because his statement clearly indicates the extent of our commitment to success in this national task. He said, and I quote:

"The U. S. has taken firm action to arrest the dollar drain. Should further action be necessary in the future, such action will be taken.

"I want to be very clear about this. We must, in our

were $85 million better off, and debt prepayments making a favorable difference of $174 million.

The situation was less favorable in the third quarter in three other respects: new issues of foreign securities where the difference was a minus $162 million; bank loans, both long and short, where ~~the difference was unfavorable by~~ $431 million, and payments for United States ~~with~~ military exports, where there was an unfavorable difference between the second and the third quarters coming to $176 million.

~~These~~ items fail to account for some $489 million of the third quarter deficit, because we ~~do not yet~~ ~~have~~ full information on the payments results of direct investment, investment income, loans by lenders other than banks, tourism, and errors and omissions. We do know that tourist spending abroad will probably account for a ~~very large~~ part of the

inevitably affect in significant amount both total expenditures and our balance of payments. Room must be made by improvements elsewhere to provide for these expenditures for which there is no alternative as well as deal with the 1965 margin of deficit that surely will emerge. Wherever improvements can be made by willful effort -- and no amount is too small to be given attention -- these improvements will be made. I intend to carry out the President's declared intention in that regard.

Now, permit me to say a word or two about the third quarter results before my colleagues speak and we try to answer your questions:

I am discussing the overall ~~account~~ balance results.

There were improvements in three principal sections: trade, where we were $257 million better off than in the second quarter; sales (by Americans) of foreign ~~held~~ securities, where we

1965 and 1966 outflow together -- and it is important that this be clearly understood. Performance by the individual company will be measured ~~in terms of~~ 1965 and 1966 combined. So, it will not be of advantage to invest at a high rate in 1965 with the expectation that the new target in 1966 will ignore 1965 performances.

~~As you will see,~~ I am both confident that we are on the path toward equilibrium in 1966 but equally aware that we have a substantial distance to go to cap our efforts with full success. And I would not want to leave any impression, in talking here primarily about the programs administered by the Department of Commerce and the Federal Reserve, that other sectors of our balance of payments are not receiving intense analysis and critical review.

We must, in any look ahead, take into account the fact that expenditures in Vietnam will

only like to say that the banks and nonbank financial institutions continue to perform admirably and we are confident that they will continue this very heartening cooperation in an effort so deeply imbedded in the national interest.

Secretary Connor will~~, I am sure, be happy to answer questions on the balance of payments presentation~~ which ~~represents a departure from the previous method and also~~ discuss the program which he administers. I would simply note, as Secretary Connor has done previously, that the program he administers will continue through 1966 on a voluntary basis. There will certainly be some sharpening of the targets, including a specific one for direct investment abroad, and the performance under the 1965 program will certainly be taken into account. The target to be set for savings under this program will cover, as it should, the

(4) It should be noted that net sales of gold to foreign official accounts during the third quarter totaled only $96 million. ~~These sales were chiefly in the early part of the quarter.~~ Net sales of gold in the second quarter

businessmen and investors abroad that we are on the road to overcoming our balance of payments deficits.

But while these results showed the very substantial improvement required, they also underline the need for following through deliberately and purposefully to assure a similar improvement in the year ahead. At this time an intensive review of our balance of payments is underway to prepare the 1966 program. The results of that review will be announced sometime later this year. At this time I would only like to underline what the Federal Reserve announced some time ago, namely, that the guidelines for banks and nonbank financial institutions next year will use the same base as was used for ~~the program~~ during 1965, namely, the outstanding assets of each financial institution on Dec. 31, 1964. The percentage factor to be applied to this base in determining the 1966 ceiling has not yet been determined. Governor Robertson will discuss the results of the program administered by the Federal Reserve during the third quarter in somewhat more detail. I would

$700 million. On the now disused "regular" account our deficit this year would be running at an annual rate of $1.7 billion, compared to $3.1 billion in 1964.

Consequently, the different result for the third quarter when the official account is used indicates that during the period there was a very sharp increase in the dollar holdings of foreign individuals and businesses. This demonstrates that the official account measure conveys important information about the position of the dollar in the world, and is not merely a statistical flourish. The rise in private dollar holdings of foreigners, while official balances declined [illegible], indicates that private holders, rather than turn dollars over to central banks, are content to hold them as working balances. This indicates confidence among

it did not take into account dollar receipts resulting from special government transactions, consisting mainly this year of advance repayments of U. S. Government loans and payments in connection with military exports. If these receipts were omitted, as they have been in the past, our deficit would be $130 million higher in the third quarter ~~and our surplus would be lower by about the same amount, in the second quarter, than is the case when those quarters are reported on the overall balance of payments basis.~~

On any accounting basis, there is a great improvement over both 1963 and 1964. On the overall account, our seasonally adjusted deficit through the first three quarters, on an annual rate basis, is [illegible] billion, compared with $2.8 billion in 1964 and $2.7 billion in 1963. The official accounts version is at a seasonally adjusted annual rate of approximately

of $260 million, or, a slight improvement over the second

quarter performance ~~on the same basis.~~ On this same basis,

we had a surplus of $210 million ~~in the second quarter and a~~

deficit of $634 million in the first quarter.

The difference in the two measures of our payments

balance arises from the fact that the official ~~account~~ embraces

only changes in our direct liabilities to official holders

of dollars. That is, changes in private foreign dollar

holdings are excluded, on the grounds, among others, that they

should be regarded as working balances, and are therefore

unlikely to be converted into official holdings which in turn

would be used as a claim against our gold reserves.

Both these accounts differ from a third measure used

before now, and which may be the one most familiar to you.

That is the "regular" ~~account.~~

On this same accounting basis, we had a surplus of $247 million in the second quarter and a deficit of $701 million in the first quarter.

The balance of payments report distributed to you also shows another measure of our payments situation -- known as the official ~~account~~ -- that is far more favorable. ~~We start with the less favorable one because this is a field in which we have become accustomed to leading with our chin.~~

The use of this official ~~or alternative measure,~~ implements one of the major recommendations made last Spring by the Review Committee on Balance of Payments Statistics led by Dr. Edward M. Bernstein. Our balance of payments statistics will show this alternative view of our payments balance regularly hereafter.

This measure indicates a surplus in the third quarter

~~deterioration in the second half could be expected and that cautionary note has been justified now by the third quarter figures.~~

You have in your hands figures for the year through the third quarter showing that our prediction that "we would lose some ground in the third quarter" was justified.

We are reporting to you a deficit, after taking account of seasonal influences, of $485 million dollars. This is the result for the third quarter on the accounting basis -- known as the "overall payments balance" ~~balance of payments account~~ -- that includes changes in United States reserve assets, and in our liquid liabilities to all foreign holders of dollars. ~~United States reserve assets fell by $40 million during July, August and September, and liquid dollar liabilities to all foreign holders rose by $445 million.~~

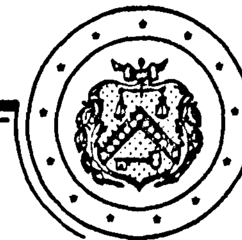
Advance for Use in Morning Newspapers,
Thursday, November 18, 1965

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT A NEWS CONFERENCE ON THE BALANCE OF PAYMENTS
NOVEMBER 17, 1965 AT 2:15 P.M.,
IN ROOM 4121, MAIN TREASURY

You will recall that when we announced, last August, that we had a small surplus in our foreign payments during the second quarter of this year, we emphasized, first, that we would not be benefitting in the third quarter from favorable factors that helped earlier, and second, that on the contrary, adverse factors would be at work during the third quarter.

Special factors in the second quarter involved the effect of the shipping strike, ~~on our trade balance,~~ the very ~~favorable~~ results under the voluntary restraint program for banks ~~administered by the Federal Reserve~~ and the sharp reflow of corporate liquid funds under the program administered by the Department of Commerce.

TREASURY DEPARTMENT



WASHINGTON, D.C.

November 17, 1965

ADVANCE FOR USE IN MORNING NEWSPAPERS
THURSDAY, NOVEMBER 18, 1965

STATEMENT BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT A NEWS CONFERENCE ON THE BALANCE OF PAYMEI
NOVEMBER 17, 1965 AT 2:15 P. M.,
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You will recall that when we announced last August that we had a small surplus in our foreign payments during the second quarter of this year, we emphasized, first, that we would not be benefitting in the third quarter from favorable factors that helped earlier, and second, that on the contrary, adverse factors would be at work during the third quarter.

Special factors in the second quarter involved the effect on our trade balance of exports deferred from the first quarter because of the shipping strike, the very favorable results from the net reduction of capital outflows under the voluntary restraint program for banks as they reduced the scale of new loans to come within the prescribed ceiling, and the sharp reflow of corporate liquid funds under the program administered by the Department of Commerce.

You have in your hands figures for the year through the third quarter showing that our prediction that "we would lose some ground in the third quarter" was justified.

We are reporting to you a deficit, after taking account of seasonal influences, of $485 million dollars. This is the result for the third quarter on the accounting basis -- known as the "overall" payments balance -- that includes changes in United States reserve assets, and in our liquid liabilities to all foreign holders of dollars.

On this same accounting basis, we had a surplus of $247 million in the second quarter and a deficit of $701 million in the first quarter.

The balance of payments report distributed to you also shows another measure of our payments situation -- known as the official settlements balance -- that is far more favorable.

The use of this official settlements balance implements one of the major recommendations made last Spring by the Review Committee on Balance of Payments Statistics led by Dr. Edward M. Bernstein. Our balance of payments statistics will show this alternative view of our payments balance regularly hereafter.

This measure indicates a surplus in the third quarter of $260 million, or, a slight improvement over the second quarter performance, when, on this same basis, we had a surplus of $210 million. On this same basis, there was a deficit of $634 million in the first quarter.

The difference between the two measures of our payments balance arises from the fact that the official settlements balance embraces only changes in our direct liabilities to official holders of dollars. That is, changes in private foreign dollar holdings are excluded, on the grounds, among others, that they should be regarded as working balances, and are therefore unlikely to be converted into official holdings which in turn could be used as a claim against our gold reserves

Both these accounts differ from a third measure used before now, and which may be the one most familiar to you. That is the "regular" balance. That method did not take into account dollar receipts resulting from special government transactions, consisting mainly this year of advance repayments of U. S. Government loans and payments in connection with military exports. If these receipts were omitted, as they have been in the past, our deficit would be $130 million higher in the third quarter. This "regular transactions balance" will no longer be shown as a summary line in our balance of payments statistics.

On any accounting basis, there is a great improvement over both 1963 and 1964. On the overall account, our seasonally adjusted deficit through the first three quarters, on an annual rate basis, is $1.25 billion, compared with $2.8 billion in 1964 and $2.7 billion in 1963. The official settlement version is at a seasonally adjusted annual rate of approximately $200 million as compared to $1.25 billion in 1964. On the now disused "regular" account our deficit this year would be running at an annual rate of $1.7 billion, compared to $3.1 billion in 1964.

In measuring 1965 performances to date against 1964 one special factor should be noted. We estimate that from January 1 through September of this year the conversion of British held U. S. securities, undertaken to help the pound, had unfavorable payments results for us of about half a billion dollars.

The result for the third quarter when the official account is used indicates that during the period there was a very sharp increase in the dollar balances of foreign private holders as distinct from official reserves. This demonstrates that the official account measure conveys important information about the position of the dollar in the world, and is not merely a statistical flourish. The rise in private dollar holdings of foreigners indicates that private holders, rather than turn dollars over to central banks, are content to hold them as working balances. This indicates confidence among businessmen and investors abroad that we are on the road to overcoming our balance of payments deficits.

It should be noted that net sales of gold to foreign official accounts during the third quarter totalled only $96 million. Net sales of gold in the second quarter totalled $299 million, exclusive of $259 million of gold sold to the International Monetary Fund. Net sales of gold in the first quarter came to $811 million.

But while these results showed the very substantial improvement required, they also underline the need for following through deliberately and purposefully to assure a similar improvement in the year ahead. At this time an intensive review of our balance of payments is underway to prepare the 1966 program. The results of that review will be announced sometime later this year. At this time I would only like to underline what the Federal Reserve announced some time ago, namely, that the guidelines for banks and nonbank financial institutions next year will use the same base as was used for the program during 1965, namely, the outstandings of each financial institution on December 31, 1964. The percentage factor to be applied to this base in determining the 1966 ceilings has not yet been determined. Governor Robertson will discuss the results of the program administered by the Federal Reserve during the third quarter in somewhat more detail. I would only like to say that the banks and nonbank financial institutions continue to perform admirably and we are confident that they will continue this very heartening cooperation in an effort so deeply imbedded in the national interest.

Secretary Connor will discuss the program which he administers. I would simply note, as Secretary Connor has done previously, that the program he administers will contin through 1966 on a voluntary basis. There will certainly be some sharpening of the targets, including a specific one for direct investment abroad, and the performance under the 1965 program will certainly be taken into account. The target to set for savings under this program will cover, as it should, the 1965 and 1966 outflow together -- and it is important th this be clearly understood. Performance by the individual company will be measured by adequate reporting devices, and measured in terms of performance in 1965 and 1966 combined. So, it will not be of advantage to invest at a high rate in 1965 with the expectation that the new target in 1966 will ignore 1965 performances.

I am both confident that we are on the path toward equilibrium in 1966 and equally aware that we have a substantial distance to go to cap our efforts with full success. And I would not want to leave any impression, in talking here primarily about the programs administered by the Department of Commerce and the Federal Reserve, that oth sectors of our balance of payments are not receiving intense analysis and critical review.

We must, in any look ahead, take into account the fact that expenditures in Vietnam will inevitably affect in significant amount both total expenditures and our balance of payments. Room must be made by improvements elsewhere to provide for these expenditures for which there is no alternative as well as deal with the 1965 margin of deficit that surely will emerge. Wherever improvements can be made by willful effort -- and no amount is too small to be given attention -- these improvements will be made. I intend to carry out the President's declared intention in that regard.

Now, permit me to say a word or two about the third quarter results before my colleagues speak and we try to answer your questions:

I am discussing the overall balance results.

There were improvements in three principal sections: trade, where we were $257 million better off than in the second quarter; sales by Americans of foreign securities, where we were $85 million better off, and debt prepayments making a favorable difference of $174 million.

The situation was less favorable in the third quarter in three other respects: in the amount of new issues of foreign securities purchased by Americans, where the difference was a [illegible] $162 million; bank loans, both long and short, where the early level of gains achieved in the second quarter was diminished by $431 million, and payments for United States military exports, where there was an unfavorable difference between the second and the third quarters coming to $176 million.

The balance of these items fail to account for some $489 million of the swing from the second quarter surplus to the third quarter deficit, because we will not have until some time in December full information on the payments results of direct investment, investment income, loans by lenders other than banks, tourism, and errors and omissions. We do know that increased tourist spending abroad in the third quarter as compared to earlier quarters will probably account for a part of the $489 million.

Let me close by quoting what the President told the meeting here of the World Bank and International Monetary Fund Directors this fall on the subject of ending our payments deficits, because his statement clearly indicates the extent of our commitment to success in this national task. He said, and I quote:

> "The U. S. has taken firm action to arrest the dollar drain. Should further action be necessary in the future, such action will be taken.
>
> "I want to be very clear about this. We must, in our own interest and in the interest of those who rely on the dollar as a reserve currency, maintain our payments in equilibrium. This we will do.
>
> "The world not only expects but requires that the dollar be as good as gold."

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The main point I would emphasize in closing is that we hould not permit the very diversity and diffuseness of the arious Federal credit programs to foster an exaggerated mpression of their over-all size and their total demand on he economy. There are many pieces to keep track of, but he problem is essentially one of orderly management that an be resolved within the framework of ample total credit esources.

--oOo--

t the same time, we must be aware, at the Treasury, that
ong-term agency borrowing may compete quite directly with
pportunities for the Treasury itself to tap the intermediate
r longer-term markets.

These problems of coordination are now under more in-
ensive study within the Administration, alongside further
xamination of particular techniques that might be used to
acilitate further asset sales. No one would pretend that
he present arrangements are the best that could be devised
n every respect. And, in considering alternative approaches
o improve the coordination and effectiveness of the various
ederal credit programs, I believe we should give pretty free
ein to the imagination. Particular approaches should not be
ejected, for example, merely because they might call for
ome recasting of the present budgetary procedures, if they
ight be helpful in improving coordination among programs and
n minimizing costs.

Rather, the coordination problem reflects the multipli-
:ity of agencies dealing directly with the market, each with
ιts own scheduling problems and each with fairly specific
financing objectives or requirements, all of which have to be
:itted within an over-all schedule. Obviously, this requires
letailed planning, careful consideration of alternatives, and
ıard appraisals of amounts, maturities, and pricing.

All the agencies have some degree of flexibility in
heir financial operations, but there are also constraints --
mposed either by law, market acceptability, or considerations
f prudent financial management. Patterns of cash flow
bviously pose some constraints, too. Certainly, long-term
orrowing is more appropriate for some agencies than short-
erm borrowing, particularly where it has become fairly clear
hat a portion of the agency's need is of a truly long-term
ature.

Borrowings of these agencies typically take the form of regular offerings of relatively sizeable fixed amounts. Their quality is well-known, and they enjoy high acceptability in the market. The investors in these issues, of course, in many cases are also investors in direct United States Government securities.

From the Treasury's standpoint, the main problem presented by the myriad Federal agency credit programs is one of coordination. This is not to say that there is any lack of genuine cooperation. The various agencies are all concerned with doing the best job possible, and there is a spirit of give and take among the agencies and with the Treasury and its debt management problems. Moreover, with respect to any specific financing, the Treasury must, by law, be consulted in most cases, while, in other cases, we are in close touch as a matter of practice.

to be transferred to the private sector by "repackaging" the loans from a pool, while the Government retains the servicing chore through well-established arrangements. In effect, the participation technique provides the private lender with a standardized obligation which passes through to him most of the income on these assets after servicing costs. The sale of the certificates is facilitated by an ability to offer them in fairly large segments through the established techniques of the private market.

Regular agency issues -- Home Loan Bank notes, FNMA secondary market debentures and the rest -- stand on a different footing. In these cases, special institutions have been developed to provide credit in certain areas. Their financing is designed to raise funds efficiently at minimum cost in private markets, but the same stress on stimulating and encouraging direct private lender-borrower contact is not present.

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These certificates have been sold to the banks with an interest in export financing, and, in fact, the bank acquiring this paper may have originated some of the underlying loans behind the participations certificates.

Another innovation along these lines has been the sale of FNMA participation certificates in pools of FHA and VA mortgages held by the Government -- a technique that should be potentially applicable to certain other financial assets held by the Government as well. In this instance, large numbers of relatively small loans are involved, and the direct sale of these assets in volume -- given the wide dispersal of borrowers geographically and the need for servicing and surveillance of performance -- would be difficult, if not impossible. The participation technique offers a means of escaping this impasse by permitting the basic financing load

One line of approach that has been under way now for some time is the sale of a variety of financial assets held by the Federal Government. Several techniques have been developed for this purpose.

Direct sales of loans are generally made to the types of investors who are also normally engaged in that same type of lending business. For instance, a substantial part of the farm housing and farm ownership loans sold by the Farmers Home Administration go directly to banks in the local communities in which the borrower resides. These sales, and other direct sales, are largely on a retail basis; the paper is on tap, to be distributed as the market demands it.

Another effort to reinforce direct borrower-lender contact is to encourage holdings of more export paper by banks in the form of Export-Import Bank participation certificates.

ut, even in subsidy programs, there are often methods by hich private participation can be encouraged.

In general, I believe that Federal credit programs should ork to the maximum feasible extent through the private credit arket, helping to make it stronger, more competitive and ore responsive to the needs of a rapidly developing economy. n a country in which we rely on efficient private markets or the great bulk of all credit extensions, there is, I elieve, recognition throughout Government that the objectives f Federal credit program will often be better realized by ising private institutional arrangements, both to reduce the 'ederal administrative burden and to make the credit assistance ore widely accessible. More than that, this desire to permit aximum scope for private participation in Federal credit rograms is a matter of basic economic philosophy.

Most Federal credit programs, whether direct loans or loan guarantees, have been undertaken in areas where private credit channels have left a gap unfilled. Private lenders may have been unwilling or unable to make certain types of credit directly available -- sometimes because of lack of experience, sometimes because of risks or costs, sometimes because of institutional structure. In cases where private lending develops to fill the gaps, the Federal programs can decline and ultimately most demand can be met directly from private sources. It is neither practical nor desirable for Government to preempt functions that private lenders can perform economically and efficiently.

Of course, we must also recognize that the basic social and public objectives of some credit programs by their nature cannot be achieved without some subsidy element. In those instances, the private market, however efficient, venturesome and competitive, cannot be expected to function unaided.

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For most of these agencies, market borrowing is a major source of new capital funds. As we have seen, the needs for additional funds have grown substantially in the recent past, and I would venture to predict that further growth lies ahead -- not necessarily every year -- but over the course of several years. Growth is also in prospect for other Federal credit programs, which either obtain funds from the Treasury or which guarantee obligations sold to private institutions. These programs, as I am sure you are aware, are already large and are expanding further, while new programs are being developed.

Without debating the merits of any particular Federal credit program, they clearly are all intended to serve public purposes by improving the availability and reducing the cost of credit for specific uses. In the end, like other Federal programs, they must be judged in terms of how effectively and economically the techniques used and the policies followed meet national objectives.

And, in directing your attention today to that relatively neglected area of the financing of Federal credit programs, it is particularly important to keep in mind the sizeable aggregate job that faces us each year.

Federal agency financing is, as I have noted, not new. You are all familiar, I am sure, with such well established instruments as the FNMA debentures, the notes and bonds of the Federal Home Loan Banks, and the obligations of the three farm credit agencies -- the Land Banks, Federal Intermediate Credit Banks, and the Banks for Cooperatives. FHA debentures are a special case; they are only issued in settlement of defaulted mortgages and are, consequently, not a net addition to credit demands. TVA now issues its own bonds. We also have the Public Housing Administration, acting as the agent for local housing authorities, and the long-established CCC participation certificates.

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In this calendar year, the total flows will be appreciably larger, and all indications are that the share of the Federal Government -- direct Treasury issues held by the public, agency financing, and asset sales -- will actually decline appreciably. Thus, while we look on Government financing as an important factor in the money and capital markets -- as it surely is -- the growth of our economy, its vast savings potential, and the rising credit demands of other sectors have meant that the demands of Government finance have shrunk quite appreciably, relative to other demands. Large as it is in absolute terms, Federal financing is clearly far from a dominant force in financial markets and is potentially a far more easily manageable part of our expanded markets than earlier in the postwar period.

But, however comforting this long view may be, the management of the Federal debt and its coordination with other Federal credit activities is certainly not a matter to be glossed over.

In the perspective of the entire flow of financial savings and investment, these demands are but a modest part of the total.

The rough orders of magnitude you might bear in mind are these: the net flows of credit into the credit markets in calendar year 1964 were about $71 billion. Some $30 billion went to the mortgage market, most of it in loans on one to four family properties. Consumer credit rose $7 billion, while State and local governments increased their outstanding indebtedness by almost $6 billion. Much of the remainder was borrowed by private businesses or foreigners. Net Federal Government and agency financing placed in the private market -- including participations and some other asset sales -- came to around $4-1/2 billion.

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Since the end of World War II, the gain has been just $10 billion -- from $205 billion to $215 billion. And, since 1960, the increase has been $7 billion -- or less than $1-1/2 billion a year. Thus, the net indebtedness of the Federal Government and its agencies today, as a proportion of total debt, has fallen sharply and steadily over the postwar period. It was 52 percent at the close of 1946, 24 percent at the end of 1960, and 20 percent at the end of 1964. In other words, even with the great growth in Federal agency financing and in asset sales, the over-all demands on the market of Government finance have shrunk relatively.

Let me underscore firmly this point. Despite the substantial volume of Federal financing outside the Treasury, and its recent growth, this financing, neither by itself nor in conjunction with regular Treasury debt operations, represents an unsustainable burden on our capital markets.

is equivalent to about one-third of the rollover of maturing coupon issues of the Treasury itself.

But two important points should be noted in connection with this. First, while these magnitudes of agency financing and asset sales are high and have grown rather sharply in recent years, the activities are not brand new. The net anticipated asset sales of roughly $3 billion in fiscal 1966 are double the amount sold in 1965 and three times the level in 1964 -- but, as this implies, there was $1 billion of such sales in 1964. The volume of outstanding Federal agency securities is about $14 billion today, but was already more than $8 billion at the close of fiscal 1960.

Second, the rise in direct Treasury debt held by the public -- that is, excluding the growing amounts held by the Government investment accounts and the Federal Reserve -- has been quite moderate.

These programs have been moving ahead; FNMA is now in the process of completing a second installment ($375 million) of its sales of participations to banks and other private investors, bringing the total so far to $900 million.

The January budget document also contemplated that Federal agencies, including the Public Housing Administration, would sell over $1.6 billion of their own securities in the market -- again net. To these totals should be added the figures for CCC -- perhaps $1/2 billion of added financing.

So it is evident that these scheduled asset sales and agency financings -- adding up to some $5 billion in terms of new market demands -- have become a very significant element in the over-all financial planning of the Government, alongside direct Treasury financing. And, insofar as agency issues alone are concerned, the refinancing of existing debt -- some $11 billion of issues maturing in fiscal 1966 --

While the financial road ahead will thus call for careful driving, and perhaps a narrower squeeze here and there than we might have hoped for some several months ago, I believe the course can be safely negotiated without serious strains on the market.

Now, alongside these Treasury cash needs, net sales of financial assets by the Government for this fiscal year were estimated at about $3 billion in last January's budget -- and that is still the best benchmark we can use in measuring the planned volume. Direct sales of mortgage loans, principally by the Farmers Home Administration and the Veterans Administration, were expected to account for about one-fourth of this total. The Export-Import Bank was expected to sell about $700 million of participations in its loan portfolio, while FNMA was scheduled to sell about $1.3 billion of participations in FHA and VA mortgage pools for which it would act as trustee.

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some additional cash drain because of the bunching of payments for the retroactive increase in Social Security benefits.

While the impact on our cash position and borrowing requirements has been quite limited thus far, it is no secret, of course, that the expanded military effort in Viet Nam will be producing larger cash needs than could have been anticipated before July, 1965. But, as our financing program suggests, the magnitude of the increase in these requirements will not lead to striking changes in our demands on the market in this fiscal year. It should be borne in mind, too, that our strong and growing economy is generating tax receipts at a somewhat faster clip than earlier forecasts had envisioned. What Viet Nam does mean, in this short-run cash perspective, is that we will not be able to show the improvement in the Government's financial position that we might have looked forward to otherwise.

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This comprises $4 billion of Tax Anticipation Bills in October and the additional $2-1/2 billion TAB's auctioned this week. As usual, additional cash will need to be raised after the turn of the year and before the heavy March tax payments -- some of it quite early in January. While we have not definitely fixed our sights on the total amount of this further cash requirement, it is clear that, for the entire period from now to the end of the current fiscal year, we will retire debt on balance, taking advantage of the regular seasonal upswing in receipts in the Spring. This prospect suggests that at least a portion of the January financing needs might also properly be done in the form of tax bills.

The only unusual element in this picture is the lateness with which we came into the market for our Fall seasonal borrowing. The amounts involved have been about normal by the standards of recent years, even though this year we had

flows, point up some of the financial management problems, and discuss the rationale for the programs and the philosophy behind our present approach to their financing.

Financial management problems associated with these activities are not new in kind, but they are new in terms of the levels and varieties of activity involved. And with the increase in volume have come some essentially new implications for financial markets and for prudent monetary management -- implications that emphasize the need for coordination within the fabric of over-all financial policies of the Government.

To provide some perspective, it may be useful first to briefly review the magnitude and general outlook for the Treasury's own debt management operations. During the first half of this fiscal year, July 1 to December 31, we will have raised about $6-1/2 billion of new cash from the public.

I thought today, however, I might deal largely with an area of Government financial management which generally has received less public attention than regular Treasury debt management but which recently has attracted more comment.

I refer to the expanding amount of Government financing outside the channels of direct Treasury issues -- the growth in Federal agency borrowing and the expansion in Federal credit programs, particularly the direct loan programs and the associated sale of assets.

There are several aspects to this subject, but I would like to focus particularly on the problems of financial management associated with Federal agency borrowings and sales of Government-owned financial assets. What I propose to do in this talk is to try to give you a picture of the magnitude and growth of agency borrowings and asset sales, relate them to direct Treasury borrowing and to total credit

Treasury Department
Washington

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FOR RELEASE ON DELIVERY

REMARKS BY THE HONORABLE FREDERICK L. DEMING
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS
AT THE 34TH MID-CONTINENT TRUST CONFERENCE
OF THE AMERICAN BANKERS ASSOCIATION
AT THE SHERATON-JEFFERSON HOTEL, ST. LOUIS, MISSOURI
ON FRIDAY, NOVEMBER 19, 1965, AT 12:30 P.M. (CST)

PROBLEMS OF GOVERNMENT FINANCIAL MANAGEMENT

In this momentary escape from my regular schedule -- between excursions to Europe to discuss problems of international finance and following the last Treasury cash financing for this year -- it is a pleasure to stop for a moment again in St. Louis and to greet old friends and acquaintances. I see that the keystone has been placed on the Gateway Arch, the new bridge is nearly across the Mississippi, and the downtown development boom is flourishing.

Usually I have taken occasions like this to talk about our balance of payments -- the progress we have made and the problems still before us -- or to discuss the management of the public debt -- past accomplishments and our plans for the future.

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TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
FRIDAY, NOVEMBER 19, 1965

REMARKS OF THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE EXECUTIVES' CLUB OF CHICAGO
HOTEL SHERMAN, CHICAGO, ILLINOIS,
FRIDAY, NOVEMBER 19, 1965, 12:30 P.M., CST.

I have come to you today to talk about:

"An economy where the health of business benefits all the people;

"An economy where the prosperity of the people benefits the health of business;

"An economy where, in large measure, the fortunes of each are tied to the fortunes of all."

Perhaps, that description of the nature, and at the same time of the objectives, of our American economy is familiar to you. For it is the description, in his words, of the aims of President Johnson's economic policy.

I have come to Chicago to talk to you about the working partnership -- and, let me emphasize, the shared responsibilities -- of business, labor, and government in the light of that statement by the President of the United States.

What I am here to say can be summed up very briefly:

Since my speech involves, at bottom, only one simple thought, let me try to state it first of all in a single sentence:

I want to talk with you today about a working partnership, 1e working partnership that exists, and has existed for some ime now -- to the great benefit of all concerned -- among our government, the business community, and labor; a working artnership for economic responsibility in the United States.

Now let me expand upon that just a little:

In this partnership for economic responsibility we are ound by a common conviction that the right answer to our :onomic problems, on the domestic and on the international :onts, must be based upon a dynamic private sector.

It is a partnership with many, varied objectives.

It seeks to continue -- hale, hearty, and soundly ılanced -- our already nearly unprecedented economic expansion.

It seeks to underwrite the costs, out of the fruits of :onomic growth, of the great enrichment of the quality of ıerican life that, under this working partnership, is now ı full swing.

It seeks to provide the unquestionable economic strength, ıd the evident economic stability, that alone can be the ›undation stones upon which we can build the solution to our .lance of payments problem.

It seeks to provide the wherewithal for America to ›ntinue, while it undertakes great new tasks at home, to do s part in building the economic base for a better life for ople in the now less developed countries.

And it now seeks to shoulder a new burden, the burden of r intensified participation with the brave people of Vietnam the defense of freedom.

I want, in closing this little summary, to stress a ecial feature of this last element: it is a test, I think, t so much of our economy, as of our commitment to economic alism and responsibility. We have an economy with the pacity to produce, the capacity to increase its production d its productivity, to pay the costs of greater economic rdens than Vietnam thrusts upon us. The question is not, we have the capacity and the ability? We do have them and ı increase them swiftly. The question is, do we have the nmon sense, and the sense of common responsibility to keep l of our economic actions and policies realistic, and not let : economic problems become the playthings of fears and unfounded ›ectations?

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It is against that background that I want to discuss with you the responsibilities this working partnership must discharge in the period ahead.

As personal credentials of a deep and demonstrated conviction that we must enable the private sector to play the prime and dynamic role in our national economy, I bear scars and bruises incurred in helping to secure the development, adoption, and execution of the liberalization of depreciation allowances -- the investment tax credit in 1962 -- the corporate tax cut and further improvement of the investment credit in 1964 -- individual tax reductions of 1964 that included top-to-bottom rate reductions -- and excise tax reductions this year.

But my most important credential by far is that I serve under a President of the United States who has done more and worked harder than any man in our long national history to bring about the better understanding that is essential to a fruitful working partnership between business, labor, and government. Night after night, day after day, as no President before him, President Johnson has brought together leaders of business, finance, and labor to meet with him, his Cabinet, and White House staff members -- seeking advice, swapping ideas on what each could do separately and all could do together for a better America. He has made, "let us reason together," a national slogan as well as his personal expression of heart and mind.

It is in that spirit that we must approach the task of sustaining our long and sound economic expansion.

Can we do it? The answer must be an emphatic, yes! Anything else would not only be adverse to our economic advance, but would be precisely what our adversaries believe will happen, the thing upon which they have staked their only real hope of winning: the soft crumbling of a society so accustomed to easy superiority that it cannot keep its unity and sense of purpose under real pressure.

The leaders of Red China and North Vietnam are apparently taking much comfort in the magic lantern they never give up rubbing: the assertion that, put to the test, capitalism will fall to quarreling over its profits, and freedom will become a mere source of internal division, while socialism's regiments take our baubles away from us.

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And there is no lack of Cassandras to suggest that we are doing just what is expected:

-- In the wake of events surrounding aluminum prices, it has been alleged that the Administration is losing its partnership with business by reason of its efforts to maintain price stability.

-- Some weeks back it was said that the government is destroying its working relationship with the banking industry by insisting that the stability of long term interest rates is important to a continuing high rate of growth.

-- And now it is alleged that we will jeopardize our working partnership with both business and finance by insisting that they hold down private capital outflows so that the United States can achieve an equilibrium in its international balance of payments.

Government, business and labor have common problems -- and there will continue to be differences about how they can best be solved. But if we clearly understand the importance to all of us of these common problems, and of the roles business, labor and government must play together in the current setting to meet them -- the working partnership of government, business and labor will continue to function in the future even better than it has over the past 57 months of economic expansion.

So, let us examine more closely three areas of potential or alleged friction between the government and the private sector.

Two of these areas of strain -- prices and wages, and interest rates -- result from the very success the working partnership has achieved in our long lasting economic expansion, and events in Vietnam. The gap between demand and the availability of skilled manpower and unused efficient capacity has narrowed to the lowest point in this 57-month expansion -- at the very time when defense expenditures are rising because of the intensification of hostilities in Southeast Asia.

Unemployment, at approximately 4-1/3 percent, is at the lowest level in eight years and is getting close to the point at which questions arise about the continued availability of an adequate labor force, particularly among better skilled workers. We should note that recent employment

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advances have been most rapid in manufacturing, a sector where rapid automation has increased productivity greatly. It appears from this that automation has also kept the prices of manufactured goods at levels which have spurred consumption sufficiently to increase -- not decrease -- the supply of jobs. At that, these new jobs made possible by automation are better paying jobs, since higher productivity permits higher pay without increases in unit cost.

The rate at which capital resources -- our plant and equipment, for the most part -- are utilized, is also rising toward the so-called preferred utilization point. The overall rate in September according to the latest McGraw-Hill survey was still 4½ points below the preferred rate, although some industries -- including the automobile industry, paper and pulp, and nonferrous metals -- were above their preferred point of capital utilization.

Now these are factors that begin to put pressure on wages and prices. We have seen the pressures operating. And you have seen your government urging that an especially high order of responsibility be exercised by management and labor in countering and dealing with them in the present situation.

Although this is one of the areas of manifest irritation between government and labor and business, it is an altogether bootless conflict. In the past five years the U. S. economy has experienced an expansion which is unprecedented in its duration, its extent, and in its balance.

A crucial element in this U. S. expansion has been the stability of costs and prices. The wholesale price index today stands within 2 percent of its level at the beginning of the expansion. The index of consumer prices has risen at an average rate of only 1.3 percent a year. Reflecting moderate wage increases and good productivity gains, unit labor costs in manufacturing are no higher than they were a year ago and lower than 5 years ago. However, all of the wholesale price increase has come in the past year; and the increase in consumer prices has been faster this year than in the previous four.

Without stability in costs and prices it would have been impossible for the U. S. Government to pursue the expansionary fiscal and monetary policies which have been largely responsible for the sustained and healthy growth of production and incomes. This is partly because price inflation is politically unacceptable to the majority of

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American citizens. Equally significant, it is because rising prices would have reduced our favorable trade balance and thereby intensified an already serious balance of payments deficit and loss of U. S. gold reserves. Inflation not only would worsen our balance of merchandise trade, but would, as well, impair the confidence of foreign businesses, banks, and official institutions in the stability of the U. S. dollar. A healthy balance of payments is an absolute necessity for the United States in order for it to defend freedom in the world, continue its program of economic assistance, maintain and extend liberal trade policies, and pursue effectively the reform of the international monetary system, on which future growth in trade and general economic development depend.

The considerations I have just cited are no more than a few of the outstanding factors among many others indicating the fundamental importance to the working partnership, and its objectives, of maintaining wage and price stability.

Recent events demonstrate that your government stands ready to blow the whistle impartially on labor and on business and, indeed, on its own employees. The recent successful settlement of the wage controversy in the steel industry is so well known it need not be elaborated. Less well known, outside of Washington, is the fact that when wage increases that violated the guidelines for labor settlements were proposed for the nation's largest work group -- civilian employees of the Federal Government -- President Johnson parried that inflationary thrust by letting it be known he would veto any such legislation.

No matter how unwelcome the burden, the government, in the present situation, has the clear and undeniable responsibility to identify, without fear or favor, price or wage developments that threaten continued economic stability and expansion.

Along that way lies sure -- and large -- gains for all, capital and labor alike. Along any other way lies sure and swift losses for the nation as a whole, with only a few reaping only short term benefits.

Now let us turn to a second area of strain upon the wonderfully successful and mutually profitable partnership we have enjoyed in recent years among government, business and labor. That is, the necessity for voluntary economic discipline to solve our balance of payments difficulties.

We have just announced our third quarter of balance of payments results, and I will not go through them again in detail here, because in addressing this group, which is on the firing line, I want to focus on what is required for better results. In the third quarter, we had a deficit of $485 million, seasonally adjusted. Through the first nine months of the year our deficit was at an annual rate of $1.25 billion. That is a great deal better than the deficit for the whole year 1964, which was $2.8 billion, or 1963, when we had a deficit of $2.7 billion. It is evidence, at one and the same time, that our program is working, but that it is not working well enough.

What is needed, and urgently needed, is to bring our foreign payments into equilibrium, and to keep them there.

To this end, an intensive review of our payments program is underway to prepare for its continuation and improvement in 1966. The detailed results will be announced later this year. But let me stress the following here, as I did in announcing the third quarter results in Washington earlier this week:

The guidelines for banks and nonbank financial institutions next year will use the same base as was used for this year.

The voluntary program for restraining the dollar outlays abroad of other businesses will also continue next year, and it is here that we are looking for, and must get, big new additional results.

In the interests of getting new gains here, there will certainly be some sharpening of the targets, including a specific one for direct investment abroad. Performance under the 1965 program will be taken into account in establishing these targets. The target for saving on dollar placements abroad under this program will cover, as it should, the 1965 and 1966 outflow together -- and it is important that this be clearly understood. Performance by the individual company will be measured in terms of 1965 and 1966 combined. So, it will not be of advantage to invest at a high rate in 1965 with the expectation that the new target in 1966 will ignore 1965 performances.

Other sectors of our balance of payments are receiving equally critical review. We must, in looking ahead, take account here of the fact of Vietnam. Expenditures in Vietnam will inevitably affect in significant amount both total expenditures and our balance of payments. Room must be made by improvements elsewhere to provide for these expenditures, for which there is no alternative. And there must be room to deal with the 1965 margin of deficit that surely will emerge. Wherever improvements can be made by determined effort -- and no amount is too small to be given attention -- those improvements will be made.

In this balance of payments area, the working partnership has particular importance. We must have the full cooperation of the business community in balancing our payments for the simple reason that unless we do, we will imperil the value of the dollar, first abroad, but then, as night follows day, at home. Nothing less than the stability of the international monetary system and its improvement for future growth in trade and Free World development is at stake.

But beyond that the solution of our balance of payments difficulties and the strengthening of the international monetary system are crucial matters which must deeply concern you as businessmen and bankers -- as they concern every American. So you have a special responsibility for understanding and helping in meeting these challenges.

Business has nothing to lose by the voluntary moderation of its investments abroad that is required in the period ahead that it would not lose in future opportunities ten times over if we do not correct this situation.

Furthermore, it cannot be said that this program places an unfair burden of correction on American investment funds. In the first place, steady -- but disciplined and calculated -- increases in investment are permissible under the program. In the second place, the dollar costs of foreign assistance and our foreign military outlays must be -- and we do all we can to reduce the dollar component of those costs -- must be measured primarily by the value of the national purposes those programs serve. The business community, like every other community in the nation, benefits by the gains and safeguards of the whole nation, and one of the greatest of the

gains our foreign programs return to us is the maintenance abroad of areas of free enterprise. Ours is an interdependent world. Interdependence has its costs. They are costs that must be met because the cost of not meeting them is independent failure.

Let me close now, with a brief discussion of a third, and related, area of strain on our working partnership of government, labor and business, for the maintenance of economic prosperity and the support of our national aims through economic responsibility. This is the subject of interest rates.

We have been hearing again the refrain that a solution to the balance of payments problem can be found in tight money and higher interest rates. Presumably proponents of this approach must be referring to rather drastic measures since that is what would be necessary to bring into equilibrium the interest rate levels that characterize the U. S. economy and other capital markets.

Interest rates have already moved up in the United States significantly, particularly in the past two years, mainly in response to balance of payments problems. But our rises were followed by rises abroad and the gap remained -- and in some important areas widened. As my predecessor, Douglas Dillon, several times pointed out -- as early as Rome in 1962 -- the problem of disparity between interest rates and capital availability here and abroad is rooted in rates abroad that are far too high, and in the woeful inadequacies of foreign capital markets.

It makes no sense to raise persistently our interest rates to a point where they may conflict with the maintenance of our domestic expansion and yet not provide a real solution to our balance of payments problem.

You have demanded fiscal and monetary responsibility from your government, and you are getting it in the rigorous attention President Johnson pays to the expenses of government, and in his insistence that where outlays go up, they must be balanced off, in every possible instance, by decreased outlays elsewhere.

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No President has ever paid closer attention to costs, and no President has ever done more about keeping the cost of government within responsible bounds, than the present President.

Your government regards itself as being in a working partnership with the business community and with labor to determine and put into effect the rules of economic responsibility. It is a partnership that has worked to the great benefit of all of us: when have our incomes, personal, business or government been higher, and when has the nation been able to undertake, by reason of such great increases in its means, such vast improvements in the quality of its life, while at the same time it shoulders the burdens of protecting that quality life from aggression abroad?

It is imperative that we continue it, for our business, our labor, our personal and -- above all -- for the national purposes that make all the rest possible.

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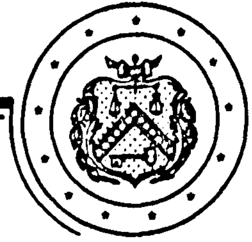
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR IMMEDIATE RELEASE

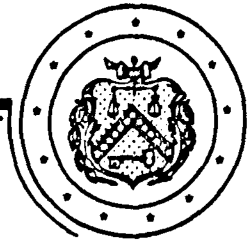
TREASURY DECISION ON OFFICE MACHINE SPOOLS
UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that office machine spools from West Germany, manufactured by Regentrop & Bernard, Wuppertal, Germany, are 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 October 1, 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 1, 1964, through June 30, 1965, amounted to approximately $22,500.

TREASURY DEPARTMENT



WASHINGTON, D.C.
November 18, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON OFFICE MACHINE SPOOLS UNDER THE ANTIDUMPING ACT

The Treasury Department has determined that office machine spools from West Germany, manufactured by Regentrop & Bernard, Wuppertal, Germany, are 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 October 1, 1965.

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TREASURY DEPARTMENT

WASHINGTON, D.C.

November 22, 1965

FOR IMMEDIATE RELEASE

TREASURY DECISION ON TITANIUM DIOXIDE
UNDER THE ANTIDUMPING ACT

The Treasury Department has completed its investigation with respect to the possible dumping of titanium dioxide, pigment grade, 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 within the meaning of the Antidumping Act, 1921, as amended, will be published in an early issue of the Federal Register.

Anatase and rutile titanium dioxide, pigment grade, are used in the manufacturing of paper and paints, respectively.

Purchase price was found to be lower than adjusted home market price in the case of three firms out of seven exporting to the United States. Purchase price was not lower than adjusted home market price with regard to the other firms' shipments.

During the early stages of the antidumping investigation, one of the three firms increased its prices to United States customers. Such prices have not been lower than adjusted home market prices since the increase. There appears to be no likelihood of a resumption of prices which prevailed before the increase.

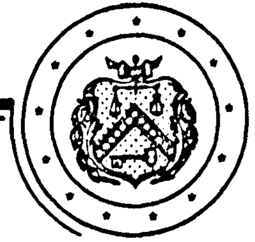
Of the other two firms, one revised its prices promptly upon learning that price discrimination existed. The other ceased shipments. Both gave assurances that there would be no resumption of sales to United States customers at prices which could be likely to be at less than fair value.

Appraisement of the above-described merchandise from Japan has not been withheld at this time.

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

Imports of the involved merchandise received during the period July 1, 1964, to September 1, 1965, amounted to approximately $4,400,000.

TREASURY DEPARTMENT



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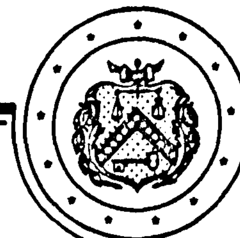
TREASURY DEPARTMENT



WASHINGTON, D.C.

:ASE 6:30 P.M.,
November 22, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

Treasury Department announced today that the tenders for two series of Treasury ›ne series to be an additional issue of the bills dated August 26, 1965, and the :ries to be dated November 26, 1965, which were offered on November 17, were ιt the Federal Reserve Banks on November 22. Tenders were invited for)00,000, or thereabouts, of 90-day bills and for $1,000,000,000, or thereabouts, lay bills. The details of the two series are as follows:

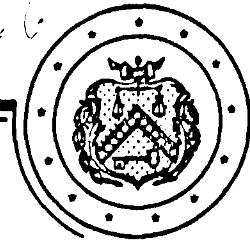
' ACCEPTED 'IVE BIDS:	90-day Treasury bills maturing February 24, 1966		:	181-day Treasury bills maturing May 26, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
:h	98.980	4.080%	:	97.865	4.246%
r	98.970	4.120%	:	97.859	4.258%
:rage	98.974	4.104% 1/	:	97.862	4.253% 1/

'cent of the amount of 90-day bills bid for at the low price was accepted
'cent of the amount of 181-day bills bid for at the low price was accepted

'NDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

ct	Applied For	Accepted	:	Applied For	Accepted
	$ 23,183,000	$ 13,183,000	:	$ 18,519,000	$ 3,472,000
rk	1,308,659,000	784,132,000	:	1,357,220,000	747,283,000
.elphia	27,746,000	15,746,000	:	19,634,000	9,134,000
.and	31,930,000	31,930,000	:	43,904,000	27,037,000
nd	18,652,000	18,652,000	:	14,076,000	9,136,000
a	42,649,000	32,899,000	:	46,136,000	21,470,000
o	260,887,000	152,762,000	:	306,582,000	114,779,000
uis	43,661,000	38,911,000	:	23,682,000	10,735,000
polis	13,902,000	13,902,000	:	11,771,000	8,801,000
City	29,607,000	27,607,000	:	11,115,000	10,115,000
	21,428,000	13,678,000	:	10,725,000	7,255,000
ancisco	85,362,000	56,862,000	:	140,873,000	32,206,000
OTALS	$1,907,666,000	$1,200,264,000 a/		$2,004,237,000	$1,001,423,000 b/

ıdes $229,498,000 noncompetitive tenders accepted at the average price of 98.974
ıdes $108,988,000 noncompetitive tenders accepted at the average price of 97.862
coupon issue of the same length and for the same amount invested, the return on bills would provide yields of 4.20%, for the 90-day bills, and 4.41%, for the ay bills. Interest rates on bills are quoted in terms of bank discount with eturn related to the face amount of the bills payable at maturity rather than nount invested and their length in actual number of days related to a 360-day In contrast, yields on certificates, notes, and bonds are computed in terms terest on the amount invested, and relate the number of days remaining in an 'st payment period to the actual number of days in the period, with semiannual nding if more than one coupon period is involved.



TREASURY DEPARTMENT

WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, November 22, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced today that the tenders for two series of Tr[illegible] bills, one series to be an additional issue of the bills dated August 26, 1965, [illegible] other series to be dated November 26, 1965, which were offered on November 17, w[illegible] opened at the Federal Reserve Banks on November 22. Tenders were invited for $1,200,000,000, or thereabouts, of 90-day bills and for $1,000,000,000, or thereab[illegible] of 181-day bills. The details of the two series are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	90-day Treasury bills maturing February 24, 1966		:	181-day Treasury bills maturing May 26, 19[illegible]	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. [illegible] Annual R[illegible]
High	98.980	4.080%	:	97.865	4.246[illegible]
Low	98.970	4.120%	:	97.859	4.258[illegible]
Average	98.974	4.104% 1/	:	97.862	4.253[illegible]

25 percent of the amount of 90-day bills bid for at the low price was accepted
53 percent of the amount of 181-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	$ 23,183,000	$ 13,183,000	:	$ 18,519,000	$ 3,4[illegible]
New York	1,308,659,000	784,132,000	:	1,357,220,000	747,25[illegible]
Philadelphia	27,746,000	15,746,000	:	19,634,000	9,13[illegible]
Cleveland	31,930,000	31,930,000	:	43,904,000	27,0[illegible]
Richmond	18,652,000	18,652,000	:	14,076,000	9,13[illegible]
Atlanta	42,649,000	32,899,000	:	46,136,000	21,4[illegible]
Chicago	260,887,000	152,762,000	:	306,582,000	114,7[illegible]
St. Louis	43,661,000	38,911,000	:	23,682,000	10,7[illegible]
Minneapolis	13,902,000	13,902,000	:	11,771,000	8,8[illegible]
Kansas City	29,607,000	27,607,000	:	11,115,000	10,[illegible]
Dallas	21,428,000	13,678,000	:	10,725,000	7,2[illegible]
San Francisco	85,362,000	56,862,000	:	140,873,000	32,2[illegible]
TOTALS	$1,907,666,000	$1,200,264,000 a/		$2,004,237,000	$1,001,4[illegible]

a/ Includes $229,498,000 noncompetitive tenders accepted at the average price of [illegible]

b/ Includes $108,988,000 noncompetitive tenders accepted at the average price of [illegible]

1/ On a coupon issue of the same length and for the same amount invested, the re[illegible] these bills would provide yields of 4.20%, for the 90-day bills, and 4.41%, fo[illegible] 181-day bills. Interest rates on bills are quoted in terms of bank discount [illegible] the return related to the face amount of the bills payable at maturity rather [illegible] the amount invested and their length in actual number of days related to a 36[illegible] year. In contrast, yields on certificates, notes, and bonds are computed in [illegible] of interest on the amount invested, and relate the number of days remaining [illegible] interest payment period to the actual number of days in the period, with se[illegible] compounding if more than one coupon period is involved.

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TREASURY DEPARTMENT

ASE 6:30 P.M.,
November 23, 1965.

WASHINGTON, D.C.

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

Treasury Department announced today that the tenders for $1,000,000,000, or uts, of 365-day Treasury bills to be dated November 30, 1965, and to mature 30, 1966, which were offered on November 17, were opened at the Federal Banks on November 23.

details of this issue are as follows:

otal applied for - $1,948,046,000
otal accepted - $1,000,121,000 (includes $45,550,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

ge of accepted competitive bids:

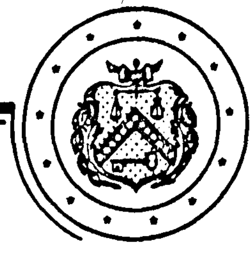
igh	- 95.681	Equivalent rate of discount approx.	4.260% per annum
ow	- 95.652	" " " " "	4.288% " "
verage	- 95.664	" " " " "	4.276% " " 1/

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

eral Reserve rrict	Total Applied for	Total Accepted
on	$ 25,700,000	$ 9,700,000
York	1,386,330,000	706,080,000
adelphia	23,896,000	13,896,000
eland	41,362,000	39,362,000
mond	12,208,000	12,208,000
nta	22,017,000	12,017,000
ago	227,504,000	79,504,000
Louis	17,990,000	14,390,000
eapolis	7,278,000	7,278,000
as City	4,095,000	4,095,000
as	32,331,000	8,831,000
Francisco	147,335,000	92,760,000
TOTAL	$1,948,046,000	$1,000,121,000

oupon issue of the same length and for the same amount invested, the return on bills would provide a yield of 4.48%. Interest rates on bills are quoted in of bank discount with the return related to the face amount of the bills pay- t maturity rather than the amount invested and their length in actual number s related to a 360-day year. In contrast, yields on certificates, notes, and are computed in terms of interest on the amount invested, and relate the number s remaining in an interest payment period to the actual number of days in the with semiannual compounding if more than one coupon period is involved.

TREASURY DEPARTMENT



FOR RELEASE 6:30 P.M.,
Tuesday, November 23, 1965.

WASHINGTON, D.C.

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

The Treasury Department announced today that the tenders for $1,000,000,000, or thereabouts, of 365-day Treasury bills to be dated November 30, 1965, and to matur November 30, 1966, which were offered on November 17, were opened at the Federal Reserve Banks on November 23.

The details of this issue are as follows:

Total applied for - $1,948,046,000
Total accepted - $1,000,121,000 (includes $45,550,000 entered on a noncompetitive basis and accepted in full at the average price shown below)

Range of accepted competitive bids:

High	- 95.681	Equivalent rate of discount approx.	4.260% per an
Low	- 95.652	" " " " "	4.288% "
Average	- 95.664	" " " " "	4.276% "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 25,700,000	$ 9,700,000
New York	1,386,330,000	706,080,000
Philadelphia	23,896,000	13,896,000
Cleveland	41,362,000	39,362,000
Richmond	12,208,000	12,208,000
Atlanta	22,017,000	12,017,000
Chicago	227,504,000	79,504,000
St. Louis	17,990,000	14,390,000
Minneapolis	7,278,000	7,278,000
Kansas City	4,095,000	4,095,000
Dallas	32,331,000	8,831,000
San Francisco	147,335,000	92,760,000
TOTAL	$1,948,046,000	$1,000,121,000

1/ On a coupon issue of the same length and for the same amount invested, the retur these bills would provide a yield of 4.48%. Interest rates on bills are quoted terms of bank discount with the return related to the face amount of the bills able at maturity rather than the amount invested and their length in actual num of days related to a 360-day year. In contrast, yields on certificates, notes, bonds are computed in terms of interest on the amount invested, and relate the of days remaining in an interest payment period to the actual number of days in period, with semiannual compounding if more than one coupon period is involved.

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~~signs that nationalism is on the rise~~ Political leaders in many less developed countries find themselves uncomfortably placed between their need for economic assistance, on the one hand, and the national pride of their people on the other. Beyond this is often their suspicion that the patterns of world trade and economic growth are loaded against them. The range for misunderstanding and conflict between the multi-national corporation and the less developed country is extremely wide and poses many dangers for the future. The Convention is certainly an important contribution in this field, but it is difficult to emphasize enough the vast job that remains to be done to create greater mutual understanding in this whole area. I would hope that groups like yours, which meet to discuss such questions, may be able to offer advice and assistance in these matters. ~~It has been a pleasure talking with you today.~~

In 1964 ~~alone~~ sales of selected manufactures by foreign U.S. affiliates totaled $26.5 billion compared to $11 billion for U.S. exports in the same categories.

a local market is to establish an operating unit there. U.S. corporations alone have nearly 8000 foreign subsidiaries whose sales are double what the U.S. exports. Such companies conduct manufacturing enterprises, extract and process natural resources, market goods and services on an international scale. They are in a unique position to contribute to economic growth in the less developed countries.

Before the contribution will be made, however, the atmosphere for investment must be congenial. The postwar revival of Europe and Japan was strongly influenced by the tendency of national governments to lessen their interference with international business. Bretton Woods, GATT, currency convertibility, the emergence of the Common Market with its limitations on certain aspects of national sovereignty in economic matters, the hospitable reception for any influx of outside capital -- these all played a part in avoiding a clash between national interests and multi-national business. Unfortunately, the atmosphere seems to be changing, not just in Europe and Japan, but also among the developing nations, which need all the outside capital and enterprise they can possibly attract.

Many developing nations were formerly under the great Colonial Powers. Anti-imperialistic attitudes run deep in many of the new states, ~~and in the less developed world generally, as well as in parts of Europe, there are ominous~~

specific classes of disputes. When the issue first came to a vote a substantial majority favored the broad jurisdiction approach, but a number of capital-importing countries persisted in their efforts to insert in the draft a provision which would allow a country to specify the types of investment disputes which it would agree to submit to the Center. Their argument was that even though the consent of both parties would be required before a dispute could be submitted to the Center, many capital-importing countries would not, in a realistic sense, be completely free to withhold their consent.

In the end it was agreed to insert such a provision in the Convention. I mention this case because it raises a basic issue -- one which constitutes a serious problem today between the developed and less developed nations. In the field of private foreign investment, the multi-national corporations, which I referred to earlier, are a key part of the developed nations' collective economic capacity. They move goods, capital equipment, skills, and technical know-how to places where they are needed or can be used more effectively. The extension of operations of the multinational corporation is designed to take advantage of trading or market opportunities at a profit, and in many areas today the only way for an outside entity to compete effectively in

early date. If enough other countries follow suit, the Convention should come into operation late next year.

While I recognize that almost any international agreement concerning private foreign investment is likely to be politically sensitive among capital-importing countries, I am confident that many such countries will ratify the Convention. My observation is based on the extensive consultations and negotiations which the World Bank recently conducted with its 102 members, especially the less developed nations, prior to the formulation of the final text of the Convention. It is interesting to note the particularly positive response among the new states of Africa, 15 of whom were among the 25 original signers. The European countries generally support the convention; Pakistan, Malaya, and Japan have signed; but the response among Latin American countries has been much less favorable.

One of the important areas of difference between capital-exporting and capital-importing countries which arose during the negotiations on the Convention was the question of the proposed Center's jurisdiction -- that is, the various classes of disputes which should be submitted to the Center for arbitration and conciliation. Capital exporting nations generally sought broad jurisdiction for the Center, while the Capital-importing nations favored limiting the Center's jurisdiction to certain

:oday is: will the multi-national corporations -- "those ιighty engines of enlightened western capitalism" -- succeed .n playing their vital role in the less developed world. In ιy own mind, there is no doubt that these enterprises are :apable of playing a leading role in the economic advance ›f the less developed countries. Whether or not they will 'emains an unresolved question. One point is clear, however; .f a positive solution is to be achieved and the right sort ›f atmosphere for investment created, the initiative must ›e taken by the governments of all interested nations, both :he developed and less developed alike.

In effect, this is what has happened in this case, which .s why the Convention represents an interesting development .n the fields of both international relations and international aw. The Convention will enter into force after it has been atified by 20 member governments of the World Bank. At the .oment it is still in mid-stream: 25 member governments, ncluding the United States, have signed the Convention, but nly Nigeria has so far ratified it. After Congress reconvenes ext January, we plan to submit the Convention to the Senate or ratification. Implementing legislation, mainly concerned ith enforcement of arbitral awards in U.S. courts, will go up bout the same time. We have already had consultations with enators Fulbright and Hickenlooper, and we have every hope hat the Convention will be well received and ratified at an

Set against this background, the Convention under con-
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enter associated with the World Bank to arbitrate investment
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f greater mutual confidence between private foreign investors
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n increasing flow of private capital into these regions during
he next decades.

Admittedly, this is a difficult question with a host of
omplicated variables, but it is right and prudent to regard
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ations. The expansion of world trade, the freedom of money
o flow across national boundaries, the stimulating effects
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ational business, and these are the developments which have
elped to bring an expanding, more integrated and efficient
conomic structure to the West since 1945. The question

For some time now, the United States Government has been searching for ways of increasing U.S. private investment in less developed countries. [The Treasury Department

The Treasury has been constantly alert to this problem. In the tax field, this concern has been reflected in the 1962 Revenue Act, which extended special tax treatment to investment in these countries; in the Interest Equalization Tax legislation, which exempted such investment from the tax, and in several tax treaties recently negotiated with less developed countries there has been included a 7 percent tax credit for U.S. investment in those countries. The Treasury also operates the Foreign Tax Assistance Program to help less developed countries strengthen their tax administration -- and thus help to improve the climate for investment. Finally, Secretary Fowler has emphasized, in his exploratory talks looking toward changes in the international monetary system, the need to keep the concerns of less developed nations in mind.

of dollars have been spent, not only by the U.S., but by other industrial nations and by various international organizations, to assist countries in Asia, Africa, and Latin America. Taken as a raw figure, the amount involved has been huge. Viewed against the problems which still require solution, however, the contribution has never been more than a meager beginning. The potential for expanding official economic development assistance clearly falls short of the level which would be desirable. In our own case, internal needs are emerging in the areas of education, urban renewal, and poverty, to mention but a few, which make it unrealistic to assume that we can step up our external official assistance. And the same is true for many of the industrial nations of the West.

Yet if one hard fact has emerged from the past two decades, it is that the momentous problems presented by the less developed nations cannot safely be ignored. Economic assistance is not merely an act of charity. The United States, indeed all the nations of the world, has a fundamental interest in the creation of free and viable economies in the less developed world, not simply because such economies provide growing markets for U.S. products and services, but more importantly because an expanding world economy which includes the less developed nations offers the best hope for stability and peace.

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Speech C 77

Mr. Donnelley (through Roy Cahoon)

REMARKS OF THE HONORABLE JOSEPH W. BARR
BEFORE THE INTERNATIONAL LAW COMMITTEE
OF THE D.C. BAR ASSOCIATION, NOVEMBER 23,
1965, ~~at~~ 4 p.m., EST ~~in the~~ Board Room of
the National Savings and Trust Co.
Washington, D.C.

Mr. Barr has cleared this speech
and would like to have it prepared for
delivery and release tomorrow afternoon.

DCM

David C. Mulford

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the dramatic reconstruction of Europe, the focus of our pro-
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TREASURY DEPARTMENT
Washington

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FOR RELEASE: UPON DELIVERY

REMARKS OF THE HONORABLE JOSEPH W. BARR
BEFORE
THE INTERNATIONAL LAW COMMITTEE OF THE D. C. BAR ASSOCIATION
BOARD ROOM OF THE NATIONAL SAVINGS AND TRUST COMPANY
WASHINGTON, D. C., TUESDAY, NOVEMBER 23, 1965,
4:00 P. M., EST.

The two decades since the end of World War II have been unique in a multitude of ways, not the least of which has been the dramatic growth of the world economy. It is not merely that the world has escaped the usual deflation and depression these past years; on the contrary, world production has grown at a rate unprecedented in modern history. World trade and investment, both trouble spots in the 1930s and 1940s, have increased at an even greater rate than world production.

There has, however, been one consistently disturbing feature in this hopeful picture, and that has been the inability of most less-developed countries to attain a satisfactory rate of economic growth. The United States Government, through four administrations since World War II, has committed itself to a strong and imaginative foreign assistance program. After the dramatic reconstruction of Europe, the focus of our programs has shifted from Europe to the less developed nations of the world, a group which since the late 1950s has become increasingly important in international affairs. Billions of dollars have been spent, not only by the U. S., but by other industrial nations and by various international organizations, to assist countries in Asia, Africa, and Latin America. Taken as a raw figure, the amount involved has been huge. Viewed against the problems which still require solution, however, the contribution has never been more than a meager beginning. The potential for expanding official economic development assistance clearly falls short of the level which would be desirable. In our own case, internal needs are emerging in the areas of education, urban renewal, and poverty, to mention but a few, which make it unrealistic to assume that we can step up our external official assistance.

Yet if one hard fact has emerged from the past two decades, it is that the momentous problems presented by the less developed nations cannot safely be ignored. Economic assistance is not

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merely an act of charity. The United States, indeed all the nations of the world, have a fundamental interest in the creation of free and viable economies in the less developed world, not simply because such economies provide growing markets for their products and services, but more importantly because an expanding world economy which includes the less developed nations offers the best hope for stability and peace.

For some time now, the United States Government has been searching for ways of increasing U. S. private investment in less developed countries. The Treasury has been constantly alert to this problem. In the tax field, this concern has been reflected in the 1962 Revenue Act, which extended special tax treatment to investment in these countries; in the Interest Equalization Tax legislation, which exempted such investment from the tax, and in several tax treaties recently negotiated with less developed countries there has been included a 7 percent tax credit for U. S. investment in those countries. The Treasury also operates the Foreign Tax Assistance Program to help less developed countries strengthen their tax administration -- and thus help to improve the climate for investment. Finally, Secretary Fowler has emphasized, in his exploratory talks looking toward changes in the international monetary system, the need to keep the concerns of less developed nations in mind.

Set against this background, the Convention for the Settlement of International Investment Disputes you are discussing here today represents a significant new step in this vast but crucially important area. As you know, the Convention will establish a Center associated with the World Bank to arbitrate investment disputes which arise between private citizens or corporations of one country and the government of another country. This is the first time that a special institution has been set up to settle such disputes. The basic purpose, of course, is to help create an atmosphere of greater mutual confidence between private foreign investors and less developed countries which, hopefully, will lead to an increasing flow of private capital into these regions during the next decades.

Admittedly, this is a difficult question with a host of complicated variables, but it is right and prudent to regard private investment, and particularly the great multi-national corporations, as the most potent and promising vehicle outside government to breathe economic life into the less developed ations. The expansion of world trade, the freedom of money o flow across national boundaries, the stimulating effects of roadening competition and the spread of technical and rganizational knowledge -- these are the hallmarks of multi-ational business, and these are the developments which have elped to bring an expanding, more integrated and efficient

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economic structure to the West since 1945. The question today is: will the multi-national corporations -- "those mighty engines of enlightened western capitalism" -- succeed in playing their vital role in the less developed world. In my own mind, there is no doubt that these enterprises are capable of playing a leading role in the economic advance of the less developed countries. Whether or not they will remains an unresolved question. One point is clear, however; if a positive solution _is_ to be achieved and the right sort of atmosphere for investment created, the initiative must be taken by the governments of all interested nations, both the developed and less developed alike.

In effect, this is what has happened in this case, which is why the Convention represents an interesting development in the fields of both international relations and international law. The Convention will enter into force after it has been ratified by 20 member governments of the World Bank. At the moment it is still in mid-stream: 25 member governments, including the United States, have signed the Convention, but only Nigeria has so far ratified it. After Congress reconvenes next January, we plan to submit the Convention to the Senate for ratification. Implementing legislation, mainly concerned with enforcement of arbitral awards in U. S. courts, will go up about the same time. We have already had consultations with Senators Fulbright and Hickenlooper, and we have every hope that the Convention will be well received and ratified at an early date. If enough other countries follow suit, the Convention should come into operation late next year.

While I recognize that almost any international agreement concerning private foreign investment is likely to be politically sensitive among capital-importing countries, I am confident that many such countries will ratify the Convention. My observation is based on the extensive consultations and negotiations which the World Bank recently conducted with its 102 members, especially the less developed nations, prior to the formulation of the final text of the Convention. It is interesting to note the particularly positive response among the new states of Africa, 15 of whom are among the 25 original signers. The European countries generally support the convention; Pakistan, Malaysia, and Japan have signed; but the response among Latin American countries has been much less favorable.

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REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE SWEARING-IN OF PETER D. STERNLIGHT
AS DEPUTY UNDER SECRETARY FOR MONETARY AFFAIRS
ROOM 4121, MAIN TREASURY
12:00 NOON EST, WEDNESDAY, NOVEMBER 24, 1965

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It is a real pleasure to welcome Peter Sternlight back to the Treasury, particularly to the important post of Deputy Under Secretary for Monetary Affairs.

It would be difficult indeed to find anyone who could fully replace Paul Volcker in the Treasury. His capacity for hard work and his broad range of knowledge across the entire spectrum of Treasury interest, combined with his excellent policy judgment, have made him one of the most valuable members of the Treasury team.

For that reason, we looked long and hard for a man to succeed him as Deputy Under Secretary for Monetary Affairs and we were very fortunate in getting Peter Sternlight to accept the job. He is not a stranger to the Treasury, having worked here for a short while in 1961 advising former Under

Secretary for Monetary Affairs Robert Roosa on his pioneering operations in the foreign exchange field. These operations proved successful and valuable and Mr. Sternlight can justly claim some credit for that success.

More recently, as an Assistant Vice President of the Federa Reserve Bank of New York Mr. Sternlight has been active in planning and supervising the open market operations of the Federal Reserve System in marketing U. S. securities. As you know, the open market operations of the Federal Reserve Syst are of tremendous importance to the economic welfare of the United States and require keen judgment, the ability to make qui decisions, and the capacity to work creatively and effectively under great pressure.

But Mr. Sternlight has also had experience in the more contemplative side of an economist's life. He spent a good

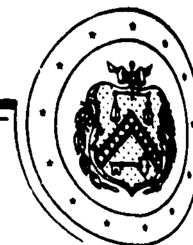
many years in the Research Department of the Federal Reserve Bank of New York, where he brought his ability to bear on both international and domestic financial and economic problems. He at one time was chief of the Domestic Research Division of the Bank, and in that capacity was responsible for directing one of the most highly skilled staffs of researchers on monetary problems.

Mr. Sternlight's background and training will stand him in good stead in his new post, where he will advise and assist Under Secretary Fred Deming in all aspects of Mr. Deming's responsibility for international and domestic economic affairs.

Mr. Sternlight comes to us at a very challenging time, we are attempting to break new ground in the international monetary area and at the same time maintain our very successful

record of domestic economic progress. He comes to us very highly recommended and I look forward with pleasure and confidence to his success in his new post.

TREASURY DEPARTMENT



WASHINGTON, D.C.
November 24, 1965

FOR RELEASE AT 12:00 NOON, EST
WEDNESDAY, NOVEMBER 24, 1965

NEW DEPUTY UNDER SECRETARY FOR MONETARY AFFAIRS

Treasury Secretary Henry H. Fowler today named Peter D. Sternlight -- an Assistant Vice President of the New York Federal Reserve Bank -- as Deputy Under Secretary for Monetary Affairs, to succeed Paul A. Volcker, who is returning to private business.

Mr. Sternlight has played an important part in planning and supervising the open market operation of the Federal Reserve -- the operation through which the U. S. Government markets its securities. Earlier he served in the Research Department of the Bank, where he dealt with both international and domestic problems. In his new position he will act as general deputy to the Under Secretary for Monetary Affairs in all aspects of the Under Secretary's responsibilities in both domestic and international economic affairs, including supervision of the offices of Debt Analysis, Financial Analysis and Gold and Silver Operations.

Mr. Sternlight was born May 21, 1928 in New York City. He holds three degrees in economics -- a Bachelor's Degree from Swarthmore College and Master's and Doctor's Degrees from Harvard University.

Mr. Volcker joined the Treasury in January, 1962 as Director of the Office of Financial Analysis. In November, 1963 he was appointed Deputy Under Secretary for Monetary Affairs by Treasury Secretary Douglas Dillon.

Mr. Volcker twice received high commendation for his service with the Treasury. He received the Arthur S. Flemming Award in 1964 as one of the ten outstanding young men in Federal service and early this year Secretary Dillon selected him for the Treasury's Exceptional Service Award in recognition of his "impressive grasp of banking, finance and economic matters."

NOTE: Mr. Sternlight will be sworn in in Room 4121 of the Treasury at 12:00 noon today. A copy of the Secretary's remarks at the swearing-in is attached.

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REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
AT THE SWEARING-IN OF PETER D. STERNLIGHT
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For that reason, we looked long and hard for a man to succeed him as Deputy Under Secretary for Monetary Affairs and we were very fortunate in getting Peter Sternlight to accept the job. He is not a stranger to the Treasury, having worked here for a short while in 1961 advising former Under Secretary for Monetary Affairs Robert Roosa.

More recently, as an Assistant Vice President of the Federal Reserve Bank of New York Mr. Sternlight has been active in planning and supervising the open market operations of the Federal Reserve System in marketing U. S. securities. As you know, the open market operations of the Federal Reserve System are of tremendous importance to the economic welfare of the United States and require keen judgment, the ability to make quick decisions, and the capacity to work creatively and effectively under great pressure.

But Mr. Sternlight has also had experience in the more contemplative side of an economist's life. He spent a good many years in the Research Department of the Federal Reserve Bank of New York, where he brought his ability to bear on both international and domestic financial and economic problems. He at one time was chief of the Domestic Research Division of the Bank, and in that capacity was responsible for directing one of the most highly skilled staffs of researchers on monetary problems.

Mr. Sternlight's background and training will stand him in good stead in his new post, where he will advise and assist Under Secretary Fred Deming in all aspects of Mr. Deming's responsibility for international and domestic economic affairs.

Mr. Sternlight comes to us at a very challenging time, when we are attempting to break new ground in the international monetary area and at the same time maintain our very successful record of domestic economic progress. He comes to us very highly recommended and I look forward with pleasure and confidence to his success in his new post.

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

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

MODIFIED

ited forms and forwarded in the special envelopes which will be supplied by Federal erve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve s and Branches, following which public anouncement will be made by the Treasury rtment of the amount and price range of accepted bids. Those submitting tenders be advised of the acceptance or rejection thereof. The Secretary of the Treasury essly reserves the right to accept or reject any or all tenders, in whole or in , and his action in any such respect shall be final. Subject to these reserva- s, noncompetitive tenders for each issue for $200,000 or less without stated e from any one bidder will be accepted in full at the average price (in three mals) of accepted competitive bids for the respective issues. Settlement for pted tenders in accordance with the bids must be made or completed at the Federal rve Bank on December 2, 1965 (16), in cash or other immediately available funds ı a like face amount of Treasury bills maturing December 2, 1965 (17). Cash exchange tenders will receive equal treatment. Cash adjustments will be made for erences between the par value of maturing bills accepted in exchange and the issue of the new bills.

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

TREASURY DEPARTMENT
Washington

IMMEDIATE RELEASE, November 2[illegible], 1965

TREASURY'S WEEKLY BILL OFFERING

The Treasury Department, by this public notice, invites tenders for two series reasury bills to the aggregate amount of $ 2,200,000,000 , or thereabouts, for and in exchange for Treasury bills maturing December 2, 1965 , in the amount 2,204,552,000 , as follows:

91 -day bills (to maturity date) to be issued December 2, 1965 , in the amount of $ 1,200,000,000 , or thereabouts, representing an additional amount of bills dated September 2, 1965 , and to mature March 3, 1966 , originally issued in the amount of $ 1,000,459,000 , the additional and original bills to be freely interchangeable.

182 -day bills, for $ 1,000,000,000 , or thereabouts, to be dated December 2, 1965 , and to mature June 2, 1966 .

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

Tenders will be received at Federal Reserve Banks and Branches up to the closing one-thirty p.m., Eastern Standard time, Monday, November 29, 1965 . Tenders not be received at the Treasury Department, Washington. Each tender must be n even multiple of $1,000, and in the case of competitive tenders the price ed must be expressed on the basis of 100, with not more than three decimals, 99.925. Fractions may not be used. It is urged that tenders be made on the

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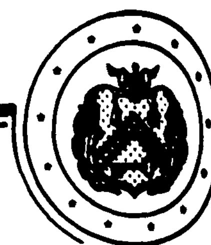
TREASURY DEPARTMENT



WASHINGTON, D.C.

November 24, 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 December 2, 1965, in the amount of $2,204,552,000, as follows:

91-day bills (to maturity date) to be issued December 2, 1965, in the amount of $ 1,200,000,000, or thereabouts, representing an additional amount of bills dated September 2, 1965, and to mature March 3, 1966, originally issued in the amount of $1,000,459,000, the additional and original bills to be freely interchangeable.

182-day bills, for $ 1,000,000,000, or thereabouts, to be dated December 2, 1965, and to mature June 2, 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 Standard time, Monday, November 29, 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 eral Reserve Banks and Branches, following which public announce- t will be made by the Treasury Department of the amount and price ge of accepted bids. Those submitting tenders will be advised the acceptance or rejection thereof. The Secretary of the Treasury ressly reserves the right to accept or reject any or all tenders, whole or in part, and his action in any such respect shall be al. Subject to these reservations, noncompetitive tenders for h issue for $200,000 or less without stated price from any one der will be accepted in full at the average price (in three imals) of accepted competitive bids for the respective issues. tlement for accepted tenders in accordance with the bids must be e or completed at the Federal Reserve Bank **on December 2,1965, in** h or other immediately available funds or in a like face amount Treasury bills maturing **December 2, 1965.** Cash and exchange tenders l receive equal treatment. Cash adjustments will be made for ferences between the par value of maturing bills accepted in hange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR RELEASE A.M. NEWSPAPERS
MONDAY, NOVEMBER 29, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE PRESS CLUB OF NEW ORLEANS
HOTEL ROOSEVELT, NEW ORLEANS, LOUISIANA
SUNDAY, NOVEMBER 28, 1965, 8:00 P.M., CST

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. To realize this promise we must look back on what we have learned and look ahead to the adaptation of these lessons to new situations.

Now, to look back.

For the last 57 months, nearly five years, the nation has experienced an economic resurgence without parallel -- an expansion remarkable not only for its length, but for its streng its soundess and its stability.

Certainly, the expansion we now enjoy was far from a forego conclusion five years ago. Then the nation was gripped by the fourth postwar recession -- somberly aware that each of the thre prior recessions had been followed by shorter and weaker recover and that the previous recession had produced the largest peaceti budget deficit in our history. Unemployment was intolerably hig Business investment in new plant and equipment which for some ye had been unable to clear a barrier to the path of steady increas was far less than we needed to generate more vigorous economic growth and a stronger competitive position in world markets -- including our own home market which was becoming increasingly open to import competition. At the same time, a series of bala of payments deficits -- averaging almost $4 billion a year for three years, had made the dollar vulnerable and threatened the international monetary system based upon it.

We faced dire possibilities: economic stagnation at home; interruption of the unprecedented postwar growth of Free World trade and economic development; and the weakening of the

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financial base of U. S. political, diplomatic, and military power. These prospects clearly called for a revaluation of policy and a new program of action.

Since that time, there has been constant revaluation of polic and a steadily evolving program of action.

As a result, the 57-month-old expansion in our national economy has restored the dollar and the productive and competitive strength behind it to its previous position of preeminence. The expansion has been broadly based, and its benefits have been broadly shared. They include:

-- a 35 percent rise in our total national output;

-- a 32 percent rise in consumer spending;

-- a 51 percent rise in business investment in plant and equipment;

-- a 39 percent rise in manufacturing production;

-- an 84 percent rise in corporate profits after taxes;

-- a 32 percent rise in personal income.

Our resurgent economic performance since early 1961, increasing our gross national product from a rate of $504 billion in the first quarter of 1961 to $677-1/2 billion in the third quarter of this year has been marked by a rate of economic growth exceeding more than five percent a year, in constant prices, as compared to 2.5 percent in the four preceding years. This increase -- this extra slice of the cake -- exceeds the entire gross national product of France and Belgium. In fact, the increase alone in our national output over the past 57 months surpasses the total annual output of any other nation of the Free World and continues to widen the already enormous gap between the productive capacity of the Soviet Union and our own.

During that expansion, as well, the unemployment rate has fallen from 6.9 percent in early 1961 to 4.3 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 occurred 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 October 1964 to October 1965, the expansion has created 2.6 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 -- employmen in manufacturing rose last month to a record high of 18.2 million on a seasonally adjusted basis -- slightly 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 which include Louisiana, Alabama, Florida, Georgia, Mississippi and Tennessee:

-- 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 so many have shared so amply -- did not simply happen. It has been demonstrated that the business cycle does not move by the calendar but by our private and public policies. This economic advance is the direct result of public policies deliberately fashioned and coordinated to reinvigorate the private enterprise system as the prime mover in the achievement of our national economic goals on both the domestic and international fronts.

What are some of those policies?

In the presence of my good friends, Senator Russell Long and Congressman Hale Boggs, it is easy to give primacy to tax policy. As the Majority Whips of the Senate and House, and as leading members of the Senate Finance Committee and the House Ways and Means Committee, these two gentlemen from Louisiana played outstanding roles in the formation and adoption of a series of tax measures since 1962 that most analysts consider the key to the prosperity and dynamic growth that has marked the last four years. Senator Long will be remembered in history for, among other reasons, being the man whose superb leadership on the Floor and in Committee carried the Revenue Act of 1964 through the Senate. And Congressman Boggs has been a tower of strength in pushing for these constructive tax policies in the House.

The investment tax credit of 1962 and its improvement in 1964, the liberalization of depreciation in 1962 and 1965, the corporate tax cut and individual tax rate reductions from top-to-bottom of the scale, the excise tax reductions enacted this year -- these measures, at next year's levels of income, will add up to a net total of over $20 billion worth of annual tax reduction. And yet, during that same five year period -- fiscal 1961 to 1966 -- Federal income tax revenues will have increased more than $18 billion because of the increased scale of corporate profits and personal income created by the rapid growth of the economy. It might be noted in passing that this revenue increase is substantially greater than the increase for the previous five years, when there was no tax reduction.

These measures provide dramatic new incentives and opportunities for the private individual and business to assume the dynamic constructive role that characterizes our American system. They have materially eased the burden of oppressive wartime tax rates that were imposed partly to restrain private investment and consumption and allowed to persist long after that need had passed. They have raised the profitability of a typical investment in new equipment by more than one-third. They have provided a massive increase in private demand.

To these tax reduction and incentive measures for expanding the rate of growth and role of the private sector, there was joined a vigorous program of control over increases in Federal Government expenditures -- a program that reached new heights of intensity and effectiveness under the leadership of President Johnson. By combining severe restriction on increasing expenditures in 1964 and 1965 with revenues that increased beyond expectation, he pulled the projected budget deficit of $11.9 billion in Fiscal 1964 down to $8.2 billion and in Fiscal 1965 to $3.5 billion, despite the impact of the tax reductions previously cited.

These fiscal policies were coordinated effectively with monetary programs of the Federal Reserve Board which combined a reasonably expansionary credit policy and a relative stability of long-term interest rates to facilitate domestic growth with several increases in short-term interest rates to diminish outflo of short term capital disadvantageous to achieving an equilibrium in our international balance of payments.

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 designed to promote private economic growth, than over the last four and one-half years.

The mix of public policies employed in this period of economic expansion has been designed to attack problems of inadequate growth and excessive unemployment in a manner planned to avoid inflation and to restore equilibrium to our balance of payments. Let me cite a few examples:

A dangerous reliance upon increasing aggregate demand as the sole answer to unemployment, with its attendant risks of inflation, was avoided by initiating early in the recovery an attack on structural unemployment through a Manpower Retraining Program in the Department of Labor. This has been intensified and supplemented by various parts of the program of the Office of Economic Opportunity.

A first and early priority was given to securing incentives for investment in both expanded and more efficient productive and distributive capacity designed to encourage business (a) to avoid bottlenecks and inflationary strains, (b) to compete more effectively at home and abroad, and (c) to hold down increasing unit costs that might otherwise result from wage and other cost increases.

Early in 1962 the Council of Economic Advisers issued wage-price guideposts to help both business and labor arrive at non-inflationary wage and price decisions.

But the key to our unexampled economic achievements has not been this mix of public policies alone -- although it has created the climate and offered the encouragement and inducement.

The decisive element has been the response to that policy mix of the private sector of the economy -- business, finance and labor.

It is largely the 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 prosper

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 in manufacturing are actually a bit lower than they were when this expansion began.

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 about 1-1/2 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 1962; 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 tests 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.

And now to look ahead:

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Since July 28 of this year, this winning combination of public policies and private cooperation has been subjected to its greatest test since early 1961. For on that day, after securing all the information available to him and hearing the advice of spokesmen for every admissible point of view, after exhausting every honorable means to bring the situation in Vietnam and Southeast Asia to the negotiating table, and after searching his own mind and heart for countless hours, President Johnson told the world why he had been forced to make the decision to send tens of thousands of our young men into battle in Vietnam to fulfill our commitment to stand against aggression.

He said:

> "I have been in public life for more than three decades. In each of those thirty-five years, I have seen good men and wise men work to bring the blessings of our land to all our people.....
>
> "It is what I have wanted all my life. And I do not want to see all those hopes -- the dreams of so many people for so many years -- drowned in the wasteful ravages of war.
>
> "I will do all that I can so that never happens.
>
> "But I also know, as long as there are men who hate and destroy we must have the courage to resist or see it all -- all that we have built and all that we hope to build -- dreams, freedom and all -- all swept away on the flood of conquest.
>
> "So this too shall not happen, we will stand in Vietnam."

Since that day, and that statement, every American, whether in public or in private life, has carried an added burden of responsibility. This is particularly true in the economic and financial sphere. Let me tell you why:

In amassing the gains from our expansion we have narrowed the gap between demand and supply so that today it is at the lowest point in our 57-month expansion. Private demand is increasing at a healthy rate and defense expenditures are rising because of accelerating action in Vietnam at a time when the availability of manpower, particularly skilled manpower, and unused efficient productive capacity, are at their lowest levels since early 1961.

We now have some new preliminary estimates of the administrative budget for fiscal 1966. It is expected that expenditures will fall within the range of 105 to 107 billion dollars -- some five to seven billion dollars more than originally estimated. The increase reflects not only Vietnam, but higher expenditures as a result of interest payments, increased crop output, higher pension payments, and other uncontrollable items. Controllable expenditures will actually be below original estimates, testifying to the discipline that President Johnson has enforced on the Federal budget.

While budget expenditures are rising, the expected deficit is rising by a smaller amount. The deficit is now estimated at seven to eight billion dollars -- up just 1.5 to 3 billion dollars from the last official figure. Thus, while the budget will be more of a stimulative force in Fiscal 1966, the addition stimulus will be appreciably less than many have expected. I believe that the new estimates do not imply any major inflationary threat stemming from the increased expenditures and the higher deficit, although the situation obviously calls for careful watching.

I want to stress that these figures for Fiscal 1966 are preliminary and that work is still going on to refine them. As you know, work on the budget for Fiscal 1967 is still far from complete and consequently, we have no very good fix on expenditures, revenues, or deficit for the coming fiscal year

In the price sector, some disturbing signs have appeared. This year, there is a greater tendency for price increases to outweigh declines than in any year since 1958. Industrial wholesale prices have risen by 1.3 percent in twelve months after six years of comparative flatness. Consumer prices are 1.7 percent above a year ago, as compared with yearly increases averaging about 1.3 percent since 1958.

The situation calls for confidence in our private sector capacity to match available supplies of men, materials, and productive margins with increasing demand, so that excessive pressures of demand on supply do not give rise to inflation. And it calls for action to do so. At the same time, we must recognize, both in the public and the private sector, that the margin for error is much smaller and the need for responsible restraint -- particularly restraint on wage and price increases is much greater; certainly until the conflict in Vietnam moves from the battlefield to the negotiating table and we no longer face its unpredictable consequences.

Some of the elements of responsible restraint in the period ahead for both Government and private industry seem clearly discernible:

Fiscal dividends from our economic growth in the form of tax cuts are, at least for the present, a casualty of the increasing requirements for the defense of freedom in Vietnam. These requirements have first claim on our anticipated revenue growth.

Responsible restraint in the period ahead also calls for a Fiscal 1967 budget that will enable us to meet both our domestic objectives and our international commitments without fostering inflationary pressures. It calls for the kind of budget that President Johnson has given us in the past and is going to give us next year -- a budget that reflects both the most stringent kind of fiscal discipline and the most effective response to essential national needs.

A policy of responsible restraint also requires an all-out effort by Federal and local government and private business to intensify the attack on structural unemployment and the upgrading of manpower resources by accelerating job training and retraining and improving the organization of the labor market. Despite gratifying improvement, overall unemployment is still significantly above the levels that represent a realistic noninflationary target for our economy. Moreover, there are some categories -- particularly nonwhites and teenagers -- where rates of unemployment are clearly excessive by any standard.

Responsible restraint also calls for joint action by government and business to utilize and absorb in an orderly manner that will not disrupt normal markets the surpluses of materials in government stockpiles which are determined to be no longer needed for mobilization requirements, particularly when shortages or intense pressures of demand on supply may be reasonably anticipated.

The need for responsible restraint in making private price and wage decisions consistent with the wage-price guideposts of the Council of Economic Advisers is particularly acute against the background of smaller margins of unutilized labor and production capacity and the special responsibility the situation in Vietnam places on every American. It is not in the private interest and it is contrary to the national interest to gamble with the future for the sake of immediate -- and, very possibly, temporary -- gain.

There is one other area which requires comment -- money, credit, and interest rates. There are those who have advocated without any detailed knowledge of the budget for Fiscal 1966 and the new budget for Fiscal 1967, a sharp change in monetary policy to restrict further the expansion in money and credit. It seems to me that monetary policy so far has played a vital and constructive role in the coordinated mix of fiscal and monetary policy that has brought us to our present posture of economic strength. Credit has been ample, but not excessive, and has fueled a balanced economic expansion. It is premature and unwise to call for further restrictive monetary action now, in order to curtail the expansion of money and credit and raise interest rates more than the market has already raised them.

There may be room for honest differences of opinion among well-informed and unprejudiced persons on this issue. However, it is my strong belief that any orderly adjustment of a properly coordinated mix of fiscal and monetary policies to deal with the period ahead calls for that policy mix to be determined only with full knowledge of the President's new budget.

Of course, I recognize, as all realists must, that new facts and new developments may at any time call for a reexamination of the policy mix that has served us so well -- and that there may well be circumstances when the use of

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monetary policy to combat inflation would be wholly appropriate. However, today's circumstances call for a policy of watchful waiting until the 1967 fiscal year outlook is clarified in mid-January with the presentation of the President's new budget.

It must never be forgotten that today's balanced expansion, free from inflation, reflects a combination and coordination of sound fiscal and monetary policies, intelligent business planning, and responsible restraint by business and labor in making wage and price decision.

Our task at home now is to prove that we can nourish and preserve that balanced expansion, free from inflation, in the darkening shadows of intensifying battle in Vietnam as well as we did in the months prior to July 28.

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thus creating the kind of climate that will remove the need for voluntary restraints. That responsibility requires that government and the financial community continue to make common cause in the national interest.

Let none of us mistake the challenge -- it is large and it is urgent. We must meet it -- and together I am confident we can and will.

and enterprise, they have been able to borrow more extensively in Europe for the financing of their overseas investment plans than they had anticipated.

In short, if European authorities are impatient with our progress in eliminating our payments deficit, then we must urge them to show equal impatience with their own progress in strengthening their capital markets -- for the modernization of European markets remains the most effective way to remove the need for our programs of voluntary restraint and for our Interest Equalization tax.

We must not, however, imagine -- even for a moment -- that anything can relieve us of our responsibility to bring our payments into swift and sure equilibrium. That responsibility requires that we both improve the surplus in our current account and reduce world dependence upon our capital market,

prevailed in German markets through much of this year, where long-term bond rates have risen to the 7-8 percent levels, bear further witness to the need for greater effort.

Yet the situation is not without some encouraging signs. New foreign bond issues in European capital markets this year will probably not be far below the impressive $1 billion of last year -- compared to an annual average of under $500 million in the 1961-63 period. The market for foreign bond issues in Germany has escaped many of the difficulties experienced in markets for domestic securities there. The French authorities have introduced a number of measures designed to effect important structural changes in Frency financial institutions. American corporations have found that, with the exercise of their customary ingenuity

inefficient or restricted, or both. Beginning with the efforts of my distinguished predecessor, Douglas Dillon, our government has persistently urged improvements in the structure, capacity and efficiency of European capital markets -- thus reducing and eventually removing the deep divergence between markets here and abroad.

While we have always realized that these desired improvements could not be accomplished overnight, it has become clear that at the present pace the necessary development and growth of capital markets abroad will take longer than we expected. The persistence of high interest rates in the face of economic slack in some countries -- even when the policy is one of monetary ease -- is in itself proof of the impediments that still remain. The conditions which

(TO CITE ONE INSTANCE)

foreign subsidiaries. General Motors, for instance, has been active in extending its stock option and bonus plans to employees in other countries with excellent results.

Clearly efforts usch as these are quite likely to carry benefits for all concerned -- not the least of which is the benefit to our own balance of payments position.

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In the meantime, while we are making these efforts to encourage foreign purchase of our securities, we look forward to more rapideimprovement in the development of capital markets abroad.

We must frankly acknowledge that it is probably impossible for the world to maintain satisfactory balance of payments equilibrium with the United States market both efficient and free of controls or disincentives and European markets either

shape of this important piece of legislation, I hope you will make every effort to present your views.

This effort to encourage foreign investment in our securities must of course extend beyond the financial community. United States corporations, for example, are seeking out ways to make their shares more accessible to foreign purchasers. Broadening the base of foreign ownership of American securities is certainly a very effective way to help improve our balance of payments position. In addition, it also benefits the international corporation and individual investors. Finally, it constitutes a significant step in bringing about wider acceptance of free world trade.

The task force I headed suggested that progress in this corporations might adopt area might be made in the adoption by corporations of programs directed ~~toward stimulating~~ share ownership by employees of

tax at graduated rates if their U. S. income exceeds $21,200.

~~United States will be entirely satisfied through withholding.~~

These and other changes are designed to modify those provisions which have served to complicate present law or which have created enforcement difficulties without producing compensating advantages for the United States. They should do much to insure a more favorable tax climate for foreign investment in the United States.

Late in the last congressional session, this legislation was introduced at the instruction of the House Ways and Means Committee to make it available for the information of the general public. The Committee Print issued at the time the bill was introduced states that comments received by the Committee will be reviewed before the Bill is reported to the House in the next session of congress. If you have an interest in the ultimate

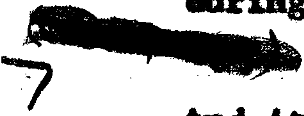
a subsidiary here to isolate its investment income from its business income. Thus, under the new legislation, a foreign corporation or individual would be taxed at regular rates only on its income which is effectively connected with a trade or business in the United States.

(IN ANOTHER SIGNIFICANT CHANGE) ... WOULD ALLOW ... TO ...

UNDER CURRENT LAW, IF A FOREIGN CORPORATION IS ENGAGED IN TRADE OR BUSINESS HERE, ALL OF ITS INCOME, BUSINESS AND INVESTMENT, IS TAXED AT REGULAR RATES.

The bill would make several other modifications in present law. For example:

-- It would eliminate application of the capital gains tax to foreign individuals who are not doing business in this country and are not here for 183 days or more during the year;



-- And it eliminates the requirement that foreign individuals not engaged in trade or business here pay

ment, is taxed at corporate rates. A similar rule applies to foreign individuals doing business here. In considering the matter, it did not seem proper to us to tax income which is unrelated to the conduct of a trade or business carried on in the United States as part of the profits of that business. Moreover, the present rule often required a foreign corporation to establish a subsidiary here to isolate its investment income from its business income. ~~Consequently, the bill provides that~~ a foreign corporation or individual ~~is~~ taxed at regular rates only on its income which is effectively connected with a trade or business in the United States.

The bill ~~makes~~ several other modifications in present law. For example, it ~~eliminates~~ application of the capital gains tax to foreign individuals who are not doing business in this country and ~~are not here for 183 days or~~ more during the year. ~~The bill also modifies~~ the application of the personal holding company tax and the gift tax as applied to nonresident alien individuals. ~~The legislation also~~ eliminates the requirement that foreign individuals not engaged in trade or business here pay tax at graduated rates if their U. S. income exceeds $21,200. ~~Thus, the U. S. tax liability of foreigners who are not doing business in the~~

estate tax represents one of the most important deterrents to foreign investment here.

Another significant change embodidd in this legislation affects the taxation of income received by a foreign corporation or individual engaged in trade or business in the United States. Under present law, if a foreign corporation is engaged in trade or business here all of its income, business and investment, is taxed at corporate rates. A similar rule applies to foreign individuals doing business here. In considering the matter, it did not seem proper to us to tax income which is unrelated to the conduct of a trade or business carried on in the United States as part of the profits of that business. Moreover, the present rule often required a foreign corporation to establish

Tax Act. This proposed legislation, arising from the recommendations of the Task Force described earlier, is ~~the recommendations of the T sk Force described earlier, is~~ designed to eliminate those tax restrictions which have served to impede foreign investment in the U. S. and, at the same time, to bring our laws on the taxation of foreigners more into line with generally accepted international tax policy.

One of the principal changes proposed in this legislation would reduce substantially the estate tax burden on foreigners investing in the United States by making the tax treatment of their assets as generally equivalent to the treatment now received by Americans. THUS, IT WOULD REMOVE The view was generally expressed by WHAT IS WIDELY REGARDED AS ~~those who are active in dealing with foreign investors~~ that our

business have been impressive. The number of foreign registered representatives emplyyed by New York Stock Exchange firms has moved up from 480 to 680 during the last five years. The overseas installation of modern communication and interrogation devices is proceeding rapidly. New offices are being opened. The failure of foreign purchases, on balance, to reflect these and other efforts can most probably be attributed to the level of our stock market, which seems high to income - oriented European securities buyers. Many of their markets, in turn, are depressed.

The main thrust of the government's efforts to help create an environment in which foreign investors will want to make purchases here is, at the moment, The Foreign Investors

the United States is testimony to your efforts and skill. It indicates clearly that you will still have a vital role to play in a world in which a smaller portion of long-term capital (FOR USE ABROAD) is raised in this country -- in fact you are playing a vital role in creating such a world.

In the program to promote increased purchase of existing U.S. securities by foreigners, recent results have been less encouraging. For the second year in a row, foreigners will be net liquidators of these issues. Aside from the United Kingdom security portfolio liquidations, the outflow this year will be in the range of $200-$300 million. Our liquidation of foreign securities has been running at about the same rate.

BOTH LAST YEAR AND THROUGH SEPTEMBER OF THIS YEAR FOREIGNERS HAVE BEEN NET LIQUIDATORS OF THESE ISSUES -- EVEN AFTER ALLOWANCE FOR CONVERSIONS OF THE UNITED KINGDOM'S PORTFOLIO.

The efforts of the financial community to solicit foreign

eliminated. We can only urge all of you, as you form your dealer groups and as you allot the offerings in question, to make every effort to see that the funds you raise come in fact as well as in appearance from outside the United States.

While recognizing the problems involved -- and there are many -- I cannot help but believe the process in which you are engaged is the early forerunner of an international capital market comparable in scope and efficiency to our own but characterized specifically by international underwriting groups offering the securities of international corporations to the investors of the leading industrial nations of the world. The fact that U. S. firms have already been chosen to head up underwriting groups selling securities exclusively outside

now approaching $200 million. I understand there are others to come.

The flotation of these issues requires sacrifice on the part of corporations, who could raise the money more inexpensively here, and risk on the part of underwriters, who must deal with the problems of forming international syndicates and selling in markets that vary in character, size, and receptivity. Not every deal will be successful. Furthermore, we are not so naive as to believe that in the case of the successful ones, all of the proceeds will come from outside the United States. The problem of "pass-throughs," the related problem of substitutions by foreign buyers of new high-yielding U.S. issues for lower-yielding holdings -- can never be completely

Task Force; their contribution to it was considerable; and the response of the investment banking community as a whole to the recommendations has been most heartening.

I know of no force more potent in developing capital markets abroad -- and at the same time permitting U. S. corporations to expand abroad with minimum negative impact on our payments position -- than the present efforts of you gentlemen in underwriting and placing abroad new offerings by U.S. corporations and their foreign subsidiaries. The list of corporations for whom you have recently performed this role is impressive -- including such names as DuPont, Monsanto, Standard Oil of Indiana, American Cyanamid, and U.S. Rubber. The dollar total is impressive -- with issues since June alone now

United States. And this is where the investment banking industry has an important role to play.

As you know, President Kennedy, in October 1963, appointed a Task Force, under my leadership, to examine the problems of *Promoting Increased Foreign Investment in United States Corporate Securities and Providing Increased Foreign Financing for United States Corporations Operating Abroad.* In December 1963 President Johnson reaffirmed President Kennedy's charge to the Task Force, which proceeded with its activities and completed its work in the spring of 1964. The report of the Task Force included 39 recommendations for action by government, by industry, and by the U.S. financial community.

A number of distinguished investment bankers served on

and if left to run its course it is
probable that in time it would level
off while direct investment income would
continue to rise. But for the immediate
future, the ~~prospect~~ outlook is that,
in the absence of any restraint, direct
investment ~~will~~ would continue to
go up sharply, leaving us with little
or no gain in our direct investment account,
and possibly a ~~decline~~ worsening.

722 ~~821~~ (b)

outlook for our balance of payments.

But there is also an outflow
~~the other~~ side to direct investment,

& ~~this has~~ in the past three years

it has been rising very rapidly. From

fairly stable level of $1.6 to $1.7 billion

during 1960 to 1962, direct investment

se to $2.0 billion in 1963 and $2.4

llion in 1964. In the first half of

65 it was at an annual rate of

1 billion.

(This sharp upward trend ~~extraordinary rise~~ in direct investment

ued [illegible] [illegible] [illegible] [illegible] [illegible]

Insert B - p. 16

[Our earnings from U.S. direct investment abroad have been one of the major sources of dollar inflows in our balance of payments. These ~~earnings~~ inflows have risen steadily from a level of $2.4 billion in 1960 to $3.7 billion in 1964 and in 1965 they should be ~~well~~ over $4 billion. The knowledge that these inflows will continue to grow in the future is one of the reasons why we can have confidence in the long-run

Paragraph on investment income and its projected trend.
Paragraph on outlook for direct investment expenditures

United States begins to apply its formidable marketing talents to the challenge of stimulating domestic travel, I believe we can check the adverse trend in our tourist account.

Now, let us turn to the question of private capital flows. The primary purpose of our voluntary program is to moderate these flows. If improvements in our current account -- in trade and tourism -- take place, as I have suggested they may, the need for our voluntary restraints may subside. But we cannot look to the current account alone for our answer. We have, after all, been blessed with a current account surplus for many years, and a larger one does not itself assure an end to our payments problems. We must also search for ways to stimulate a freer two-way flow of capital -- to as well as from the

1960 to 1964 our tourist deficit increased by some $400 million, washing out hard-earned gains in other areas. This year the deficit will be still higher. We must see that the tide turns, not through restrictive practices but as a result of positive, creative effort to sell our product -- travel in the United States -- more imaginatively. We must make people more aware of the existence of the product, and then we must make the product itself available on more attractive terms through the use of promotional fares and packaged tours -- devices of long-standing effectiveness in other countries.

As standards of living improve overseas, as more people abroad accumulate more money to spend on travel, as the

you in the investment business are so well aware -- at a breathtaking rate. When we examine our exports, we must consider not only the outlook (unfavorable, in some instances) for undifferentiated industrial commodities but the outlook as well for the newer, more complex and more sophisticated specialty products -- our computers, our jet aircraft, our electronic instruments, to name just a few. Let us also look to agriculture -- where research and capital investment are producing remarkable results that cannot help but benefit our performance in world markets over the long run.

3. In tourism, the tide has been running against us. From

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based on a number of factors: proven

-- Our ~~ability to keep prices and wages under better control than our major foreign competitors.~~ national record of ability to keep wage increases reasonably related to productivity gains and maintain reasonable price stability in sharp contrast to some of our major foreign competitors.

-- Our willingness to invest aggressively and imaginatively in the most modern and efficient facilities. ~~Let us not forget that while our corporations this year spend over $7 billion on plant and equipment abroad, (some $3 billion of which will be financed from the United States), they will spend $51 billion on new facilities here.~~

-- Our further willingness to invest, on a truly massive scale, in research and development. This effort is unprecedented and unique. It creates new products -- as

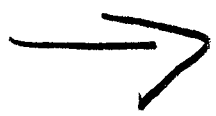
To answer that question is to begin to answer the more basic question of where the long-range solution to our payments problem truly lies.

There is, of course, no one solution. Instead, we must look to a variety of answers -- none dramatic, none quickly or easily achieved. You in the investment banking industry have an important role to play in providing some of these answers. I will come to this in a moment. But, first, let us review the long term outlook in some of the major accounts.

~~Clearly, one answer~~ is for the United States to continue ~~to improve its trade surplus. Since this is an endeavor in which you are only indirectly involved,~~ I will not dwell on ~~it~~ the outlook in detail, except to express my confidence in our ability to make continued good progress over the long run. That confidence is

In 1963, $6.7 in 1964. In this year after a discouraging first half in which our trade surplus dropped back to an annual rate of $ ..., the third quarter saw a comeback to an annual rate

b



ıeet those costs -- for the cost of not meeting them is isolation ıd inevitable failure.

2. Clearly, few paths to enduring progress in our balance of payments e more promising than continued improvement in our trade surplus.

Insert A - p. 12 8/29 7:30

(1) We have, as I have said, spared no effort over the past five years to reduce the impact on our balance of payments of our /military and aid expenditures abroad. We will continue that effort seeking every

That effort has brought excellent results -- and we will not only sustain it, but intensify it wherever we can.

But, as I have also said, we cannot in the foreseeable future expect large savings in this area -- whose potential for savings we have thoroughly explored and in such large measure exhausted.

At the same time, while we can and must reduce in every possible way the dollar drain through military and aid expenditures abroad -- the overall dollar costs of those programs must be measured by the value of the national purposes they serve. And when those purposes are well served, when the welfare of the nation is advanced -- then are all well served, then the welfare of us all is advanced -- including the business community. And one of our greatest benefits from our foreign programs -- benefits in which the business and financial community most abundantly share -- is the maintenance abroad of areas of free enterprise. Ours is an interdependent world -- and interdependence has its costs. We must be prepared to

the near future, any ~~further~~ savings in government accounts of any large magnitudes.

We must, in short, continue to rely upon the voluntary programs for the most of the improvements we need -- for it is in the realm of private capital ~~flows~~ OUTFLOWS, PARTICULARLY THOSE OF OUR BUSINESSES, where the need for immediate restraint and the opportunities for immediate savings are greatest.

We must maintain these voluntary programs in full force until we can maintain payments equilibrium without them.

We all look forward to THAT DAY -- the day when ~~our~~ THE voluntary restraint programs ~~will~~ CAN be lifted. What kind of a day will that be? What ~~events will have to take place to alter present fundamentals sufficiently to permit this kind of relaxation?~~ WILL HAVE TO HAPPEN BEFORE IT DAWNS?

foreign policy.

Those efforts have cut our dollar outflow as a result of foreign aid from $1.1 billion in 1961 to an annual rate of some $700 million in the first half of this year.

Those efforts have cut our dollar outflow for defense from ~~some $2.7~~ $2.6 billion in 1961 to ~~[illegible]~~ $1.6 billion last year -- and would have cut it to about $1.4 billion for this year were it not for essential expenditure increases as a result of Viet Nam.

The government, for its part, will continue to spare no effort to trim its dollar outlays abroad to the bone. We must recognize, however, that those outlays are already very close to the bone -- and we cannot therefore expect, at least in

a magnitude whose measure we must seek not only in the size of this year's deficit but in the prospect of growing outlays abroad as a result of Viet Nam.

Next year, therefore, we must seek out and secure every possible improvement -- large or small -- in every sector of our balance of payments At the same time, we must recognize that the bulk of our improvements must come from the voluntary programs -- particularly from the voluntary efforts of our business.

For its part the government will continue its successful efforts to reduce the balance of payments impact of all its expenditures abroad -- including those for defense and development which are so essential to the conduct of our

We remain, therefore, totally committed to the course we have chosen -- because we are firmly convinced that it can and will lead to success, if we continue to follow it with redoubled effort and resolution in the year ahead.

For some time now, we have been engaged in a critical and intensive review of our entire balance of payments program; We will announce the complete results of that review later this year.

But as we said earlier this month -- when we announced the third quarter results -- the heart of our program will continue to be the voluntary efforts of our businesses and financial institutions to restrain their capital outflows.

And let no one mistake the magnitude of the task ahead --

surplus of $247 million in the second quarter and a deficit of $701 in the first quarter. Through the first nine months of the year, therefore, our deficit ran at an annual rate of $1.25 billion -- a marked improvement over the $2.8 billion deficit for all of 1964 and the $2.7 billion for all of 1963.

These results give cause for neither elation nor alarm. They tell us both that we are moving in the right direction and that we have far yet to go before we reach our goal. They tell us what we knew from the very outset: that the road we have chosen would have its rough spots as well as its smooth stretches, and that we must seek the true measure of our progress, not in sudden speedups or slowdowns, but over the long-haul.

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Indeed, the nation demands it-- for there is before the nation no major economic or social task whose accomplishment does not require the continued cooperative efforts of business and government. In recent weeks and months I have discussed at some length the tasks before us on the domestic front. I want to talk today about our most urgent task in the international economic sphere--to reach and to maintain equilibrium in our balance of payments.

We have -- since President Johnson announced his balance of payments program in early February -- made some solid progress toward the equilibrium we seek.

Recently, as you know, we announced a third quarter deficit of $485 million, seasonally adjusted -- following a

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furthering the economic as well as social and political welfare of the nation.

Government has come to a greater understanding that the national interest requires a healthy and vigorous private economy. And the business and financial community has come to a greater understanding that its own interests are inseparably a part of the broader national interest -- that its growing role in our economic life requires also a growing sense of responsibility for our national welfare.

I have spoken of this partnership often in recent weeks and months. I have done so -- and do so now -- because I believe in it, because President Johnson believes in it, and because the nation needs it.

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NOT SIMPLY A CONVENIENT FICTION.

It has been marked by no formal ceremony. For it is -- and

TO BE RECOGNIZED IN SPEECHES AND

must be -- far more than a paper arrangement, or a marriage

IGNORED IN REALITY. PALPABLE

of convenience. It is a living, growing fact of life and

it exists because over the past five years both government

AND INESCAPABLE

and business have come to recognize some very crucial facts

of economic life.

Government, for its part, has come to recognize and to

respect -- in deed as well as in word -- the primary role that

private initiative, and incentive and ingenuity must play if

hope REACH

we are to realize our economic potential and accomplish our

national goals.

Business, for its part, has come to recognize and to

respect the primary responsibilities of government in

inevitable fact of economic life.

Over the past five years, we have shown that we can learn from past mistakes. Our task over the next five years is to show that we can learn from past success.

You are familiar with policies that have emerged over the past five years -- policies that have required both business and government to revise old assumptions and to put aside old prejudices.

Let no one be deceived: our economic successes over the past five years have but one essential source -- the working partnership that has emerged between our business and financial community and our national government.

That partnership is not recorded on any formal document --

7/10 [handwritten annotation]

Nowhere is this confidence more justified than on the economic front -- justified not only by the enormous gains we have made but -- far more -- by the lessons we have learned over 57 months of unprecedented peacetime expansion.

Five years ago, in the early moments of this decade, things were different. We looked back upon the decade of the Fifties and saw -- not a pattern of strong and stable economic progress -- but a succession of slow and sluggish beginnings coming more and more frequently to untimely ends. We looked ahead and we saw a long and difficult struggle first to regain our economic footing -- and then to sustain it.

We have succeeded in that task -- succeeded thus far in breaking a pattern of frequent recession and faltering recovery which many had come to accept as an unavoidable,

REMARKS BY THE HONORABLE HENRY H. FOWLER
BEFORE THE INVESTMENT BANKERS ASSOCIATION
AT THE HOLLYWOOD BEACH HOTEL, HOLLYWOOD, FLORIDA
TUESDAY, NOVEMBER 30, 1965 A.M.,

In a few weeks a new year will begin -- and thus the nation will enter a new time of trial and testing, of opportunity and promise.

We cannot be certain in what size or shape our challenges may come -- or with what suddenness or severity.

We can be certain only that they will come. We can be certain only that they will surrender to no easy or sudden solution.

That much we know -- and more. For we also know that, whatever challenges the next year -- indeed, the next five years -- will bring, we have the resources and the resolve to meet them.

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TREASURY DEPARTMENT
Washington

FOR RELEASE P.M. NEWSPAPERS
TUESDAY, NOVEMBER 30, 1965

REMARKS BY THE HONORABLE HENRY H. FOWLER
SECRETARY OF THE TREASURY
BEFORE THE INVESTMENT BANKERS ASSOCIATION
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And we will enter it with confidence. For we know that, whatever challenges the next year -- indeed, the next five years -- may hold, we have the resources and the resolve to meet them.

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You are familiar with the policies that have emerged over the past five years -- policies that have required both business and government to revise old assumptions and to put aside old prejudices.

For our economic successes over the past five years have but one essential source -- the working partnership that has emerged between our business and financial community and our national government.

That partnership is not simply a convenient fiction to be recognized in speeches and ignored in reality. It is a palpable fact of life and it exists because over the past five years both government and business have come to recognize some very crucial and inescapable facts of economic life.

Government, for its part, has come to recognize and to respect -- in deed as in word -- the primary role that private initiative and incentive and ingenuity must play if we hope to realize our economic potential and reach our national goals.

Business, for its part, has come to recognize and to respect the responsibilities of government in furthering the economic as well as social and political welfare of the nation.

Government has come to a greater understanding that the national interest requires a healthy and vigorous private economy. And the business and financial community has come to a greater understanding that its own interests are inseparably a part of the broader national interest -- that its growing role in our economic life requires also a growing sense of responsibility for our national welfare.

I have spoken of this partnership often in recent weeks and months. I have done so -- and do so now -- because I believe in it, because President Johnson believes in it, and because the nation needs it.

Indeed, the nation demands it -- for there is before the nation no major economic or social task whose accomplishment does not require the continued cooperative efforts of business and government. In recent weeks and months I have discussed at some length the tasks before us on the domestic front. I want to talk today about our most urgent task in the international economic sphere -- to reach and to maintain equilibrium in our balance of payments.

We have -- since President Johnson announced his balance of payments program in early February -- made some solid progress toward the equilibrium we seek.

Recently, as you know, we announced a third quarter deficit of $485 million, seasonally adjusted -- following a surplus of $247 million in the second quarter and a deficit of $701 in the first quarter. Through the first nine months of the year, therefore, our deficit ran at an annual rate of $1.25 billion -- a marked improvement over the $2.8 billion deficit for all of 1964 and the $2.7 billion for all of 1963.

These results give cause for neither elation nor alarm. They tell us both that we are moving in the right direction and that we have far yet to go before we reach our goal. They tell us what we knew from the very outset: that the road we have chosen would have its rough spots as well as its smooth stretches, and that we must seek the true measure of our progress, not in sudden speedups or slowdowns, but over the long-haul.

We remain, therefore, totally committed to the course we have chosen -- because we are firmly convinced that it can and will lead to success, if we continue to follow it with redoubled effort and resolution in the year ahead.

For some time now, we have been engaged in a critical and intensive review of our entire balance of payments program. We will announce the complete results of that review later this year.

But as we said earlier this month -- when we announced the third quarter results -- the heart of our efforts toward early equilibrium must continue to be the programs of voluntary restraints upon private capital outflows.

Let no one mistake the magnitude of the task ahead -- a magnitude whose measure we must seek not only in the size of this year's deficit but in the prospect of growing outlays abroad as a result of Viet Nam.

Next year, therefore, it is imperative that we seek out and secure every possible improvement -- large or small -- in every sector of our balance of payments.

For its part, the government will continue its successful efforts to reduce the balance of payments impact of all its expenditures abroad -- including those for defense and development, which are so essential to the conduct of our foreign policy.

Those efforts have cut our dollar outflow as a result of foreign aid from $1.1 billion in 1961 to an annual rate of some $700 million in the first half of this year.

Those efforts have cut our dollar outflow for defense from $2.6 billion in 1961 to $1.8 billion last year -- and would have cut it even further this year were it not for essential expenditure increases as a result of Viet Nam.

The government, for its part, will continue to spare no effort to trim its dollar outlays abroad to the bone. We must recognize, however, that those outlays are already very close to the bone -- and we cannot therefore expect, at least in the near future, any savings in government accounts of any large magnitudes.

We must, in short, continue to rely upon the voluntary programs for the most of the improvements we need -- for it is in the realm of private capital outflows, particularly those of our businesses, where the need for immediate restraint and the opportunities for immediate savings are greatest.

We must maintain these voluntary programs in full force until we can maintain payments equilibrium without them.

We all look forward to that day -- the day when the voluntary programs can be lifted. What kind of a day will that be? What will have to happen before it dawns?

To answer that question is to begin to answer the more basic question of where the <u>long-range</u> solution to our payments problem truly lies.

There is, of course, no <u>one</u> solution. Instead, we must look to a variety of answers -- none dramatic, none quickly or easily achieved. You in the investment banking industry have an important role to play in providing some of these answers. I will come to this in a moment. But, first, let us review the long term outlook in some of the major accounts.

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(1) We have, as I have said, spared no effort over the past five years to reduce the impact on our balance of payments of our military and aid expenditures abroad. That effort has brought excellent results -- and we will not only sustain it, but intensify it wherever we can. But, as I have also said, we cannot in the foreseeable future expect large savings in this area -- whose potential for savings we have so thoroughly explored and in such large measure exhausted.

At the same time -- while we can and must reduce in every possible way the dollar drain through military and aid expenditures abroad -- the overall dollar costs of those programs must be measured by the value of the national purposes they serve. And when those purposes are well served, when the welfare of the nation is advanced -- then we are all well served, then the welfare of us all is advanced -- including the business community. And one of our greatest benefits from our foreign programs -- benefits in which the business and financial community most abundantly share -- is the maintenance abroad of areas of free enterprise. Ours is an interdependent world -- and interdependence has its costs. We must be prepared to meet those costs -- for the cost of not meeting them is isolation and inevitable failure.

(2) Clearly, few paths to enduring progress in our balance of payments are more promising than continued improvement in our trade surplus. The small trade surplus in 1959 of less than $1 billion has been followed by a balance of trade surplus of $4.8 billion in 1960, $5.4 billion in 1961, $4.4 billion in 1962, $5.1 billion in 1963, $6.7 billion in 1964. In this year after a discouraging first half in which our trade surplus dropped back to an annual rate of $4.4 billion, the third quarter saw a comeback to an annual rate of $6.2 billion. I will not dwell on the outlook in detail, except to express my confidence in our ability to make continued good progress over the long run. That confidence is based on a number of factors:

-- Our national record of proven ability to keep wage increases reasonably related to productivi[t]y gains and to maintain reasonable price stability in sharp contrast to some of our major foreign competitors.

-- Our willingness to invest aggressively and imaginatively in the most modern and efficient facilities.

-- Our further willingness to invest, on a truly massive scale, in research and development. This effort is unprecedented and unique. It creates new products -- as you in the investment business are so well aware -- at a breathtaking rate. When we examine our exports, we must consider not only the outlook (unfavorable, in some instances) for undifferentiated industrial commodities but the outlook as well for the newer, more complex and more sophisticated specialty products -- our computers, our jet aircraft, our electronic instruments, to name just a few. Let us also look to agriculture -- where research and capital investment are producing remarkable results that cannot help but benefit our performance in world markets over the long run.

(3) In tourism, the tide has been running against us. From 1960 to 1964 our tourist deficit increased by $350 million -- from $1.3 billion to $1.6 billion -- washing out hard-earned gains in other areas. This year the deficit will be still higher, threatening to peak at $1,850 billion. We must see that the tide turns. We hope and seek to turn it, not by restrictive practices, but by a positive, creative effort to sell our product -- travel in the United States -- more imaginatively.

As standards of living improve overseas, as more people abroad accumulate more money to spend on travel, as the United States begins to apply its formidable marketing talents to the challenge of stimulating domestic travel, I believe we can check the adverse trend in our tourist account.

(4) Our earnings from U. S. direct investment abroad have been one of the major sources of dollar inflows in our balance of payments. These inflows have risen steadily from a level of $2.4 billion in 1960 to $3.7 billion in 1964 and in 1965 they should be over $4 billion. The knowledge

that these inflows will continue to grow in the future is one of the reasons why we can have confidence in the long-run outlook for our balance of payments.

But there is also an outflow side to direct investment, and in the past three years this has been rising very rapidly. From a fairly stable level of $1.6 to $1.7 billion during 1960 to 1962, direct investment rose to $2.0 billion in 1963 and $2.4 billion in 1964. In the first half of 1965 it was at an annual rate of $4.1 billion.

This sharp upward trend in direct investment would not be expected to continue indefinitely, and if left to run its course it is probable that in time it would level off while direct investment income should continue to rise. But for the immediate future, the outlook is that, in the absence of any restraint, direct investment would continue to go up sharply, leaving us with little or no gain in our direct investment account, and possibly a worsening.

Turning to the problem of private capital flows, if improvements in our current account -- in trade and tourism -- take place, as I have suggested they may, the need for our voluntary restraints may subside. But we cannot look to the current account alone for our answer. We have, after all, been blessed with a current account surplus for many years, and a larger one does not itself assure an end to our payments problems. We must also search for ways to stimulate a freer <u>two-way</u> flow of capital -- <u>to</u> as well as <u>from</u> the United States. And this is where the investment banking industry has an important role to play.

In the spring of 1964, as you know, a Presidential Task Force, which I was privileged to lead, made 39 recommendations for action by government, by industry, and by the U.S. financial community, toward <u>Promoting Increased Foreign Investment in United States Corporate Securities and Providing Increased Foreign Financing for United States Corporations Operating Abroad</u>.

A number of distinguished investment bankers served on that Task Force; their contribution to it was considerable; and the response of the investment banking community as a whole to the recommendations has been most heartening.

I know of no force more potent in developing capital markets abroad -- and at the same time permitting U. S. corporations to expand abroad with minimum negative impact on our payments position -- than the present efforts of you gentlemen in underwriting and placing abroad new offerings by U. S. corporations and their foreign subsidiaries. The list of corporations for whom you have recently performed this role is impressive -- including such names as DuPont, Monsanto, Standard Oil of Indiana, American Cyanamid, and U. S. Rubber. The dollar total is impressive -- with issues since June alone now approaching $200 million. I understand there are others to come.

The flotation of these issues requires sacrifice on the part of corporations, who could raise the money more inexpensively here, and risk on the part of underwriters, who must deal with the problems of forming international syndicates and selling in markets that vary in character, size, and receptivity. Not every deal will be successful. Furthermore, we are not so naive as to believe that in the case of the successful ones, all of the proceeds will come from outside the United States. The possibility of substitutions by foreign buyers of new high-yielding issues abroad by major U.S. firms for previous holdings of lower-yielding domestic U. S. issues can never be completely eliminated. We can only urge all of you, as you form your dealer groups and as you allot the offerings in question, to make every effort to see that the funds you raise come in fact as well as in appearance from outside the United States.

While recognizing the problems involved -- and there are many -- I cannot help but believe the process in which you are engaged is the early forerunner of an international capital market comparable in scope and efficiency to our own but characterized specifically by international underwriting groups offering the securities of international corporations to the investors of the leading industrial nations of the world. The fact that U.S. firms have already been chosen to head up underwriting groups selling securities exclusively outside the United States is testimony to your efforts and skill. It indicates clearly that you will still have a vital role to play in a world in which a smaller portion of long-term capital for use abroad is raised in this country -- in fact, you are playing a vital role in creating such a world.

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In the program to promote increased purchase of existing U.S. securities by foreigners, recent results have been less encouraging. Both last year and through September of this year foreigners have been net liquidators of these issues -- even after allowance for conversions of the United Kingdom's portfolio.

The efforts of the financial community to solicit foreign business have been impressive. The number of foreign registered representatives employed by New York Stock Exchange firms has moved up from 480 to 680 during the last five years. The overseas installation of modern communication and interrogation devices is proceeding rapidly. New offices are being opened. The failure of foreign purchases, on balance, to reflect these and other efforts can most probably be attributed to the level of our stock market, which seems high to income -- oriented European securities buyers. Many of their markets, in turn, are depressed.

The main thrust of the government's efforts to help create an environment in which foreign investors will want to make purchases here is, at the moment, The Foreign Investors Tax Act. This proposed legislation, arising from the recommendations of the Task Force described earlier, is designed to eliminate those tax restrictions which have served to impede foreign investment in the U.S. and, at the same time, to bring our laws on the taxation of foreigners more into line with generally accepted international tax policy.

One of the principal changes proposed in this legislation would reduce substantially the estate tax burden on foreigners investing in the United States by making the tax treatment of their assets generally equivalent to the treatment now received by Americans. Thus, it would remove what is widely regarded as one of the principal deterrents to foreign investment here.

In another significant change, the new legislation would allow a foreign corporation or individual to be taxed at regular rates only on its income which is effectively connected with a trade or business in the United States. Under current law, if a foreign corporation is engaged in trade or business here, all of its U. S. income, business and investment, is taxed at regular rates.

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The bill would make several other modifications in present law. For example:

-- It would eliminate application of the capital gains tax to foreign individuals who are not doing business in this country and are not here for 183 days or more during the year;

-- It would modify the application of the personal holding company tax and the gift tax as applied to nonresident alien individuals;

-- And it eliminates the requirement that foreign individuals not engaged in trade or business here pay tax at graduated rates if their U.S. income exceeds $21,200.

These and other changes are designed to modify those provisions which have served to complicate present law or which have created enforcement difficulties without producing compensating advantages for the United States. They should do much to insure a more favorable tax climate for foreign investment in the United States.

Late in the last congressional session, this legislation was introduced at the instruction of the House Ways and Means Committee so that it would be available for the information of the general public. The Committee Print issued at the time the bill was introduced states that comments received by the Committee will be reviewed before the Bill is reported to the House in the next session of Congress. If you have an interest in the ultimate shape of this important piece of legislation, I hope you will make every effort to present your views.

This effort to encourage foreign investment in our securities must of course extend beyond the financial community. United States corporations, for example, are seeking out ways to make their shares more accessible to foreign purchasers. The task force I headed suggested that corporations might adopt programs directed toward stimulating share ownership by employees of foreign subsidiaries. General Motors, to cite one instance, has been active in extending its stock option and bonus plans to employees in other countries with excellent results.

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In the meantime, while we are all making these efforts to encourage foreign purchase of our securities, we look forward to more rapid improvement in the development of capital markets abroad.

We must frankly acknowledge that it is probably impossible for the world to maintain satisfactory balance of payments equilibrium with the United States market both efficient and free of controls or disincentives and European markets either inefficient or restricted, or both. Beginning with the efforts of my distinguished predecessor, Douglas Dillon, our government has persistently urged improvements in the structure, capacity and efficiency of European capital markets -- thus to help reduce and eventually remove the deep divergence between markets here and abroad.

While we have always realized that these desired improvements could not be accomplished overnight, it has become clear that at the present pace the necessary development and growth of capital markets abroad will take longer than we expected. The persistence of high interest rates in the face of economic slack in some countries -- even when the policy is one of monetary ease -- is in itself proof of the impediments that still remain. The conditions which prevailed in German markets through much of this year, where long-term bond rates have risen to the 7-8 percent levels, bear further witness to the need for greater effort.

Yet the situation is not without some encouraging signs. New foreign bond issues in European capital markets this year will probably not be far below the impressive $1 billion of last year -- compared to an annual average of under $500 million in the 1961-63 period. The market for foreign bond issues in Germany has escaped many of the difficulties experienced in markets for domestic securities there. The French authorities have introduced a number of measures designed to effect important structural changes in French financial institutions. American corporations have found that, with the exercise of their customary ingenuity and enterprise, they have been able to borrow more extensively in Europe for the financing of their overseas investment plans than they had anticipated.

In short, if European authorities are impatient with our progress in eliminating our payments deficit, then we must urge them to show equal impatience with their own

progress in strengthening their capital markets -- for, more than any other factor, it is the persistent inadequacy of European markets that will prolong the need for, and postpone the end of, our programs of voluntary restraint as well as our Interest Equalization tax.

We must not, however, imagine -- even for a moment -- that anything can relieve us of our responsibility to bring our payments into swift and sure equilibrium. That responsibility requires that we both improve the surplus in our current account and reduce world dependence upon our capital market, thus creating the kind of climate that will remove the need for voluntary restraints. That responsibility requires that government and the business and financial community continue to make common cause in the national interest.

Let none of us mistake the challenge -- it is large and it is urgent. We must meet it -- and together I am confident we can and will.

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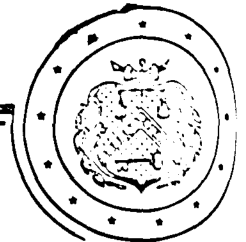
TREASURY DEPARTMENT



WASHINGTON, D.C.

FOR RELEASE 6:30 P.M.,
Monday, November 29, 1965.

RESULTS OF TREASURY'S WEEKLY BILL OFFERING

The Treasury Department announced today that the tenders for two series of Treasu bills, one series to be an additional issue of the bills dated September 2, 1965, and the other series to be dated December 2, 1965, which were offered on November 24, were opened at the Federal Reserve Banks on November 29. 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 March 3, 1966		:	182-day Treasury bills maturing June 2, 1966	
	Price	Approx. Equiv. Annual Rate	:	Price	Approx. Equiv. Annual Rate
High	98.966 a/	4.091%	:	97.856 b/	4.241%
Low	98.957	4.126%	:	97.848	4.257%
Average	98.960	4.115% 1/	:	97.852	4.249% 1/

a/ Excepting one tender of $158,000; b/ Excepting one tender of $100,000
62 percent of the amount of 91-day bills bid for at the low price was accepted
23 percent of the amount of 182-day bills bid for at the low price was accepted

TOTAL TENDERS APPLIED FOR AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

District	Applied For	Accepted	:	Applied For	Accepted
Boston	$ 26,862,000	$ 16,862,000	:	$ 21,169,000	$ 5,969,00
New York	1,368,027,000	814,467,000	:	1,368,985,000	771,865,00
Philadelphia	25,978,000	13,978,000	:	17,117,000	9,117,00
Cleveland	26,067,000	26,067,000	:	35,126,000	24,781,00
Richmond	19,606,000	13,416,000	:	15,611,000	5,111,00
Atlanta	43,152,000	29,646,000	:	32,437,000	13,572,00
Chicago	162,848,000	118,558,000	:	151,107,000	101,257,00
St. Louis	39,889,000	30,395,000	:	22,244,000	14,244,00
Minneapolis	19,786,000	18,026,000	:	10,916,000	9,531,00
Kansas City	25,025,000	25,025,000	:	13,337,000	12,837,00
Dallas	26,199,000	18,819,000	:	12,193,000	8,423,00
San Francisco	81,079,000	75,329,000	:	84,036,000	23,646,00
TOTALS	$1,864,518,000	$1,200,588,000 c/		$1,784,278,000	$1,000,353,00

c/ Includes $237,361,000 noncompetitive tenders accepted at the average price of 98.
d/ Includes $112,595,000 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 these bills would provide yields of 4.22%, for the 91-day bills, and 4.40%, for th 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 semiannu compounding if more than one coupon period is involved.

United States Savings Bonds Issued and Redeemed Through October 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
TURED				
Series A-1935 - D-1941	5,003	4,993	10	.20
Series F & G-1941 - 1952	29,521	29,441	80	.27
Series J and K - 1952	400	392	8	2.00
MATURED				
Series E: 3/				
1941	1,848	1,591	257	13.91
1942	8,163	7,051	1,112	13.62
1943	13,143	11,379	1,764	13.42
1944	15,313	13,144	2,169	14.16
1945	12,005	10,080	1,926	16.04
1946	5,410	4,324	1,087	20.09
1947	5,107	3,914	1,193	23.36
1948	5,268	3,940	1,328	25.21
1949	5,191	3,801	1,390	26.78
1950	4,533	3,252	1,281	28.26
1951	3,925	2,813	1,112	28.33
1952	4,112	2,905	1,206	29.33
1953	4,685	3,192	1,492	31.85
1954	4,766	3,133	1,633	34.26
1955	4,958	3,117	1,841	37.13
1956	4,754	2,917	1,836	38.62
1957	4,454	2,681	1,773	39.81
1958	4,315	2,463	1,852	42.92
1959	4,039	2,277	1,762	43.62
1960	4,029	2,143	1,887	46.84
1961	4,048	2,001	2,048	50.59
1962	3,896	1,829	2,067	53.05
1963	4,322	1,777	2,545	58.88
1964	4,219	1,544	2,675	63.40
1965	2,674	553	2,121	79.32
Unclassified	429	433	-3	-
Total Series E	139,607	98,254	41,353	29.62
ries H (1952 - Jan. 1957) 3/	3,670	1,811	1,860	50.68
H (Feb. 1957 - 1965)	7,011	1,130	5,881	83.88
Total Series H	10,682	2,941	7,741	72.47
Total Series E and H	150,288	101,195	49,093	32.67
ries J and K (1953 - 1957)	3,333	2,168	4/ 1,166	34.98
l Series: Total matured	34,924	34,825	99	.28
l Series: Total unmatured	153,622	103,362	50,259	32.72
l Series: Grand Total	188,546	138,187	50,358	26.71

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

BUREAU OF THE PUBLIC DEBT

United States Savings Bonds Issued and Redeemed Through September 30, 1965
(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	% Outstanding of Amt. Issued
MATURED				
Series A-1935 - D-1941	$ 5,003	$ 4,993	$ 10	.20
Series F & G-1941 - 1952	29,521	29,439	82	.28
Series J and K - 1952	400	391	9	2.25
UNMATURED				
Series E: 3/				
1941	1,847	1,589	258	13.97
1942	8,160	7,045	1,115	13.66
1943	13,136	11,368	1,768	13.46
1944	15,310	13,131	2,179	14.23
1945	12,001	10,066	1,935	16.12
1946	5,407	4,318	1,089	20.14
1947	5,104	3,908	1,196	23.43
1948	5,265	3,933	1,332	25.30
1949	5,187	3,793	1,394	26.87
1950	4,530	3,245	1,285	28.37
1951	3,922	2,806	1,116	28.45
1952	4,109	2,898	1,211	29.47
1953	4,681	3,182	1,498	32.00
1954	4,761	3,120	1,641	34.47
1955	4,960	3,099	1,861	37.52
1956	4,741	2,907	1,834	38.68
1957	4,448	2,673	1,776	39.93
1958	4,309	2,454	1,855	43.05
1959	4,033	2,268	1,765	43.76
1960	4,023	2,133	1,890	46.98
1961	4,042	1,988	2,053	50.79
1962	3,889	1,815	2,075	53.36
1963	4,314	1,758	2,556	59.25
1964	4,213	1,507	2,706	64.23
1965	2,384	448	1,937	81.25
Unclassified	375	442	-67	-
Total Series E	139,152	97,895	41,257	29.65
Series H (1952 - Jan. 1957) 3/	3,670	1,786	1,885	51.36
H (Feb. 1957 - 1965)	6,969	1,116	5,853	83.99
Total Series H	10,639	2,902	7,737	72.72
Total Series E and H	149,791	100,797	48,994	32.71
Series J and K (1953 - 1957)	3,332	2,147	4/ 1,185	35.56
All Series: Total matured	34,924	34,823	101	.29
All Series: Total unmatured	153,123	102,943	50,180	32.77
All Series: Grand Total	188,047	137,766	50,281	26.74

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